CONSECO INC
Form S-1/A
April 28, 2004

As filed with the Securities and Exchange Commission on April 28, 2004

No. 333-112312

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 3
to

Form S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Conseco, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**6321**	**75-3108137**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

11825 N. Pennsylvania Street

Carmel, Indiana 46032
(317) 817-6100
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Eugene M. Bullis, Executive Vice President and Chief Financial Officer

William S. Kirsch, Executive Vice President, General Counsel and Secretary
Conseco, Inc.
11825 N. Pennsylvania Street
Carmel, Indiana 46032
(317) 817-6100
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of all communications, including communications sent to agent for service, should be sent to:

James S. Rowe	**Vincent J. Pisano**	**William J. Whelan, III**
Kirkland & Ellis LLP	**Kirkland & Ellis LLP**	**Andrew J. Pitts**
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(312) 861-2000	**New York, New York 10022**	**825 Eighth Avenue**
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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, par value $0.01 per share	50,600,000	$22.65(2)	$1,146,090,000(2)	$145,210
Mandatorily Convertible Preferred Stock, Class B, par value $0.01 per share	23,000,000	$25.00	$575,000,000	$72,853
Total			$1,721,090,000	$218,063(3)

(1) Includes amount attributable to shares of common stock and Mandatorily Convertible Preferred Stock, Class B that may be purchased by the underwriters under an option to purchase additional shares at the public offering price less the underwriting discount.
(2) Estimated solely for purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933 based on the average of the high and low prices of the Common Stock on the New York Stock Exchange on April 21, 2004.
(3) Previously paid.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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EXPLANATORY NOTE

This Registration Statement contains alternate sections, paragraphs, sentences or phrases which will be contained in two forms of prospectus covered in this Registration Statement, one to be used in connection with an offering of shares of our common stock and the other to be used in connection with a concurrent offering of shares of our class B mandatorily convertible preferred stock. Those sections, paragraphs, sentences or phrases that will appear only in the common stock prospectus are marked at the beginning of such section, paragraph, sentence or phrase by the symbol **[C]** and those that will appear only in the class B mandatorily convertible preferred stock prospectus are designated with the symbol **[P]**. Unless so indicated with a **[C]** or **[P]**, the language therein will appear in both forms of prospectus.

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[C]

Subject to Completion, Dated April 28, 2004

44,000,000 Shares

Conseco, Inc.

Common Stock

We are offering 44,000,000 shares of our common stock. Concurrently with this offering, we are offering 20,000,000 shares of our % class B mandatorily convertible preferred stock. The closing of this offering is not conditioned upon the closing of the class B preferred stock offering.

Our common stock is listed on the New York Stock Exchange under the symbol CNO. The last reported sale price of our common stock on April 27, 2004 was $22.33 per share.

Investing in our securities involves risks. See Risk Factors beginning on page 15 to read about factors you should consider before buying our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial price to public	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Conseco	$	$

To the extent that the underwriters sell more than 44,000,000 shares of common stock, the underwriters have the option to purchase up to an additional 6,600,000 shares from us at the initial price to public less the underwriting discount.

The underwriters expect to deliver the shares of common stock to purchasers on , 2004.

Goldman, Sachs & Co. **Morgan Stanley**

Banc of America Securities LLC

Credit Suisse First Boston

Deutsche Bank Securities
JPMorgan
Lazard

Advest, Inc.

Keefe, Bruyette & Woods

Prospectus dated , 2004.

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[P]

Subject to Completion, Dated April 28, 2004

20,000,000 Shares

Conseco, Inc.

% Mandatorily Convertible Preferred Stock, Class B

(liquidation preference $25 per share)

We are offering 20,000,000 shares of our % mandatorily convertible preferred stock, class B. Concurrently with this offering, we are offering 44,000,000 shares of our common stock. The closing of this offering is conditioned upon the closing of the common stock offering.

Dividends on the shares of class B preferred stock will be cumulative from the date of issuance and will be payable February 15, May 15, August 15 and November 15 of each year, commencing on August 15, 2004. Accumulated unpaid dividends will cumulate dividends at the annual rate of %. The dividend rate is $ per share per annum.

On the mandatory conversion date, each share of class B preferred stock will automatically convert into shares of our common stock based on the conversion rates described in this prospectus. Our common stock is listed on the New York Stock Exchange under the symbol CNO. The last reported sale price of our common stock on April 27, 2004 was $22.33 per share.

Prior to this offering there has been no public market for the class B preferred stock. We intend to list the class B preferred stock on the New York Stock Exchange under the symbol CNO PrB.

Investing in our securities involves risks. See Risk Factors beginning on page 15 to read about factors you should consider before buying our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial price to public	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Conseco	$	$

To the extent that the underwriters sell more than 20,000,000 shares of class B preferred stock, the underwriters have the option to purchase up to an additional 3,000,000 shares of class B preferred stock from us at the initial price to public less the underwriting discount.

The underwriters expect to deliver the shares of class B preferred stock to purchasers on , 2004.

Goldman, Sachs & Co. **Morgan Stanley**

JPMorgan

Banc of America Securities LLC

Credit Suisse First Boston

Lazard

Prospectus dated , 2004.

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PROSPECTUS SUMMARY

Our Business

We are a holding company for a group of insurance companies operating throughout the United States that develop, market and administer supplemental health insurance, annuity, individual life insurance and other insurance products. We focus on serving the senior and middle-income markets, which we believe are attractive, high growth markets. We sell our products through three distribution channels: career agents, professional independent producers and direct marketing. As of December 31, 2003, we had $2.8 billion of shareholders equity and $29.9 billion of assets. For the four months ended December 31, 2003, we had $1,505.5 million of revenues and $96.3 million of net income.

We conduct our business operations through two primary operating segments, based primarily on method of product distribution, and a third segment comprised of businesses in run-off. Prior to September 30, 2003, we conducted our insurance operations through one segment. In the fourth quarter of 2003, we implemented changes contemplated in our restructuring plan to conduct our business through the following segments:

Bankers Life, which consists of the businesses of Bankers Life & Casualty Company and Colonial Penn Life Insurance Company. Bankers Life & Casualty markets and distributes Medicare supplement insurance, life insurance, long-term care insurance and fixed annuities to the senior market through approximately 4,000 exclusive career agents and sales managers. Colonial Penn markets life insurance directly to consumers through television advertising, direct mail, the internet and telemarketing. Both Bankers Life & Casualty and Colonial Penn market their products under their own brand names.

Conseco Insurance Group, which markets and distributes specified disease insurance, Medicare supplement insurance and certain life and annuity products to the senior and middle-income markets through over 500 independent marketing organizations that represent over 9,100 producing independent agents. This segment markets its products under the Conseco brand.

Other business in run-off, which includes blocks of business that we no longer market or underwrite and are managed separately from our other businesses. This segment consists of long-term care insurance sold through independent agents and major medical insurance.

We also have a corporate segment, which consists of holding company activities and certain non-insurance company businesses that are not related to our operating segments.

The following table sets forth information on our segments for the four months ended December 31, 2003 (dollars in millions):

	Collected Premiums		Income Before Income Taxes
	$	Percentage	
Bankers Life	$ 720.3	54.8%	$ 85.5
Conseco Insurance Group	421.6	32.0	94.3
Other Business In Run-off	173.9	13.2	12.8
Corporate			(43.1)
Total	$1,315.8	100.0%	$149.5

Our Restructuring

We are in the process of significantly restructuring our business through a process which included the bankruptcy of our predecessor company and our subsequent emergence from bankruptcy on September 10, 2003. None of our insurance company subsidiaries were a part of the bankruptcy petitions, although the bankruptcy did cause disruptions to our insurance operations.

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We have achieved several critical financial goals as part of our restructuring, including:

- reducing our debt and other obligations by $5.7 billion,
- disposing of the assets of our predecessor s finance business,
- selling non-core operating subsidiaries such as Conseco Variable Insurance Company,
- improving the risk profile of our investment portfolio, and
- improving the financial strength of our insurance companies as measured by risk-based capital.

We have also recruited and integrated new members into our management team, and we have a new board of directors. Since our emergence from bankruptcy, management has continued to take steps in an effort to improve our profitability and further streamline our business. For example, in September 2003, we sold our stake in the General Motors building in New York City, which increased the statutory capital and surplus of our insurance subsidiaries by over $350 million.

We have also undertaken several strategic initiatives to streamline our business lines, focusing on those businesses we believe are most profitable. These initiatives include emphasizing the sales of Medicare supplement and specified disease products and de-emphasizing sales of certain annuity and life products, ceasing sales of long-term care products in Conseco Insurance Group and attempting to re-price certain lines of business through significant rate increases.

The next stage of our restructuring, which includes the offering of our common stock and the offering of the class B preferred stock, is a recapitalization of our current balance sheet. The completion of the offering of our class B preferred stock is conditioned upon the completion of the offering of our common stock. The completion of the offering of our common stock is not conditioned upon the completion of the offering of our class B preferred stock. Our current capitalization is presented below:

	As of December 31, 2003
	(In millions)
Notes payable	$1,300.0
Equity:	
Preferred stock, par value $0.01 per share, 265,000,000 authorized; 34,386,740 shares of class A senior cumulative convertible exchangeable preferred stock issued and outstanding	887.5
Common stock, par value $0.01 per share, 8,000,000,000 authorized; 100,115,772 issued and outstanding	1.0
Additional paid-in-capital	1,641.9
Accumulated other comprehensive income	218.7
Retained earnings	68.5
Total equity	2,817.6
Total capitalization	$4,117.6

Our recapitalization has two components:

Redemption of our existing preferred stock. We plan to use a portion of the proceeds of the offerings to redeem all of our outstanding class A senior cumulative convertible exchangeable preferred stock.

Reduction and replacement or renegotiation of our existing bank credit facility. We intend to reduce our overall senior indebtedness, reduce our borrowing costs and improve the terms and conditions of our existing bank credit facility. We believe that we can achieve these goals by using a portion of the proceeds of the offerings of our common stock and our class B preferred stock to

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retire a portion of our existing debt and/or by renegotiating the terms of our existing bank credit facility.

By redeeming all the class A preferred stock and reducing our overall indebtedness, our goals are to improve the financial flexibility of our top-tier holding company and improve the financial strength ratings of our insurance companies. The completion of the common stock offering is not conditioned upon completion of the class B preferred stock offering, and if we complete the common stock offering but not the class B preferred stock offering, we will have fewer proceeds to apply in this regard.

Competitive Strengths

We believe our competitive strengths have enabled and will continue to enable us to capitalize on the opportunities in our target markets. These strengths include:

- our position as a leading national provider of life and health insurance products to the senior market,
- our broad-based distribution networks,
- our strong, nationally recognized brand names, and
- our experienced management with a proven track record.

Leading National Provider of Life and Health Insurance Products to the Senior Market. The Bankers Life segment is one of the leading national providers of life and health insurance products focused primarily on the senior market. The career agents and direct distribution channels within Bankers Life provide a number of products that are important to the financial well-being of seniors: supplemental health coverage, including Medicare supplement and long-term care insurance, as well as selected life and annuity products. According to the most recently published study on the Medicare supplement market by the Life Insurance Marketing Research Association, we were ranked third in sales of agent-distributed Medicare supplement insurance based on collected premiums in 2003. Our approximately 4,000 career agents are trained to cater to the needs of the senior market. Current demographic trends indicate that the senior market will continue to grow, and we believe our focus on seniors will provide us with a significant opportunity to increase our share of this market.

Broad-Based Distribution Networks. Our broad-based distribution networks provide us with a number of ways to reach our target markets. Our career agents and direct distribution channels focus on the senior market. We also have independent agents who focus on senior market products such as Medicare supplement insurance. Our independent agents also sell certain of our products that are specifically designed for the under-age-65 middle-income market. These products include our specified disease insurance coverage, such as cancer and heart/stroke products, as well as equity-indexed life insurance and equity-indexed annuities. Despite the bankruptcy, we have retained the majority of our career agents, including 80 percent of our top 1,000 career agents. Our top 1,000 career agents collectively accounted for over 50 percent of Bankers Life & Casualty s sales during 2003. In 2003, 52 percent of our sales were through career agents, 45 percent were through independent distributors and 3 percent were through direct marketing by Colonial Penn.

Strong, Nationally Recognized Brand Names. We believe our brands are widely recognized by our customers and distributors. We believe we have successfully developed product-focused consumer recognition in our chosen markets through three distinct brands Conseco, Bankers Life & Casualty and Colonial Penn. We believe our multiple-brand strategy has helped us maintain sales of certain key products, such as Medicare supplement, and retain business through our reorganization. We continue to raise the profile of our brands through our Step Up campaign and several national and local community sponsorship arrangements, including the Indy Racing League and the Conseco Fieldhouse in Indianapolis, home to the Indiana Pacers NBA basketball team. In addition, we continue to raise the profile of our Bankers Life brand through our continued relationship with the Alzheimer s Association and International Longevity Center as well as a renewed relationship with Paul Harvey, who for many years was the spokesperson for Bankers Life & Casualty. We believe that our brands give us a key competitive advantage, allowing us to continue to build and maintain strong relationships with our customers and distributors.

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Experienced Management With a Proven Track Record. Our strong, experienced senior management team has led us through our restructuring to date. Our management is led by our President and Chief Executive Officer, William J. Shea, who has over 25 years of financial services experience and joined Conseco in 2001. Mr. Shea has served as Vice Chairman and Chief Financial Officer of BankBoston Corporation and as Partner and Vice Chairman of PricewaterhouseCoopers LLP, formerly Coopers & Lybrand LLP. In addition to our experienced senior management team, our Non-Executive Chairman, R. Glenn Hilliard, has over 35 years of insurance experience, having served most recently as Chairman and CEO of ING Americas. Mr. Hilliard joined our board in September 2003. Our management s knowledge and experience have helped us maintain our business operations through the restructuring and are expected to provide us with opportunities to further enhance our business in the future.

Summary Risk Factors

You should carefully consider the following important risks:

Our recent bankruptcy and legal proceedings in which we are involved may continue to disrupt our operations and hamper our efforts to restore confidence in the Conseco brand, which may negatively impact our financial results and liquidity.

An important competitive factor for our insurance subsidiaries is the financial strength ratings they receive from nationally recognized rating organizations. Most of our competitors have higher financial strength ratings than we do and we believe it is critical for us to improve our ratings to be competitive. If we are not able to improve and maintain the financial strength ratings of our insurance subsidiaries, we may experience lower sales, increased agent attrition and increased policyholder lapses and redemptions.

Despite our recent emergence from bankruptcy, we continue to have a substantial amount of indebtedness. If we fail to meet our repayment obligations or to meet or maintain various covenants and financial ratios under our senior credit facility, our lenders are entitled to accelerate the repayment of these loans. If the loans are accelerated and we do not have sufficient liquidity to repay them, we may be forced to seek bankruptcy protection again. In addition, our senior credit facility may restrict our ability to engage in activities that may be beneficial to our future growth and profitability.

We are an insurance holding company with no business operations of our own. As a result, we depend on our subsidiaries for cash to meet our obligations. The ability of our insurance subsidiaries to distribute cash to us is subject to state insurance regulations. Accordingly, our ability to meet our obligations **[P]**, including our obligation to pay dividends on the class B preferred stock, may be constrained by our subsidiaries ability under state insurance regulations to distribute cash to us.

We set premium rates on our insurance policies based on facts and circumstances at the time we issue the policies and on assumptions about numerous variables. When we set premium rates, we cannot predict with certainty what the actual claims on our policies will be. This is particularly true in the context of setting rates on our long-term care policies, for which we have relatively limited historical claims experience. If our premium rates are not adequate or if we are unable to obtain regulatory approval to increase our premium rates, our results of operations will be negatively affected.

Please see Risk Factors for information on these and other risks related to our business and this offering.

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Strategy

Our objective is to generate attractive returns on equity while growing a stable, well capitalized insurance business focused on serving the middle-income and senior markets. We intend to achieve these objectives by executing the following strategies:

- focus on the senior and middle-income markets,
- continue to improve our financial condition,
- use our distribution network to strengthen market access, and
- continue to improve our operational efficiency.

Focus on the Senior and Middle-Income Markets. We are committed to serving the senior and middle-income markets in the United States. Our customer base includes approximately 3.8 million policyholders. According to the January 2004 issue of Journal of Financial Service Professionals, the population of the United States age 50 or older is projected to increase by approximately 27 percent from 2004 to 2014. We have taken several steps in recent periods to sharpen our focus on both markets by strengthening our distribution, reducing our sales of non-core life and annuity products and introducing new and innovative supplemental health and retirement savings products targeting senior and middle-income customers.

Continue to Improve Our Financial Condition. We seek to continue to improve our financial condition by reducing debt at the holding company, maintaining adequate risk-based capital in our operating subsidiaries and focusing on marketing profitable products. We took a series of actions in 2002 and 2003 to enhance our financial condition. In addition to reducing our debt and other obligations at the holding company by $5.7 billion through the bankruptcy, we improved the risk profile of our investment portfolio and the financial strength of our insurance companies as measured by risk-based capital. Our fixed maturity investment portfolio is primarily comprised of government, investment grade and structured securities. Below-investment grade securities comprised 3.9 percent of our fixed maturity portfolio as of December 31, 2003, down from 6.5 percent as of December 31, 2002. Our insurance companies consolidated company action level risk-based capital ratio improved from 166 percent at December 31, 2002 to 287 percent at December 31, 2003. The risk-based capital ratio is one of the tools insurance regulators use to determine the adequacy of an insurance company s capital. See Management s Discussion and Analysis of Consolidated Financial Condition and Results of Operations Statutory Information for further information. We intend to continue to manage our business with a view to improving our capitalization, financial strength and ratings.

Use Our Distribution Network to Strengthen Market Access. We seek to use our broad distribution channels to meet our customers needs and enhance our market presence. We believe we have created appropriate incentives focused on persistent and profitable production, as well as improved monitoring and tracking of production and persistency levels by distributor. We promote cross-selling of life, supplemental health and retirement savings products in certain markets to capture a greater share of our policyholders coverage needs. In addition, we utilize our independent producers and career agent network as important sources of information regarding the evolving needs of our customer base. As a result, our products are tailored to include the specific features that we believe are most important to our customers. If we are successful in raising our ratings, we expect to be able to add new agents to our career and independent agency distribution channels, which we believe will result in increased sales of our insurance products.

Continue to Improve Our Operational Efficiency. We have undertaken several initiatives to improve our operational efficiency and lower costs. We have simplified our organizational structure by divesting certain businesses and consolidating several legal entities. We are in the process of integrating policy administration and claims management systems from previous acquisitions to lower our operational costs in our Conseco Insurance Group segment. We intend to reduce the number of policy administration and related support systems by 50 percent, from 33 systems in April 2003 to 16 systems by the end of 2004. We have also reduced our headcount over the past two years and have focused on improving the productivity of our employees, career agents and independent distributors. We intend to continue to work to improve our operational efficiency by rationalizing expenses and systems in an effort to enhance our service standards and profitability.

We also intend to consider from time to time, as we have in the past, various strategic alternatives to enhance shareholder value, including but not limited to acquisitions, dispositions, business combinations, joint ventures and strategic alliances. We do not currently have any definitive plans to enter into any such transactions.

Corporate Information

We are a corporation organized under the laws of the State of Delaware, and the successor to Conseco, Inc., an Indiana corporation. We emerged from bankruptcy on September 10, 2003. Our principal executive offices are located at 11825 N. Pennsylvania Street, Carmel, Indiana 46032, and our telephone number at this location is (317) 817-6100. Our website is www.conseco.com. Information on our website should not be construed to be part of this prospectus.

Our common stock is listed on the New York Stock Exchange under the symbol CNO, and our series A warrants are listed on the New York Stock Exchange under the symbol CNOWS. Our class A preferred stock currently trades on the Over-the-Counter Bulletin Board under the symbol CNSJP.

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[C] The Offering

Issuer	Conseco, Inc.
Common stock offered	44,000,000 shares
Common stock to be outstanding after this offering	144,115,772 shares if the underwriters do not exercise the option to purchase additional shares.
Over-allotment option	6,600,000 shares
Use of proceeds	We intend to use the net proceeds of this offering, together with the net proceeds of the concurrent class B preferred stock offering, to redeem all of our outstanding class A preferred stock, to repay indebtedness under our existing senior credit facility, to contribute capital to our insurance subsidiaries and/ or for general corporate purposes. The completion of the common stock offering is not conditioned upon completion of the class B preferred stock offering.
NYSE symbol	CNO

The number of shares of our common stock shown above to be outstanding after this offering is based on 100,115,772 shares, the number of shares of our common stock outstanding as of April 6, 2004, and excludes:

- 6 million shares of common stock issuable upon the exercise of outstanding series A warrants at an exercise price of $27.60 per share;
- 43.6 million shares of common stock issuable upon the conversion of outstanding class A preferred stock at a conversion price of $20.35 per share, which shares are not convertible into common stock until September 30, 2005, and which we intend to redeem with the proceeds of this offering and the concurrent class B preferred stock offering;
- the shares of common stock issuable upon the conversion of the class B preferred stock expected to be issued in the concurrent offering;
- 1 million shares of common stock issuable upon the exercise of outstanding options at a weighted average exercise price per share of $18.01;
- an aggregate of approximately 2 million shares of unvested restricted stock granted to our directors and officers;
- approximately 3 million shares of common stock issuable upon the exercise of options to purchase common stock under our long-term equity incentive plan that we currently intend to grant to our officers on or shortly after the date of this prospectus at an exercise price equal to the fair market value on the date of grant; and
- approximately 4 million shares of common stock available for other future grants under our long-term equity incentive plan.

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[P] The Offering

Issuer	Conseco, Inc.
Securities offered	20,000,000 shares of % class B mandatorily convertible preferred stock, which we call the class B preferred stock.
Option to purchase additional class B preferred stock	The underwriters have the option to purchase up to 3,000,000 additional shares of class B preferred stock from us at the public offering price, less underwriting discounts and commissions, within 30 days from the date of this prospectus. If the underwriters exercise their option to purchase additional shares of class B preferred stock in full, we will have 23,000,000 shares of class B preferred stock outstanding.
Dividends	$ per year for each share of class B preferred stock. Dividends will be cumulative from the date of issuance, and to the extent that assets are legally available to pay dividends and such payments will not violate the agreement that governs our senior credit facility, we will pay dividends in cash on each dividend payment date. Accumulated unpaid dividends will cumulate dividends at the annual rate of %. The dividend payable on the first dividend payment date is $, and on each subsequent dividend payment date will be $.
Dividend payment dates	February 15, May 15, August 15 and November 15 of each year, commencing on August 15, 2004.
Redemption	The class B preferred stock will not be redeemable.
Mandatory conversion date	May 15, 2007, which we call the mandatory conversion date.
Automatic conversion	On the mandatory conversion date, each share of class B preferred stock will automatically convert into shares of our common stock, based on the conversion rate described below. The holders of the class B preferred stock on the mandatory conversion date will have the right to receive the cash dividends due on such date, including any accrued and unpaid dividends on the shares of class B preferred stock as of the mandatory conversion date, whether or not declared prior to such date, provided that we have legally available assets for the payment of cash dividends at such time and such payments will not violate the agreement that governs our senior credit facility. If we are unable to pay any or all accumulated dividends in cash on the mandatory conversion date, then we will deliver to the holders of the class B preferred stock shares of our common stock in respect of the dividends which we are unable to pay in cash.
Conversion rate	The conversion rate for each share of class B preferred stock will be not more than shares and not less than shares of our common stock, depending on the applicable market value of our common stock on the mandatory conversion date. The applicable market value of our common stock is the arithmetic average of the closing price per share of our common stock on

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each of the 20 consecutive trading days ending on the third trading day immediately preceding the mandatory conversion date.

The following table illustrates the conversion rate per share of class B preferred stock:

Applicable Market Value on Mandatory Conversion Date	Conversion Rate
less than or equal to $	
between $ and $	to
equal to or greater than $	

Optional conversion

At any time prior to May 15, 2007 and on or after the day immediately following the issue date of the class B preferred stock, you may elect to convert each of your shares of class B preferred stock at the minimum conversion rate of shares of our common stock for each share of class B preferred stock.

Provisional conversion at our option

If at any time prior to May 15, 2007 and on or after the day immediately following the issue date of the class B preferred stock, the closing price per share of our common stock exceeds $, subject to anti-dilution adjustments, for at least 20 trading days within a period of 30 consecutive trading days, we may elect to cause the conversion of all, but not less than all, of the shares of class B preferred stock then outstanding at the minimum conversion rate of shares of our common stock for each share of class B preferred stock. We may elect to cause this conversion only if, in addition to issuing you such shares of common stock, we pay you in cash the present value of all the remaining dividend payments on the class B preferred stock through and including May 15, 2007, computed using a discount rate equal to the treasury yield, as well as any accrued and unpaid dividends on the shares of class B preferred stock, whether or not declared, in each case, out of legally available assets.

Early conversion upon cash merger

If we are involved in a merger prior to the mandatory conversion date in which at least 30% of the consideration for our common stock consists of cash or cash equivalents, which we refer to as a cash merger, then on the date specified in our notice to you each holder of shares of class B preferred stock will have the right to convert their shares of class B preferred stock into shares of our common stock at the conversion rate in effect immediately prior to the cash merger.

Anti-dilution adjustments

The formula for determining the conversion rate on the mandatory conversion date and the number of shares of our common stock to

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	be delivered upon an early conversion event may be adjusted in some circumstances.
Liquidation preference	$25 per share of class B preferred stock, plus an amount equal to the sum of all accrued and unpaid dividends.
Voting rights	Holders of shares of class B preferred stock will only be entitled to voting rights in limited circumstances.
Ranking	The class B preferred stock will rank:

junior to all of our and our subsidiaries existing and future debt obligations;

junior to any class or series of our capital stock the terms of which provide that such class or series will rank senior to the class B preferred stock;

senior to any class or series of our capital Stock the terms of which provide that such class or series will rank junior to the class B preferred stock;

senior in right of payment to all of our class A preferred stock and common stock now outstanding or to be issued in the future; and

on a parity with any other class or series of our capital stock ranking pari passu with the class B preferred stock as to the payment of dividends or the distribution of assets upon distribution, liquidation or winding up.

As of December 31, 2003, we had total outstanding indebtedness of $1.3 billion, and our subsidiaries had no outstanding indebtedness, excluding intercompany balances and guarantees.

We will not be entitled to issue any class or series of our capital stock the terms of which provide that such class or series will rank senior to the class B preferred stock without the consent of the holders of at least two- thirds of the shares of the class B preferred stock.

As of the date of this prospectus, we are authorized to issue up to 8,000,000,000 shares of common stock, $0.01 par value per share. As of December 31, 2003, 100,115,772 shares of common stock were issued and outstanding. In addition, as of such date, there were:

6 million shares of common stock issuable upon the exercise of our outstanding series A warrants at an exercise price of $27.60 per share;

43.6 million shares of common stock issuable upon the conversion of our outstanding class A preferred stock at a conversion price of $20.35 per share, which shares are not convertible into common stock until September 30, 2005, and which we intend to redeem with the proceeds of this offering and the concurrent common stock offering;

	1 million shares of common stock issuable upon the exercise of outstanding options at a weighted average exercise price per share of $18.01;
	an aggregate of approximately 2 million shares of unvested restricted stock granted to our officers and directors;
	approximately 3 million shares of common stock issuable upon the exercise of options to purchase common stock under our long-term equity incentive plan that we currently intend to grant to our officers on or shortly after the date of this prospectus at an exercise price equal to the fair market value on the date of grant; and
	approximately 4 million shares of common stock available for other future grants under our long-term equity incentive plan.
Use of proceeds	We intend to use the net proceeds of this offering, together with the net proceeds of the concurrent common stock offering, to redeem all outstanding shares of our class A preferred stock, to repay indebtedness under our existing senior credit facility, to contribute capital to our insurance subsidiaries and/or for general corporate purposes. The completion of this offering is conditioned upon completion of the common stock offering.
NYSE symbol	We intend to list the class B preferred stock on the New York Stock Exchange under the symbol CNO PrB.

For further information regarding the class B preferred stock, including, among other things, more complete descriptions of our dividend obligations, the conversion of the class B preferred stock, and the anti-dilution adjustments and voting rights applicable to the class B preferred stock, please see Description of the Mandatorily Convertible Preferred Stock beginning on page 137 of this prospectus.

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Summary Financial Data

The following table sets forth summary financial data for Conseco, Inc. as of and for the four months ended December 31, 2003, for the eight months ended August 31, 2003, and for each of the two years ended December 31, 2002. The data should be read in conjunction with Management s Discussion and Analysis of Consolidated Financial Condition and Results of Operations and our consolidated financial statements and related notes included in this prospectus.

We and certain of our subsidiaries emerged from chapter 11 bankruptcy proceedings on September 10, 2003. However, for accounting convenience, the effective date of the plan of reorganization was deemed to have occurred on August 31, 2003. Fresh start accounting has been implemented as of August 31, 2003, and accordingly, we restated all of our assets and liabilities to their current estimated value, reestablished shareholders equity at the reorganization value determined in connection with our Sixth Amended Joint Plan of Reorganization, and recorded the portion of the reorganization value which could not be attributed to specific tangible or identified intangible assets as goodwill. As a result, our financial statements for periods following August 31, 2003 are not comparable with those prepared before that date.

For financial reporting purposes, we refer to Conseco and its subsidiaries on or prior to August 31, 2003 as the predecessor company and after August 31, 2003 as the successor company.

As part of our chapter 11 reorganization, we sold the assets of our finance business and exited this line of business effective March 31, 2003. In October 2002, we sold Conseco Variable Insurance Company, our primary writer of variable annuity products. The results of operations of these former businesses have been reported as discontinued operations in all periods prior to their sale presented in the summary financial data. The predecessor s net income (loss) includes amounts related to the discontinued operations of $16.0 million, $(2,216.8) million and $(100.6) million for the eight months ended August 31, 2003, and for the years ended December 31, 2002 and 2001, respectively. The sales of these businesses further affect the comparability of the summary financial data.

We have derived the summary financial data as of and for the four months ended December 31, 2003, for the eight months ended August 31, 2003, and for the years ended December 31, 2002 and 2001 from our audited consolidated financial statements included in this prospectus.

We have prepared the summary financial data, other than statutory data, in conformity with generally accepted accounting principles. We have derived the statutory data from the statements filed by our insurance subsidiaries with regulatory authorities and have prepared the statutory data in accordance with statutory accounting practices, which vary in certain respects from generally accepted accounting principles.

The following is a summary, and in order to more fully understand our historical consolidated financial data, you should read the following in conjunction with Management s Discussion and Analysis of Consolidated Financial Condition and Results of Operations and our consolidated financial statements and notes thereto included in this prospectus.

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	Successor	Predecessor		
	As of or for the Four Months Ended December 31, 2003	For the Eight Months Ended August 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
		(Amounts in millions, except per share data)		
STATEMENT OF OPERATIONS DATA(a)				
Insurance policy income	$ 1,005.8	$2,204.3	$ 3,602.3	$3,992.7
Net investment income	474.6	969.0	1,334.3	1,550.0
Net realized investment gains (losses)	11.8	(5.4)	(556.3)	(340.0)
Total revenues	1,505.5	3,202.2	4,450.4	5,492.0
Interest expense on corporate notes payable and investment borrowings (contractual interest: $268.5 for the eight months ended August 31, 2003; and $345.3 for 2002)	36.8	202.5	341.9	400.0
Total benefits and expenses	1,356.0	1,030.0	6,082.6	5,735.4
Income (loss) before income taxes, minority interest, discontinued operations and cumulative effect of accounting change	149.5	2,172.2	(1,632.2)	(243.4)
Cumulative effect of accounting change, net of income tax			(2,949.2)	
Net income (loss)	96.3	2,201.7	(7,835.7)	(405.9)
Preferred stock dividends	27.8		2.1	12.8
Net income (loss) applicable to common stock	68.5	2,201.7	(7,837.8)	(418.7)
PER SHARE DATA				
Net income, basic	$ .68			
Net income, diluted	$ .67			
Book value per common share outstanding	$ 19.28			
Weighted average shares outstanding for basic earnings	100.1			
Weighted average shares outstanding for diluted earnings	143.5			
Shares outstanding at period end	100.1			
BALANCE SHEET DATA AT PERIOD END				
Total investments	$22,796.7			
Goodwill	952.2			
Total assets	29,920.1			
Corporate notes payable	1,300.0			
Total liabilities	27,102.5			
Shareholders equity	2,817.6			
STATUTORY DATA(b)				
Statutory capital and surplus	$ 1,514.1			
Asset valuation reserve	40.9			
Total statutory capital and surplus and asset valuation reserve	1,555.0			
OTHER FINANCIAL DATA				
Ratio of earnings to fixed charges(c)	1.79x			
Ratio of earnings to fixed charges and preferred stock dividends	1.46x			
Pro forma ratio of earnings to fixed charges(c)(d)	1.89x			
Pro forma ratio of earnings to fixed charges and preferred stock dividends(e)	1.73x			

(a)

Our financial condition and results of operations have been significantly affected during the periods presented by the discontinued finance operations. Please refer to note 19 to the audited consolidated financial statements included elsewhere in this prospectus.

(b) We have derived the statutory data from statements filed by our insurance subsidiaries with regulatory authorities and have prepared the statutory data in accordance with statutory accounting principles, which vary in certain respects from generally accepted accounting principles.

(c) For the purpose of computing the ratio of earnings to fixed charges , earnings represent consolidated net income (loss) before income taxes, minority interest, discontinued operations, extraordinary gain (loss), cumulative effect of accounting change and the fixed charges described in the following sentence. Fixed charges consist of: (1) interest expense on corporate debt, including amortization; (2) interest expense on investment borrowings; (3) interest added to policyholder account balances; and (4) the portion of rental expense we deem representative of the interest factor.

(d) For purposes of the pro forma ratio of earnings to fixed charges, fixed charges for the four months ended December 31, 2003 have been reduced and earnings have been increased by $9.8 million to reflect the reduction in

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interest expense resulting from the repayment of $400 million of indebtedness under our senior credit facility using a portion of the proceeds from the offering of the common stock and class B preferred stock.

(e) For purposes of the pro forma ratio of earnings to fixed charges, fixed charges for the four months ended December 31, 2003 have been reduced and earnings have been increased by $9.8 million to reflect the reduction in interest expense resulting from the repayment of $400 million of indebtedness under our senior credit facility using a portion of the proceeds from the offering of the common stock and class B preferred stock. In addition, preferred stock dividends for the four months ended December 31, 2003 have been reduced by $26.3 million to reflect the reduction in preferred stock dividends resulting from the redemption of all outstanding class A preferred stock, net of assumed dividends on the newly issued class B preferred stock.

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RISK FACTORS

An investment in our securities involves significant risks. You should carefully consider the risks described below and the other information in this prospectus, including our consolidated financial statements and related notes contained in this prospectus, before you decide to buy our securities. If any of the following risks actually occur, our business prospects, financial condition and results of operations could be materially harmed, the market price of our securities could decline and you could lose all or part of your investment.

Risks Related to Our Business

Our recent bankruptcy may continue to disrupt our operations and hamper our efforts to restore confidence in the Conseco brand, which may contribute to lower sales, increased agent attrition and policyholder lapses and redemptions.

The announcement of our intention to seek a restructuring of our capital in August 2002 and our subsequent filing of bankruptcy petitions in December 2002 caused significant disruptions in our operations. We believe that adverse publicity in national and local media concerning our distressed financial condition and disputes with former members of our management caused sales of our insurance products to decline and policyholder lapses and redemptions to increase. For example, our total premium collections decreased 8.4 percent to $4,180.9 million for the year ended December 31, 2003, compared to 2002. In addition, withdrawals from annuities and other investment-type products exceeded deposits received by $615.4 million during the year ended December 31, 2003.

We also experienced increased agent attrition, which in some cases led us to increase agents commissions or sales incentives in order to retain agents. For example, the number of producing agents selling products through the Conseco Insurance Group segment decreased by approximately 45 percent to 9,100 at December 31, 2003 compared to a year earlier. The number of career agents selling products through the Bankers Life segment remained at approximately 4,000 throughout 2003. We implemented agent sales incentive programs to retain the career agency force during periods of negative media coverage, decreased ratings and increased competitive activity from agents selling competitors products. The total cost for the agent incentive programs during 2003 was $17 million.

While we cannot quantify with specificity the portion of these adverse changes that were caused by our distressed financial condition and the associated negative publicity, we believe that these events contributed significantly to these trends. Although we believe that the successful completion of the bankruptcy and our continuing restructuring efforts will reverse these trends and will enable us to restore confidence in the Conseco brand among customers, agents, regulators and our other constituencies, we only recently emerged from bankruptcy and there have not yet been any significant improvements in these trends. It may take several quarters of operating results following our emergence to determine the extent of our operational and reputational recovery from these events.

Legal proceedings that arose in the context of our bankruptcy and current regulatory investigations may continue to disrupt our operations, subject us to material liability and hamper our efforts to restore confidence in the Conseco brand, which may negatively impact our financial results and liquidity.

We continue to be involved in various legal proceedings that arose in the context of our restructuring. For example, since our August 2002 announcement that we would seek to restructure our capital, we and/or our predecessor and several of our former, and in some instances current, officers and directors have been named as defendants in lawsuits, including class action lawsuits, alleging, among other things, securities fraud and breaches of fiduciary duty under ERISA. While we were discharged from pre-petition obligations of our predecessor in connection with the bankruptcy, we still owe indemnity obligations to some of our current and former officers and directors for expenses and losses they may incur in connection with these lawsuits. Our ultimate financial exposure with respect to this indemnity may be limited by the availability of insurance, but

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not all of the cases relating to periods prior to our bankruptcy are so limited and we cannot predict with certainty what our ultimate liability in these cases may be.

We are also involved in, and have been subject to subpoena with respect to, federal investigations relating to the accounting for certain interest-only securities by our predecessor s finance subsidiary, which was sold in connection with our reorganization. We have also commenced litigation against certain of our former officers and directors in connection with our efforts to collect amounts outstanding under our predecessor s director and officer loan programs.

Finally, the New York Attorney General and the SEC are conducting investigations concerning alleged market timing on the part of holders of variable annuity policies issued by Conseco Variable Insurance Company, a former wholly-owned subsidiary of Conseco Life Insurance Company of Texas, that occurred prior to the sale of Conseco Variable Insurance Company to an unrelated third party in October 2002, and could make a claim against us at any time. In addition, we may be subject to potential indemnity claims by the buyer in respect of our prior ownership. Other investigations by the SEC and state regulators concerning market timing allegedly permitted by mutual fund managers have resulted in highly publicized settlements involving substantial penalties. While we believe the facts in those other cases are distinguishable, it is not possible to predict the ultimate resolution of these investigations at this time.

We believe that adverse publicity in national and local media concerning the above proceedings may hamper our efforts to restore confidence in the Conseco brand, and impose impediments to our customers willingness to continue to buy our products and our ability to attract new customers. Similarly, the adverse publicity concerning these proceedings may make it more difficult for us to attract and retain agents and independent marketing organizations to market our products. While we believe that these events have affected, and may continue to affect, our customers and agents willingness to do business with us, we cannot quantify the extent of these effects with specificity. See Business Legal Proceedings.

A failure to improve and maintain the financial strength ratings of our insurance subsidiaries could cause us to experience lower sales, increased agent attrition and increased policyholder lapses and redemptions.

An important competitive factor for our insurance subsidiaries is the ratings they receive from nationally recognized rating organizations. Agents, insurance brokers and marketing companies who market our products and prospective purchasers of our products view ratings as an important factor in determining which insurer s products to market or purchase. This is especially true for annuity, interest-sensitive life insurance and long-term care products. Our insurance companies financial strength ratings were downgraded by all of the major rating agencies beginning in July 2002 in connection with the financial distress that ultimately led to our predecessor s bankruptcy. The current financial strength ratings of our insurance subsidiaries from A.M. Best Company, Standard & Poors Corporation and Moody s Investors Services, Inc. are B (Fair), BB- and Ba3, respectively, except that the current financial strength ratings of Conseco Senior Health Insurance Company from A.M. Best, Standard & Poor s and Moody s are B (Fair), CCC and Caa1, respectively. A B rating from A.M. Best is the seventh highest of sixteen possib ratings. A BB- rating from S&P is the thirteenth highest of twenty-one possible ratings, and a CCC rating from S&P is the eighteenth highest of twenty-one possible ratings. A Ba3 rating from Moody s is the thirteenth highest of twenty-one possible ratings, and a Caa1 rating from Moody s is the seventeenth highest of twenty-one possible ratings. Most of our competitors have higher financial strength ratings and we believe it is critical for us to improve our ratings to be competitive. The lowered ratings assigned to our insurance subsidiaries were one of the primary factors causing sales of our insurance products to decline and policyholder redemptions and lapses to increase during 2002 and 2003. We also experienced increased agent attrition, which in some cases led us to increase commissions or sales incentives in an effort to retain them. These events have had a negative effect on our ability to market our products and attract and retain agents, which in turn negatively affected our financial results.

Our plan of reorganization contemplated that our insurance subsidiaries would achieve an A category rating from A.M. Best approximately by the end of 2004. In order to achieve this rating, we believe that we will have to demonstrate to the rating agencies a sustained improvement in our financial results, a lower debt to total capital ratio, and improved risk-based capital ratios of our insurance subsidiaries. While we believe that the improved capital position of our insurance subsidiaries, the lower debt to capital ratio that we expect to have upon completion of these offerings and our plan for continued improvements in our financial results will warrant an upgrade to an A category rating from A.M. Best, the decision to upgrade is a subjective one that will be made if and when A.M. Best believes it is warranted. If we fail to achieve and maintain an A category rating from A.M. Best, sales of our insurance products could fall further, we may face further defections among our independent and career sales force, and existing policyholders may redeem or allow their policies to lapse, adversely affecting our financial results, which in turn could lead to further downgrades.

If our financial performance or business prospects deteriorate, and we experience a downgrade in our current ratings, our product sales would likely decline significantly, we would likely experience substantial defections among our independent and career sales force, and our existing policyholders would likely redeem or allow their policies to lapse at higher rates. In addition, events that may cause the ratings agencies to downgrade our financial strength ratings may also cause us to be in breach of covenants under our senior credit facility, which would entitle our lenders to accelerate these borrowings. We presently do not have sufficient liquidity to repay these borrowings if they were to be accelerated, and we may not have such liquidity in the future or we may not be able to borrow money from other lenders to enable us to refinance these loans. If we are unable to repay or refinance these loans, we may be forced to seek bankruptcy protection again.

Our ability to meet our obligations, including our obligation to pay dividends on the class B preferred stock, may be constrained by our subsidiaries ability to distribute cash to us.

Conseco, Inc. and CDOC, Inc., our wholly owned subsidiary and a guarantor under the senior credit facility, are holding companies with no business operations of their own. As a result, they depend on their operating subsidiaries for cash to make principal and interest payments on debt, and to pay administrative expenses and income taxes. The cash they receive from insurance subsidiaries consists of dividends and distributions, principal and interest payments on surplus debentures, fees for services, tax-sharing payments, and from our non-insurance subsidiaries, loans and advances. A deterioration in the financial condition, earnings or cash flow of the significant subsidiaries of Conseco or CDOC for any reason could limit their ability to pay cash dividends or other disbursements to Conseco and CDOC, which, in turn, would limit the ability of Conseco and CDOC to meet debt service requirements and satisfy other financial obligations, including payment of cash dividends with respect to the class B preferred stock.

The ability of our insurance subsidiaries to pay dividends is subject to state insurance department regulations and is based on the financial statements of our insurance subsidiaries prepared in accordance with statutory accounting practices prescribed or permitted by regulatory authorities, which differ from GAAP. These regulations generally permit dividends to be paid from statutory earned surplus of the insurance company for any 12-month period in amounts equal to the greater of, or in a few states, the lesser of:

- statutory net gain from operations or statutory net income for the prior year; or
- 10 percent of statutory capital and surplus as of the end of the preceding year.

Any dividends in excess of these levels require the approval of the director or commissioner of the applicable state insurance department. Prior to their release on November 19, 2003, we were subject to consent orders with the Commissioner of Insurance for the State of Texas that, among other things, limited the ability of our insurance subsidiaries to pay dividends. The following table sets forth the aggregate amount of dividends and other distributions that our insurance subsidiaries would have been able to pay to us in each

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of the last two fiscal years without obtaining specific approval from state insurance regulators, assuming that the Texas consent order released in November 2003 had not been in effect (dollars in millions):

	2003	2002
Dividends	$340.6	$230.8
Surplus debenture interest	52.1	56.0
Total that was available to be paid	$392.7	$286.8

Our business may be adversely impacted as a result of our substantial indebtedness, which requires the use of a substantial portion of our excess cash flow and may limit our access to additional capital.

We continue to have significant indebtedness after our emergence from bankruptcy. As of December 31, 2003, we had approximately $1.3 billion of indebtedness under our senior credit facility. The following table sets forth the aggregate amount of our debt payment obligations, including estimated interest, for each of the next five years (dollars in millions):

	2004	2005	2006	2007	2008	5 Year Total
Scheduled principal payments	$ 53.0	$ 53.0	$103.0	$153.0	$153.0	$515.0
Projected interest payments	107.2	101.3	97.1	88.1	76.2	469.9
Total debt service	$160.2	$154.3	$200.1	$241.1	$229.2	$984.9

As of December 31, 2003, our debt to total capital ratio was 32 percent. This ratio is higher than the ratio of most of our competitors. As adjusted to give effect to the concurrent offerings of our common stock and class B preferred stock and the use of proceeds thereof as described under Use of Proceeds, our debt to total capital ratio as of December 31, 2003 would have been 21 percent. In order to raise our financial strength ratings, we will need to improve this ratio by either lowering our indebtedness or increasing our equity capital or through a combination of both.

Our substantial indebtedness could have important consequences to you. For example, it could:

- increase our vulnerability to adverse economic and industry conditions by limiting our flexibility in planning for and reacting to changes in our business and industry;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, therefore diverting funds from other beneficial uses;
- limit our ability to make strategic acquisitions or take other significant corporate actions;
- place us at a competitive disadvantage compared to our competitors that have proportionately less debt; and
- limit our ability to borrow funds and increase the cost of funds that we can borrow.

Moreover, if are unable to meet our repayment obligations, our lenders are entitled to accelerate their loans, and we may be forced to seek bankruptcy protection again.

S&P and Moody s have assigned ratings on our senior secured debt of B- (Weak) and Caa1 (Very Poor) , respectively. In S&P s view, an obligation rated B- is vulnerable to nonpayment, but the obligor currently has the capacity to meet its commitment on the obligation. S&P has a total of twenty-two separate categories in which to rate senior debt, ranging from AAA (Extremely Strong) to D (Payment Default) . A B- rating is the seventeenth highest rating. In Moody s view, an obligation rated Caa is of poor standing and may be in default, or there may be present elements of danger with respect to the payment of principal or interest. Moody s has a total of twenty-one separate categories in which to rate senior debt, ranging from Aaa (Exceptional) to C (Lowest Rated) . A Caa rating is the seventeenth highest rating.

Our current senior debt ratings may restrict our access to capital, and therefore our ability to refinance our senior credit facility.

If we fail to meet or maintain various covenants and financial ratios under our senior credit facility, our lenders are entitled to accelerate the repayment of these loans; if the loans are accelerated and we do not have sufficient liquidity to repay them, we may be forced to seek bankruptcy protection again.

Our senior credit facility imposes a number of covenants and financial ratios that we must meet or maintain. For example, we must:

- have earnings before interest, taxes, depreciation and amortization of greater than or equal to $490 million for the two quarters ended March 31, 2004, and increasing over time to $1,296.0 million for the four quarters ending March 31, 2010. This amount was approximately $290 million for the one quarter period ended December 31, 2003;

- have a debt to total capitalization (excluding unrealized gains (losses)) ratio of .356 to 1.0 or less at December 31, 2003, with such ratio decreasing over time to .20 to 1.0 at June 30, 2008 and remaining level thereafter. At December 31, 2003, our debt to total capitalization ratio was .334 to 1.0;

- have an interest coverage ratio of greater than 1.0 to 1.0 for the quarter ending December 31, 2003, and increasing over time to 4.50 to 1.0 for the four quarters ending December 31, 2009 and remaining level thereafter. Our interest coverage ratio was greater than 1.25 to 1.0 for the quarter ending December 31, 2003.

Although we believe we are on track to meet and/or maintain these covenants and financial ratios, our ability to do so may be affected by events outside of our control. If we default under these requirements, the lenders could declare all outstanding borrowings immediately due and payable, the aggregate amount of which was approximately $1.3 billion as of December 31, 2003. We presently do not have sufficient liquidity to repay these borrowings if they were to be accelerated, and we may not have sufficient liquidity in the future and may not be able to borrow money from other lenders to enable us to refinance these loans. Accordingly, if we default under these requirements and the loans are accelerated, we may be forced to seek bankruptcy protection again.

Our operating flexibility is limited in significant respects by the restrictive covenants in our senior credit facility.

Our senior credit facility imposes restrictions on us that could increase our vulnerability to adverse economic and industry conditions by limiting our flexibility in planning for and reacting to changes in our business and industry. Specifically, these restrictions limit our ability to:

- incur additional indebtedness;

- issue stock of subsidiaries;

- create liens;

- transfer or sell assets.

- enter into transactions with affiliates;

- fundamentally change the type of business in which we engage;

- enter into mergers or other types of business combination transactions;

- pay cash dividends and make cash distributions on certain classes of equity securities;

- repurchase stock;

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- make investments; and
- make capital expenditures.

Our ability to engage in these types of transactions is generally limited by the terms of our senior credit facility, even if we believe that a specific transaction would contribute to our future growth, operating results or profitability. If we are able to enter into these types of transactions under the terms of our senior credit facility, or if we obtain a waiver from our lenders with respect to any specific transaction, that transaction may cause our indebtedness to increase, may not result in the benefits we anticipate or may cause us to incur greater costs or suffer greater disruptions in our business than we anticipate, and could therefore negatively impact our business and operating results.

The results of operations of our insurance business will decline if our premium rates are not adequate or if we are unable to obtain regulatory approval to increase rates.

We set the premium rates on our health insurance policies based on facts and circumstances known at the time we issue the policies and on assumptions about numerous variables, including the actuarial probability of a policyholder incurring a claim, the probable size of the claim, maintenance costs to administer the policies and the interest rate earned on our investment of premiums. In setting premium rates, we consider historical claims information, industry statistics, the rates of our competitors and other factors, but we cannot predict with certainty what the actual claims on our products will be. If our actual claims experience proves to be less favorable than we assumed and we are unable to raise our premium rates, our financial results may be adversely affected.

Most of our supplemental health policies allow us to increase premium rates when warranted by our actual claims experience. These rate increases must be approved by the applicable state insurance departments, and we are required to submit actuarial claims data to support the need for the rate increases. The re-rate application and approval process on supplemental health products is a normal recurring part of our business operations and reasonable rate increases are typically approved by the state departments as long as they are supported by actual claims experience and are not unusually large in either dollar amount or percentage increase. For policy types on which rate increases are a normal recurring event, our estimates of insurance liabilities assume we will be able to raise rates if the blocks warrant such increases in the future.

The loss ratios for our long-term care products included in the other business in run-off segment have increased in recent periods and exceeded 103 percent during the four months ended December 31, 2003. We will have to raise rates or take other actions with respect to some of these policies or this business will continue to be unprofitable and our financial results will be adversely affected. During 2002 and 2003, we filed for and received approval on rate increases totaling $44 million and $37 million, respectively, relating to this long-term care business that had approximately $400 million of collected premiums.

We review the adequacy of our premium rates regularly and file proposed rate increases on our products when we believe existing premium rates are too low. It is possible that we will not be able to obtain approval for premium rate increases from currently pending requests or requests filed in the future. If we are unable to raise our premium rates because we fail to obtain approval for a rate increase in one or more states, our net income may decrease. Moreover, in some instances our ability to exit unprofitable lines of business is limited by the guaranteed renewal feature of the policy. In that situation we cannot exit the business without regulatory approval, which may require that we continue to service products at a loss for an extended period of time. For example, most of our long-term care business is guaranteed renewable, meaning we cannot terminate these policies without regulatory approval. Therefore, without approval of necessary rate increases, we may have no other option but to operate this business at a loss for an extended period of time.

If we are successful in obtaining regulatory approval to raise premium rates, the increased premium rates may reduce the volume of our new sales and cause existing policyholders to allow their policies to lapse. This could result in significantly higher claim costs as a percentage of premiums if healthier policyholders who can get coverage elsewhere allow their policies to lapse, while policies related to less healthy policyholders continue in force. This would reduce our premium income and profitability in future periods.

On home health care policies issued in some areas of Florida and other states, payments for the benefit of policyholders have exceeded the premiums we receive by a significant amount. On April 20, 2004, the Florida Office of Insurance Regulation issued an order to our subsidiary, Conseco Senior Health Insurance Company, that affects approximately 18,000 home health care policies issued in Florida by Conseco Senior Health and its predecessor companies. The order provides for Conseco Senior Health to offer the following three alternatives to holders of these policies:

- retention of their current policy with a maximum rate increase of 50 percent in the first year and actuarially justified increases in subsequent years;
- receipt of a replacement policy with reduced benefits and a maximum rate increase in the first year of 25 percent and no more than 15 percent in subsequent years;
- receipt of a paid up policy, allowing the holder to file future claims up to 100 percent of the amount of premiums paid since the inception of the policy.

The order also requires Conseco Senior Health to pursue a similar course of action with respect to approximately 21,000 home health care policies issued by Conseco Senior Health and its predecessor companies in other states, subject to consideration and approval by other state insurance departments. If we are unsuccessful in obtaining rate increases or other forms of relief in other states, or if the policy changes approved by the Florida Office of Insurance Regulation prove inadequate, our future results of operations could be adversely affected.

We are also aggressively seeking rate increases on other long-term care policies in our other business in run-off segment.

The limited historical claims experience on our long-term care products could negatively impact our operations if our estimates prove wrong and we have not adequately set premium rates.

In setting premium rates, we consider historical claims information and other factors, but we cannot predict with certainty what the actual claims on our products will be. This is particularly true in the context of setting premium rates on our long-term care insurance products, for which we have relatively limited historical claims experience. Long-term care products tend to have lower frequency of claims than other health products such as Medicare supplement or specified disease, but when claims are incurred on long-term care policies they tend to be much higher in dollar amount. Also, long-term care products have a much longer tail, meaning that claims are incurred much later in the life of the policy than other supplemental health products. As a result of these product traits, longer historical experience is necessary in order to price products appropriately.

Our Bankers Life segment has offered long-term care insurance since 1985. Bankers Life s experience on its long-term care blocks has generally been within its pricing expectations. Our acquired blocks of long-term care insurance included in the other business in run-off segment were acquired through acquisitions completed in 1996 and 1997. The majority of the business was written between 1990 and 1997. The experience on these acquired blocks has generally been worse than the acquired companies original pricing expectations. We have requested and received approval for numerous premium rate increases in recent years on these blocks. Even with the various rate increases, these blocks experienced loss ratios of 103 percent in the four months ended December 31, 2003, 170 percent in the eight months ended August 31, 2003, 139 percent in 2002 and 96 percent in 2001. If future claims experience proves to be worse than anticipated as our long-term care blocks continue to age, our financial results could be adversely affected.

Our reserves for future insurance policy benefits and claims may prove to be inadequate, requiring us to increase liabilities and resulting in reduced net income and shareholders equity.

We calculate and maintain reserves for the estimated future payment of claims to our policyholders based on assumptions made by our actuaries. For our life insurance business, our limit of risk retention for each policy is generally $.8 million or less because amounts above $.8 million are ceded to reinsurers. For our health insurance business, we establish an active life reserve plus a liability for due and unpaid claims, claims in the course of settlement, and incurred but not reported claims, as well as a reserve for the present value of amounts on claims not yet due. For our long-term care insurance business, we establish reserves based on the same assumptions and estimates of factors that we consider when we set premium rates. Many factors can affect these reserves and liabilities, such as economic and social conditions, inflation, hospital and pharmaceutical costs, regulatory actions, changes in doctrines of legal liability and extra-contractual damage awards. Therefore, the reserves and liabilities we establish are necessarily based on estimates, assumptions and prior years statistics. Establishing reserves is an uncertain process, and it is possible that actual claims will materially exceed our reserves and have a material adverse effect on our results of operations and financial condition. We have recently incurred significant losses which have exceeded our expectations as a result of actual claim costs and persistency of our long-term care business included in the other business in run-off segment. For example, we increased claim reserves by $130 million during 2002 and $85 million during the eight months ended August 31, 2003 as a result of adverse developments and changes in our estimates of ultimate claims for these products. Our financial performance depends significantly upon the extent to which our actual claims experience is consistent with the assumptions we used in setting our reserves. If our assumptions with respect to future claims are incorrect, and our reserves are insufficient to cover our actual losses and expenses, we would be required to increase our liabilities, and it could result in a default under our senior credit facility.

Our net income and revenues will suffer if policyholder surrender levels differ significantly from our assumptions.

Surrenders of our annuities and life insurance products can result in losses and decreased revenues if surrender levels differ significantly from assumed levels. At December 31, 2003, approximately 18 percent of our total insurance liabilities, or approximately $4.5 billion, could be surrendered by the policyholder without penalty. The surrender charges that are imposed on our fixed rate annuities typically decline during a penalty period which ranges from five to twelve years after the date the policy is issued. Surrenders and redemptions could require us to dispose of assets earlier than we had planned, possibly at a loss. Moreover, surrenders and redemptions require faster amortization of the acquisition costs or commissions associated with the original sale of a product, thus reducing our net income. We believe policyholders are generally more likely to surrender their policies if they believe the issuer is having financial difficulties, or if they are able to reinvest the policy s value at a higher rate of return in an alternative insurance or investment product.

For example, policyholder redemptions of annuity and, to a lesser extent, life products increased following the downgrade of our A.M. Best financial strength rating to B (Fair) in August of 2002. When redemptions are greater than our previous assumptions, we are required to accelerate the amortization of insurance intangibles to write off the balance associated with the redeemed policies. We recorded additional amortization related to higher redemptions and changes to our lapse assumptions of $203.2 million in 2002. Such additional amortization was not significant in 2003.

Recently enacted and pending or future legislation could adversely affect the financial performance of our insurance operations.

During recent years, the health insurance industry has experienced substantial changes, including those caused by healthcare legislation. Recent federal and state legislation and legislative proposals relating to healthcare reform contain features that could severely limit or eliminate our ability to vary our pricing terms or apply medical underwriting standards with respect to individuals, which could have the effect of increasing our loss ratios and have an adverse effect on our financial results. In particular, Medicare reform could affect our ability to price or sell our products or profitably maintain our blocks in force. For example, recent reforms provide some additional incentives under the Medical Advantage program for health plans to offer managed care plans to seniors. Any resulting growth of managed care plans over time could decrease sales of the traditional Medicare supplement products we sell.

Proposals currently pending in Congress and some state legislatures may also affect our financial results. These proposals include the implementation of minimum consumer protection standards for inclusion in all long-term care policies, including: guaranteed premium rates; protection against inflation; limitations on waiting periods for pre-existing conditions; setting standards for sales practices for long-term care insurance; and guaranteed consumer access to information about insurers, including lapse and replacement rates for policies and the percentage of claims denied. Enactment of any proposal that would limit the amount we can charge for our products, such as guaranteed premium rates, or increase in benefits we must pay, such as limitations on waiting periods, or otherwise increase the costs associated with our business, could adversely affect our financial results.

Tax law changes could adversely affect our insurance product sales and profitability.

We sell deferred annuities and some forms of life insurance products which we believe are attractive to purchasers, in part, because policyholders generally are not subject to United States Federal income tax on increases in policy values until some form of distribution is made. Recently, Congress enacted legislation to lower marginal tax rates, reduce the federal estate tax gradually over a ten-year period, with total elimination of the federal estate tax in 2010, and increase contributions which may be made to individual retirement accounts and 401(k) accounts. While these tax law changes will expire at the beginning of 2011 absent future congressional action, they could in the interim diminish the appeal of our annuity and life insurance products since the benefit of tax deferral is not as great if tax rates are lower and because fewer people may purchase these products if they are able to contribute more money to individual retirement accounts and 401(k) accounts. Additionally, Congress has considered, from time to time, other possible changes to the U.S. tax laws, including elimination of the tax deferral on the accretion of value within certain annuities and life insurance products, which would make these products less attractive to prospective purchasers and therefore would be likely to reduce our sales of these products.

Our results of operations may be negatively impacted if we are unable to achieve the goals of the initiatives we have undertaken with respect to the restructuring of our principal insurance businesses.

Our Conseco Insurance Group segment has experienced declining sales and expense levels that exceed product pricing. We have adopted several initiatives designed to improve these operations, including focusing sales efforts on higher margin products, such as our specified disease products; reducing operating expenses by eliminating or reducing the costs of marketing some of our products; personnel reductions and streamlined administrative procedures; increasing retention rates on our more profitable blocks of inforce business; stabilizing the profitability of the long-term care block of business in run-off sold through independent agents through premium rate increases, improved claim adjudication procedures and other actions as necessary; and combining legal insurance entities to improve the efficient use of capital and eliminate the costs of separate financial reporting requirements. Conseco Insurance Group has 29 separate policy administration systems for its three main lines of business: life, health and annuities. Many of our initiatives are intended to address issues resulting from the substantial number of acquisitions undertaken by our predecessor. Between 1982 and 1997, our predecessor completed 19 transactions involving the acquisition of 44 separate insurance companies. Our future performance depends, in part, on our ability to successfully integrate these prior acquisitions. This process of integration may involve unforeseen expenses, complications and delays, including, among other things, further difficulties in integrating the systems and operations of the acquired companies, and our current initiatives may be inadequate to address such issues. In addition, some of our initiatives have only recently been adopted, and may not be successfully implemented. Our initiatives include the elimination of duplicate processing systems by converting all similar business currently accounted for on multiple systems to a single system. We expect to spend over $35 million on capital expenditures in 2004 (including amounts related to these initiatives). Even if we are able to successfully implement these measures, these measures alone may not be sufficient to improve our results of operations.

Our investment portfolio is subject to several risks which may diminish the value of our invested assets and negatively impact our profitability.

The values of the assets in our investment portfolio are subject to numerous factors, which are difficult to predict, and are in many instances beyond our control. These factors include, but are not limited to, the following:

Changes in interest rates can reduce the value of our investments. Actively managed fixed maturity investments comprised 87 percent of our total investments as of December 31, 2003. The value of these investments can be affected by changing levels of market interest rates. For example, an increase in interest rates of 10 percent could reduce the value of our actively managed fixed maturity investments and short-term investments, net of corresponding changes in the value of insurance intangibles, by approximately $625 million, in the absence of other factors.

Our actively managed fixed maturity investments are subject to a deterioration in the ability of the issuer to make timely repayment of the securities. This risk is significantly greater with respect to below-investment grade securities, which comprised 3.9 percent of our actively managed fixed maturity investments as of December 31, 2003. We have sustained substantial credit-related investment losses in recent periods when a number of large, highly leveraged issuers experienced significant financial difficulties resulting in our recognition of other-than-temporary impairments. For example, we have recognized other-than-temporary declines in value of several of our investments, including K-Mart Corp., Amerco, Inc., Global Crossing, MCI Communications, Mississippi Chemical, United Airlines and Worldcom, Inc. We have recorded writedowns of fixed maturity investments, equity securities and other invested assets as a result of conditions which caused us to conclude a decline in the fair value of the investment was other than temporary as follows: $9.6 million in the four months ended December 31, 2003; $51.3 million in the eight months ended August 31, 2003; $556.8 million in 2002; and $361.7 million in 2001.

In order to reduce our exposure to similar credit losses, we have taken a number of specific steps, including:

reducing the percentage of below-investment grade fixed maturity investments from 5.9 percent at December 31, 2001 to 3.9 percent at December 31, 2003;

implementing conservative portfolio compliance guidelines which generally limit our exposure to single issuer risks; and

expanding our portfolio reporting procedures to proactively identify changes in value related to credit risk in a more timely manner.

Our structured security investments, which comprised 29 percent of our actively managed fixed maturity investments at December 31, 2003, are subject to risks relating to variable prepayment and default on the assets underlying such securities, such as mortgage loans. To the extent that structured security investments prepay faster than the expected rate of repayment, refinancing or default on the assets underlying the securities, such investments, which have a cost basis in excess of par, may be redeemed at par, thus resulting in a loss. In order to mitigate this risk, we have adopted policies that generally direct our investment in structured securities to securities with contractual or structured protections against prepayment risk.

Our need for liquidity to fund substantial product surrenders or policy claims may require that we maintain highly liquid, and therefore lower-yielding, assets, or that we sell assets at a loss, thereby further eroding the performance of our portfolio.

We have sustained substantial investment losses in the past and may again in the future. Because a substantial portion of our net income is derived from returns on our investment portfolio, significant losses in the portfolio may have a direct and materially adverse impact on our results of operations. In addition, losses on our investment portfolio could reduce the investment returns which we are able to credit to our customers on certain of our products, thereby impacting our sales and further eroding our financial performance.

Changing interest rates may adversely affect our results of operations.

Our profitability may be directly affected by the level of and fluctuations in interest rates. While we monitor the interest rate environment and have previously employed hedging strategies designed to mitigate the impact of changes in interest rates, our financial results could be adversely affected by changes in interest rates. Our spread-based insurance and annuity business is subject to several inherent risks arising from movements in interest rates, especially if we fail to anticipate or respond to such movements. First, interest rate changes can cause compression of our net spread between interest earned on investments and interest credited on customer deposits, thereby adversely affecting our results. Our ability to adjust for such a compression is limited by virtue of the guaranteed minimum rates that we must credit to policyholders on certain of our products, as well as by the fact that we are able to reduce the crediting rates on most of our products only at limited, pre-established intervals. Approximately 40 percent of our insurance liabilities were subject to interest rates that may be reset annually; 45 percent have a fixed explicit interest rate for the duration of the contract; 10 percent have credited rates which approximate the income we earn; and the remainder have no explicit interest rates. Second, if interest rate changes produce an unanticipated increase in surrenders of our spread-based products, we may be forced to sell invested assets at a loss in order to fund such surrenders. The profits from many non-spread-based insurance products, such as long-term care policies, are adversely affected when interest rates decline because we may be unable to reinvest the cash flows generated from premiums received and our investment portfolio at the interest rates anticipated when we sold the policies. Finally, changes in interest rates can have significant effects on the performance of our structured securities portfolio, including collateralized mortgage obligations, as a result of changes in the prepayment rate of the loans underlying such securities. We follow asset/ liability strategies that are designed to mitigate the effect of interest rate changes on our profitability but do not currently employ derivative instruments for this purpose. We may not be successful in implementing these strategies and achieving adequate investment spreads.

We use computer models to simulate the cash flows expected from our existing insurance business under various interest rate scenarios. These simulations help us measure the potential gain or loss in fair value of our interest-sensitive financial instruments. With such estimates, we seek to manage the relationship between the duration of our assets and the expected duration of our liabilities. When the estimated durations of assets and liabilities are similar, exposure to interest rate risk is minimized because a change in the value of assets should be largely offset by a change in the value of liabilities. At December 31, 2003, the duration of our fixed maturity securities and short-term investments was approximately 6.7 years, and the duration of our insurance liabilities was approximately 7.2 years. We estimate that our fixed maturity securities and short-term investments, net of corresponding changes in the value of insurance intangibles, would decline in fair value by approximately $625 million if interest rates were to increase by 10 percent from their December 31, 2003 levels. This compares to a decline in fair value of $595 million based on amounts and rates at December 31, 2002. The calculations involved in our computer simulations incorporate numerous assumptions, require significant estimates and assume an immediate change in interest rates without any management of the investment portfolio in reaction to such change. Consequently, potential changes in value of our financial instruments indicated by the simulations will likely be different from the actual changes experienced under given interest rate scenarios, and the differences may be material. Because we actively manage our investments and liabilities, our net exposure to interest rates can vary over time.

A decline or increased volatility in the securities markets, and other economic factors, may adversely affect our business, particularly our sales of certain of our life insurance products and annuities.

Fluctuations in the securities markets and other economic factors may adversely affect sales and/or policy surrenders of our annuities and life insurance policies. For example, volatility in the equity markets may cause potential new purchasers of equity-indexed annuities to refrain from purchasing these products and may cause current policyholders to surrender their policies for the cash value or reduce their investments. Our sales of these products decreased significantly in 2001 and 2002 during periods of significant declines in the equity markets. Sales of equity-indexed annuities totaled $220.1 million in 2002 and $380.9 million in 2001, as compared to $643.5 million in 2000. In addition, significant or unusual volatility in the general level of interest rates could negatively impact sales and/or lapse rates on certain types of insurance products.

We are subject to further risk of loss notwithstanding our reinsurance agreements.

We transfer exposure to certain risks to others through reinsurance arrangements. Under these arrangements, other insurers assume a portion of our losses and expenses associated with reported and unreported claims in exchange for a portion of policy premiums. The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly. As of December 31, 2003, our reinsurance receivables totaled $930.5 million. Our ceded life insurance in force totaled $23.4 billion. Our seven largest reinsurers accounted for 80 percent of our ceded life insurance in force. We face credit risk with respect to reinsurance. When we obtain reinsurance, we are still liable for those transferred risks if the

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reinsurer cannot meet its obligations. Therefore, the inability of our reinsurers to meet their financial obligations may require us to increase liabilities, thereby reducing our net income and shareholders equity.

Our goodwill and other intangible assets are subject to impairment tests, which may require us to reduce shareholders equity.

Upon our emergence from bankruptcy, we revalued our assets and liabilities to estimated fair value as of August 31, 2003 and established our capital accounts at the reorganization value determined in conjunction with our bankruptcy plan. We recorded the $1,141.6 million of reorganization value which could not be attributed to specific tangible or identified intangible assets as goodwill.

Under GAAP, we are required to evaluate our goodwill and other intangible assets for impairment on an annual basis, or more frequently if there is an indication that an impairment may exist. If certain criteria are met, we are required to record an impairment charge. We obtained independent appraisals to determine the value of the company in conjunction with the preparation of our bankruptcy plan which indicated no impairments of our goodwill or other intangible assets existed. However, we cannot assure you that we will not have to recognize an impairment charge in future periods.

The appraisals prepared to determine the value of our subsidiaries are based on numerous estimates and assumptions which, though considered reasonable by management, may not be realized, and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. These estimates and assumptions had a significant effect on the determination of our reorganization value and the amount of goodwill we recognized. Accordingly, if our actual experience differs from our estimates and assumptions, it is possible we will have to recognize an impairment charge in future periods.

Our business is subject to extensive regulation, which limits our operating flexibility and could result in our insurance subsidiaries being placed under regulatory control or otherwise negatively impact our financial results.

Our insurance business is subject to extensive regulation and supervision in the jurisdictions in which we operate. Our insurance subsidiaries are subject to state insurance laws that establish supervisory agencies with broad administrative powers relative to granting and revoking licenses to transact business, regulating sales and other practices, approving premium rate increases, licensing agents, approving policy forms, setting reserve and solvency requirements, determining the form and content of required statutory financial statements, limiting dividends and prescribing the type and amount of investments we can make.

We have been operating under heightened scrutiny from state insurance regulators. For example, our insurance subsidiaries domiciled in Texas, Bankers National Life Insurance Company and Conseco Life Insurance Company of Texas, on behalf of itself and its subsidiaries, entered into consent orders with the Commissioner of Insurance for the State of Texas on October 30, 2002, which were formally released on November 19, 2003. These consent orders applied to all of our insurance subsidiaries and, among other things, restricted the ability of our insurance subsidiaries to pay dividends and other amounts to the parent company without regulatory consent. Notwithstanding the release of these consent orders, we have agreed with the Texas Department of Insurance to provide prior notice of certain transactions, including up to 30 days prior notice for the payment of dividends by an insurance subsidiary to any non-insurance company parent, and to provide information periodically concerning our financial performance and condition. As noted above, state laws generally provide state insurance regulatory agencies with broad authority to protect policyholders in their jurisdictions. Accordingly, we cannot assure you that regulators will not seek to assert greater supervision and control over our insurance subsidiaries businesses and financial affairs.

Our insurance subsidiaries are also subject to risk-based capital requirements. These requirements were designed to evaluate the adequacy of statutory capital and surplus in relation to investment and insurance risks associated with asset quality, mortality and morbidity, asset and liability matching and other business factors. The requirements are used by states as an early warning tool to discover potentially weakly-capitalized companies for the purpose of initiating regulatory action. Generally, if an insurer s risk-based capital falls below specified levels, the insurer would be subject to different degrees of regulatory action

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depending upon the magnitude of the deficiency. The 2003 statutory annual statements filed with the state insurance regulators of each of our insurance subsidiaries reflected total adjusted capital in excess of the levels subjecting the subsidiaries to any regulatory action. However, as a result of losses on the long-term care business within our other business in run-off segment, the risk-based capital ratio of Conseco Senior Health Insurance Company, which issued most of the long-term care business in our other business in run-off segment, is near the level which would require it to submit a comprehensive plan aimed at improving its capital position. Furthermore, we may not be able to maintain the risk-based capital ratios of our subsidiaries above levels that could give rise to regulatory action.

Our insurance subsidiaries may be required to pay assessments to fund policyholder losses or liabilities and this may negatively impact our financial results.

The solvency or guaranty laws of most states in which an insurance company does business may require that company to pay assessments up to certain prescribed limits to fund policyholder losses or liabilities of other insurance companies that become insolvent. Insolvencies of insurance companies increase the possibility that these assessments may be required. These assessments may be deferred or forgiven under most guaranty laws if they would threaten an insurer s financial strength and, in certain instances, may be offset against future premium taxes. We cannot estimate the likelihood and amount of future assessments. Although past assessments have not been material, if there were a number of large insolvencies, future assessments could be material and could have a material adverse effect on our financial results and financial position.

Litigation and regulatory investigations are inherent in our business and may harm our financial strength and reduce our profitability.

Insurance companies historically have been subject to substantial litigation resulting from claims, disputes and other matters. In addition to the traditional policy claims associated with their businesses, insurance companies typically face policyholder suits and class action suits. The class action and policyholder suits are often in connection with insurance sales practices, policy and claims administration practices and other market conduct issues. State insurance departments focus on sales practices and product issues in their market conduct examinations. Negotiated settlements of class action and other lawsuits have had a material adverse effect on the business, financial condition and results of operations of insurance companies. We are, in the ordinary course of our business, a plaintiff or defendant in actions arising out of our insurance business, including class actions and reinsurance disputes, and, from time to time, are also involved in various governmental and administrative proceedings and investigations. Our subsidiary, Philadelphia Life Insurance Company, which is now known as Conseco Life Insurance Company, is a defendant in two purported nationwide class action lawsuits alleging fraudulent sales practices and seeking unspecified damages in Florida federal court. Five lawsuits were also filed in Mississippi state court against Conseco Life Insurance Company alleging similar claims. Our former subsidiary, Manhattan National Life Insurance Company, is a defendant in a purported nationwide class action lawsuit alleging fraud by non-disclosure of additional charges for policyholders wishing to pay premiums on other than an annual basis and seeking unspecified damages in New Mexico state court. Four of our subsidiaries have also been named in purported nationwide class action lawsuits seeking unspecified damages in Colorado state court alleging claims similar to those alleged in the New Mexico suit naming Manhattan National Life Insurance Company. Conseco Life Insurance Company has been named as a defendant in nine recently filed purported class actions and individual cases alleging, among other things, breach of contract with regard to a change made in the way monthly deductions are calculated for insurance coverage. The ultimate outcome of these lawsuits, however, cannot be predicted with certainty, and although we do not presently believe that any of these lawsuits, individually, are material, they could, in the aggregate, have a material adverse effect on our financial condition. Because our insurance subsidiaries were not part of our bankruptcy proceedings, the bankruptcy proceedings did not result in the discharge of any claims, including claims asserted in litigation, against our insurance subsidiaries. The New York Attorney General and the SEC are also conducting investigations concerning alleged market timing on the part of holders of variable annuity policies issued by Conseco Variable Insurance Company, a former wholly-owned subsidiary of Conseco Life of Texas, that occurred prior to the sale of Conseco Variable Insurance Company to an unrelated third party in October 2002, and could make a claim against us at any time. In addition, we may be subject to potential indemnity claims by the buyer in respect of our prior ownership. In other cases involving the investigation of market timing allegedly permitted by mutual fund managers, the SEC and state regulators have sought to impose penalties far in excess of the alleged losses to the investing public, and we cannot assure you that they would not seek to do so with us. While we would vigorously defend against efforts to impose substantial penalties against us, any such penalties, if imposed, could have a material adverse effect on our financial condition. See Business Legal Proceedings below.

Competition from companies that have greater market share, higher ratings and greater financial resources may impair our ability to retain existing customers and sales representatives, attract new customers and sales representatives and maintain or improve our financial results.

The supplemental health insurance, annuity and individual life insurance markets are highly competitive. Competitors include other life and accident and health insurers, commercial banks, thrifts, mutual funds and broker-dealers.

Our principal competitors vary by product line. Our main competitors for agent sold long-term care insurance products include GE Financial Assurance, John Hancock Financial Services, Aegon USA, Lincoln Benefit Life, MetLife and Unum Provident. Our main competitors for agent sold Medicare supplement insurance products include Mutual of Omaha, Blue Cross and Blue Shield of Florida, Physicians Mutual and Standard Life and Accident.

In some of our product lines, such as life insurance and fixed annuities, we have a relatively small market share. Even in some of the lines in which we are one of the top five writers, our market share is relatively small. For example, while our Bankers Life segment ranked third in agent sold long-term care insurance products in 2003 with a market share of approximately seven percent, the top two writers of agent sold long-term care insurance products had a combined market share of approximately 45 percent during the period. In addition, while our Bankers Life segment was ranked third and our Conseco Insurance Group segment was ranked fourth in agent sold Medicare supplement insurance products in 2003 with a combined market share of approximately 17 percent, the top two writers of agent sold Medicare supplement insurance products had a combined market share of approximately 63 percent during the period.

Virtually all of our major competitors have higher financial strength ratings than we do. Many of our competitors are larger companies that have greater capital, technological and marketing resources, and have access to capital at a lower cost. Recent industry consolidation, including business combinations among insurance and other financial services companies, has resulted in larger competitors with even greater financial resources. Furthermore, recent changes in federal law have narrowed the historical separation between banks and insurance companies, enabling traditional banking institutions to enter the insurance and annuity markets and further increase competition. This increasing competition may harm our ability to maintain or increase our profitability.

In addition, because the actual cost of products is unknown when they are sold, we are subject to competitors who may sell a product at a price that does not cover its actual cost. Accordingly, if we do not also lower our prices for similar products, we may lose market share to these competitors. If we lower our prices to maintain market share, our profitability will decline.

We must attract and retain sales representatives to sell our insurance and annuity products. Strong competition exists among insurance and financial services companies for sales representatives. We compete with other insurance and financial services companies for sales representatives primarily on the basis of our financial position, financial strength ratings, support services and compensation and product features. Our competitiveness for such agents also depends upon the relationships we develop with these agents. If we are unable to attract and retain sufficient numbers of sales representatives to sell our products, our ability to compete and our revenues would suffer.

If we are unable to attract and retain independent agents for the distribution of products sold through the Conseco Insurance Group segment, sales of our products will decline.

Our Conseco Insurance Group segment markets and distributes its products, including specified disease insurance, Medicare supplement insurance, equity-indexed life insurance and equity-indexed annuities, exclusively through independent agents. Premiums collected by our Conseco Insurance Group segment through independent distributors totaled: $1,301.6 million, or 31 percent, of our collected premiums in 2003;

$1,680.2 million, or 37 percent, of collected premiums in 2002; and $2,048.0 million, or 40 percent, of collected premiums in 2001. Given the significance of this distribution channel to our business, our ability to maintain our relationships with these independent agents is critical to our financial performance. This ability is dependent upon, among other things, the compensation we offer independent distributors and the overall attractiveness of our products to their customers. In addition, the distribution of our life insurance and annuity products through this channel is particularly sensitive to the financial strength ratings of our insurance subsidiaries. The downgrades of our ratings in 2002, as well as our bankruptcy, caused significant defections among our independent agents and increased our costs of retaining them, which had a material adverse effect on our results of operations. Following the downgrade of our A.M. Best rating to B++ in July 2002, the premiums we collected from business distributed by independent agents decreased to $762.6 million in the last six months of 2002 and $668.7 million in the first six months of 2003, compared to $917.6 million in the first six months of 2002, the period immediately preceding the downgrade. In the event that we are unable to attract and retain qualified independent distributors of our products, our operations and financial results may be materially adversely affected.

We may require additional capital in the future, which may not be available or may only be available on unfavorable terms.

Our future capital requirements depend on many factors, including our ability to write new business successfully and to establish premium rates and reserves at levels sufficient to cover losses. While we currently expect to fund our capital needs for the next several years from our operations, if those prove to be insufficient we may need to raise additional funds through future financings and, if we are unable to raise additional funds, we may need to curtail our growth and reduce our assets. Any equity or debt financing, if available at all, may be on terms that are not favorable to us. In the case of equity financings, dilution to our shareholders could result, and in any case such securities may have rights, preferences and privileges that are senior to those of the shares offered hereby. If we cannot obtain adequate capital on favorable terms or at all, our business, operating results and financial condition could be adversely affected.

Our financial results would be negatively impacted if we are required to indemnify the purchasers of businesses that we have recently sold.

We are subject to retained liabilities and indemnification obligations related to businesses we have sold. For example, we retained liabilities for certain purported class action litigation in connection with our sale of Manhattan National Life Insurance Company in June 2002. In addition, the agreement entered into in connection with our sale of Conseco Variable Insurance Company imposes continuing indemnification obligations with respect to liabilities relating to our period of ownership of Conseco Variable Insurance Company, and the agreement entered into in connection with our sale of Conseco Finance imposes continuing tax sharing obligations with respect to tax liabilities relating to our period of ownership of Conseco Finance. We cannot assure you that we will not be subject to claims with respect to these continuing or residual obligations, or that any such claims would not be material.

[C] Risks Related to the Offering

The price of our common stock may fluctuate significantly, and you could lose all or part of your investment.

Volatility in the market price of our common stock may prevent you from being able to sell your shares at or above the price you paid for your shares. The market price of our common stock could fluctuate significantly for various reasons which include:

- our quarterly or annual earnings or those of other companies in our industry;
- the public s reaction to our press releases, our other public announcements and our filings with the Securities and Exchange Commission;
- changes in earnings estimates or recommendations by research analysts who track our common stock or the stocks of other companies in our industry;

- new laws or regulations or new interpretations of laws or regulations applicable to our business;
- changes in accounting standards, policies, guidance, interpretations or principles;
- changes in general conditions in the U.S. and global economies or financial markets, including those resulting from war, incidents of terrorism or responses to such events; and
- sales of common stock by our directors and executive officers.

In addition, in recent years, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in the insurance industry. The changes frequently appear to occur without regard to the operating performance of these companies. The price of our common stock could drop materially based upon factors that have little or nothing to do with Conseco.

If our share price is volatile, we may be the target of additional securities litigation, which is costly and time-consuming to defend. In the past, following periods of market volatility in the price of a company s securities, security holders have often instituted class action litigation. If the market value of our common stock experiences adverse fluctuations and we become involved in this type of litigation, regardless of the outcome, we could incur substantial legal costs and our management s attention could be diverted from the operation of our business, causing our business to suffer.

There is a limited trading history in our common stock and an active market may not continue.

We emerged from bankruptcy, and our common stock was approved for listing on the New York Stock Exchange, on September 10, 2003. Accordingly, there is a limited trading history in our common stock and an active market may not continue in shares of our common stock. The liquidity of the market for shares of our common stock and the prices at which the stock trades will depend upon the amount outstanding, the number of holders thereof, the interest of securities dealers in maintaining a market in the securities and other factors beyond our control. Consequently, you may not be able to sell shares of our common stock at prices equal to or greater than the price you paid in this offering.

Issuance of additional common stock or preferred stock could adversely affect holders of our common stock.

We may issue additional shares of common stock in the future, either in subsequent offerings, in connection with future acquisitions or business combinations or upon exercise, conversion or exchange of other securities. Under certain circumstances, we are authorized to issue, without stockholder approval, over 7.0 billion additional shares of common stock. After the completion of this offering, we will have 144,115,772 outstanding shares of common stock, or 150,715,772 shares if the underwriters exercise in full their option to purchase additional shares. This number includes 50,600,000 shares that we are selling in this offering, assuming the underwriters exercise in full their option to purchase additional shares, which may be resold immediately in the public market. Holders of our outstanding series A warrants are entitled to purchase one share of our common stock at a price of $27.60 per share for each such warrant. The series A warrants are exercisable for an aggregate of up to 6,000,000 shares of common stock and expire on September 10, 2008. Holders of our class B preferred stock issued in the concurrent offering will be entitled at their option at any time on or after the day immediately following the issue date of the class B preferred stock to convert the shares of class B preferred stock into an aggregate of shares of our common stock and, under specified circumstances, such shares could be convertible into an aggregate of up to shares of our common stock, subject to anti-dilution adjustments. In the event that we are unable to pay all accumulated dividends on the class B preferred stock in cash on the mandatory conversion date pursuant to the terms thereof, we are obligated to deliver additional shares of our common stock in respect of such unpaid dividends.

In connection with our reorganization, we entered into registration rights agreements with creditors of our predecessor with respect to our common stock and class A preferred stock. Under these agreements, these stockholders have the right, subject to limitations, to require us to effect the registration of their shares upon written demand. In addition, subject to limitations, if we file a registration statement covering our equity securities for our own account or for the account of any holder of our equity securities (including the registration statement of which this prospectus is a part), we must offer to holders of registrable securities the opportunity to register such number of shares of registrable securities as such holder may request.

In addition, our board of directors is authorized to issue additional series of shares of preferred stock without any action on the part of our stockholders. Our board of directors also has the power, without stockholder approval, to set the terms of any such series of shares of preferred stock that may be issued, including voting rights, conversion rights, dividend rights, preferences over our common stock with respect to dividends or if we liquidate, dissolve or wind up our business and other terms. If we issue preferred stock in the future that has preference over our common stock with respect to the payment of dividends or upon our liquidation, dissolution or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of our common stock or the market price of our common stock could be adversely affected. We are also authorized to issue, without stockholder approval, securities convertible into either common stock or preferred stock.

We also consider from time to time various strategic alternatives that could involve issuances of additional common stock, including but not limited to acquisitions and business combinations, but do not currently have any definitive plans to enter into any of these transactions.

The issuance of additional common stock or securities convertible into common stock would result in dilution of existing stockholders equity interests in us. Issuances of substantial amounts of our common stock, or the perception that such issuances could occur, may adversely affect prevailing market prices for our common stock.

Provisions in our certificate of incorporation and our bylaws may make it more difficult and expensive for investors to remove our current board of directors and management.

Provisions in our amended and restated certificate of incorporation and our second amended and restated bylaws may make it more difficult and expensive for investors to remove our current board of directors and management. These provisions include:

- a classified board of directors, which could prevent a stockholder, or group of stockholders, having majority voting power, from obtaining control of our board of directors until the second annual meeting of stockholders following September 10, 2003, the effective date of our emergence from bankruptcy;

- advance notice requirements for stockholder proposals and director nominations; and

- removal of directors only for cause prior to the second annual meeting of stockholders following September 10, 2003, the effective date of our emergence from bankruptcy.

State insurance laws may delay, deter or prevent a takeover attempt that may be in the best interests of stockholders.

State insurance laws include provisions that may delay, deter or prevent a takeover attempt that may be in the best interests of stockholders. For instance, state insurance holding company laws and regulations applicable to us generally provide that no person may acquire control of a company, and thus indirect control of its insurance subsidiaries, unless the person has provided required information to, and the acquisition is approved or not disapproved by, the appropriate insurance regulatory authorities. Generally, any person acquiring beneficial ownership of 10 percent or more of the voting power of our capital stock would be presumed to have acquired control, unless the appropriate insurance regulatory authorities, upon advance application, determine otherwise. In addition, they may prevent stockholders from receiving the benefit from any premium over the market price of our common stock offered by a bidder in a potential takeover. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging takeover attempts in the future.

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[P] Risks Related to the Offering

The market price of the common stock you receive on the mandatory conversion date may be less than the effective price you paid for these shares by purchasing shares of class B preferred stock.

The number of shares of our common stock that you will receive upon the conversion of your shares of class B preferred stock is not fixed but instead will depend on the average of the closing price per share of our common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding the mandatory conversion date, which we refer to as the applicable market value. The market value of common stock received by you on the mandatory conversion date may be less than the effective price per share paid by you for our common stock by buying the shares of class B preferred stock. If the applicable market value of the common stock is less than the initial price of $, the market value of the common stock issued to you pursuant to each share of class B preferred stock on the mandatory conversion date will be less than the effective price per share paid by you for the common stock on the date of issuance of the shares of class B preferred stock, assuming that the market value on the mandatory conversion date is the same as the applicable market value of the common stock. Accordingly, you assume the risk that the market value of the common stock may decline, and the decline could be substantial.

We could be prevented from paying dividends on shares of the class B preferred stock, which may negatively impact your investment.

You will only receive cash dividends on shares of the class B preferred stock if we have funds legally available for the payment of dividends and such payment will not result in a default under our senior credit facility or cause the class B preferred stock not to come within the definition of Permitted Refinancing Preferred Stock under the senior credit agreement. The definition of Permitted Refinancing Preferred Stock in the senior credit agreement requires, among other things, that the preferred stock not require the payment of cash dividends in excess of the amount that we could have paid in compliance with the coverage ratio under the senior credit agreement for the four most recent fiscal quarters ending prior to the payment of any such dividend, determined on a pro forma basis giving effect to such dividend. For the quarter ended December 31, 2003 on an as adjusted basis to give effect to the concurrent offerings of our common stock and class B preferred stock and the use of proceeds thereof as described under Use of Proceeds, we would have been entitled to pay dividends of up to $18.3 million in compliance with our senior credit facility and in accordance with applicable law. In addition, because we are a holding company, our ability to pay cash dividends on shares of the class B preferred stock may be limited by restrictions on our ability to obtain sufficient funds through dividends from our subsidiaries. Accordingly, there is no guarantee that we will be able to pay any cash dividends on shares of the class B preferred stock, including upon mandatory conversion.

We have agreed to deliver shares of our common stock in respect of accumulated and unpaid dividends on the mandatory conversion date in the event that we are unable to pay such dividends in full in cash on such date under the foregoing restrictions, but the value of any such shares of our common stock and your ability to sell those shares at any particular price is uncertain.

Our issuance of additional common stock or preferred stock may cause our common stock price to decline, which may negatively impact your investment.

Issuances or sales of substantial numbers of additional shares of our common or preferred stock, including in connection with future acquisitions, if any, or the perception that such issuances or sales could occur, may cause prevailing market prices for our common stock to decline. We may sell additional shares of common stock in subsequent public offerings. As of the date of this prospectus, our amended and restated certificate of incorporation provides that we have authority to issue up to 8.0 billion shares of common stock. As of December 31, 2003, 100,115,772 shares of common stock were outstanding. Also, as of such date, there were 50.8 million shares of common stock authorized and available for issuance (a portion of which we may issue under our long-term equity incentive plan), 7.8 billion shares of common stock authorized and reserved for issuance upon conversion or exchange of our class A preferred stock, and 6.0 million shares of

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common stock authorized but reserved for issuance upon exercise of our series A warrants. Holders of our outstanding series A warrants are entitled to purchase one share of our common stock at a price of $27.60 per share for each such warrant. The series A warrants expire on September 10, 2008. If all of the class A preferred stock is redeemed with the proceeds of the offerings, the shares of common stock reserved for issuance upon conversion or exchange of the class A preferred stock will be available for issuance for other purposes. to shares of common stock will be issuable upon conversion of the shares of class B preferred stock, assuming that all dividends on the class B preferred stock are paid in cash, subject to anti-dilution adjustments. An additional to shares of common stock will be issuable upon conversion of the class B preferred stock if the underwriters exercise their option to purchase additional shares of class B preferred stock in full, subject to anti-dilution adjustments. We will reserve for issuance the maximum number of shares of our common stock issuable upon conversion of the shares of class B preferred stock at all times that the class B preferred stock is convertible. Because the value of the class B preferred stock is derived in large part from the value of the underlying common stock into which it is convertible, such declines in the value of our common stock could negatively impact the value of your investment in the class B preferred stock.

In connection with our plan of reorganization, we entered into registration rights agreements with creditors of our predecessor with respect to our common stock and class A preferred stock. Under these agreements, these stockholders have the right, subject to limitations, to require us to effect the registration of their shares upon written demand. In addition, subject to limitations, if we file a registration statement covering our equity securities for our own account or for the account of any holder of our equity securities (including the registration statement of which this prospectus is a part), we must offer to holders of registrable securities the opportunity to register such number of shares of registrable securities as such holder may request.

In addition, our board of directors is authorized to issue additional series of shares of preferred stock without any action on the part of our stockholders. Our board of directors also has the power, without stockholder approval, to set the terms of any such series of shares of preferred stock that may be issued, including voting rights, conversion rights, dividend rights, preferences over our common stock with respect to dividends or if we liquidate, dissolve or wind up our business and other terms. If we issue cumulative preferred stock in the future that has preference over our common stock with respect to the payment of dividends or upon our liquidation, dissolution or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the market price of our common stock could decrease, adversely affecting the value of our class B preferred stock. We are also authorized to issue, without stockholder approval, securities convertible into either common stock or preferred stock and securities that rank on a parity with the class B preferred stock as to the payment of dividends and distributions of assets upon liquidation.

A decline in the trading price of our common stock may cause the trading price of the class B preferred stock to similarly decline.

The trading prices for the shares of class B preferred stock in the secondary market will be directly affected by the trading prices of our common stock, the general level of interest rates and our credit quality. It is impossible to predict whether the price of the common stock or interest rates will rise or fall. Trading prices of the common stock will be influenced by our operating results and prospects and by economic, financial and other factors. In addition, general market conditions, including the level of, and fluctuations in, the trading prices of stocks generally, and sales of substantial amounts of common stock by us in the market after the offering of the class B preferred stock, or the perception that such sales could occur, could affect the price of our common stock, and thus the price of our class B preferred stock. Fluctuations in interest rates may give rise to arbitrage opportunities based upon changes in the relative value of the common stock underlying the class B preferred stock. Any such arbitrage could, in turn, affect the trading prices of the shares of class B preferred stock and our common stock.

We emerged from bankruptcy, and our common stock was approved for listing on the New York Stock Exchange, on September 10, 2003. Accordingly, there has been a limited trading history in our common stock and an active and liquid market may not continue in shares of our common stock. The liquidity of the market for shares of our common stock and the prices at which our stock trades will depend upon the amount outstanding, the number of holders thereof, the interest of securities dealers in maintaining a market in the securities and other factors beyond our control. Consequently, you bear the risk that the value of your investment in the class B preferred stock will be negatively impacted if shares of our common stock do not trade at prices equal to or greater than the value of such common stock on the date you purchased the class B preferred stock.

The opportunity for equity appreciation provided by an investment in our class B preferred stock is less than that provided by a direct investment in our common stock. Accordingly, the return on an investment in our class B preferred stock may be less than the return on an investment in our common stock.

Your opportunity for equity appreciation afforded by investing in shares of our class B preferred stock is less than your opportunity for equity appreciation if you directly invested in our common stock. This opportunity is less because the market value of the common stock to be received by you pursuant to the shares of class B preferred stock on the mandatory conversion date, assuming that the market value is the same as the applicable market value of the common stock, will only exceed the effective price per share paid by you for our common stock on the date of issuance of the class B preferred stock if the applicable market value of the common stock exceeds the threshold appreciation price of $, which represents an appreciation of approximately % over the initial price of $. If the applicable market value of our common stock exceeds the initial price but falls below the threshold appreciation price, you realize no equity appreciation of the common stock for the period during which you own the class B preferred stock. Furthermore, if the applicable market value of our common stock equals or exceeds the threshold appreciation price, you would receive on the mandatory conversion date only approximately % of the value of the shares of common stock you could have purchased with $25 at the last reported sale price of our common stock on the date hereof.

Holders of the shares of class B preferred stock have limited voting rights, and will have no rights as a common stockholder until they acquire our common stock.

Until you acquire shares of our common stock upon conversion, you will have no rights with respect to our common stock, including voting rights (except as required by applicable state law or our amended and restated certificate of incorporation), rights to respond to tender offers and rights to receive any dividends or other distributions on our common stock. Upon conversion, you will be entitled to exercise the rights of a holder of common stock only as to matters for which the record date occurs after the conversion date. For example, in the event that an amendment is proposed to our certificate of incorporation or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to delivery of the common stock, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

Our class B preferred stock has never been publicly traded and an active trading market for such stock may not develop.

Prior to this offering, there has been no public market for the shares of class B preferred stock. Although we intend to apply to list the shares of class B preferred stock on the New York Stock Exchange, an active trading market may not develop, or, if developed, may not be maintained. Also, the underwriters have advised us that they intend to facilitate secondary market trading by making a market in the shares of class B preferred stock. However, the underwriters are not obligated to make a market in the shares of class B preferred stock and may discontinue market making activities at any time.

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The shares of class B preferred stock will rank junior to all of our and our subsidiaries liabilities in the event of a bankruptcy, liquidation or winding up of our assets.

In the event of bankruptcy, liquidation or winding up, our assets will be available to pay obligations on the class B preferred stock only after all of our liabilities have been paid and only on a pari passu basis with any pari passu preferred stock we may issue hereafter. In addition, the class B preferred stock will effectively rank junior to all existing and future liabilities of our subsidiaries and any preferred stock of our subsidiaries held by third parties, and thus rights of holders of the shares of class B preferred stock to participate in the assets of our subsidiaries upon any liquidation or reorganization of any subsidiary will be subject to the prior claims of that subsidiary s creditors and preferred equity holders. As of December 31, 2003, we had approximately $27.1 billion of total liabilities, excluding intercompany indebtedness. In the event of bankruptcy, liquidation or winding up, there may not be sufficient assets remaining, after paying our and our subsidiaries liabilities, to pay amounts due on the class B preferred stock then outstanding. To the extent we have assets remaining after paying our and our subsidiaries liabilities, we are obligated to pay amounts due on any parity stock then outstanding on a pari passu basis with amounts due on any or all of the shares of class B preferred stock then outstanding.

The value of the class B preferred stock may be adversely affected by modifications to our capital structure for which the conversion rate will not be adjusted.

The number of shares of common stock that you are entitled to receive on the mandatory conversion date, or as a result of early conversion of a share of class B preferred stock, is subject to adjustment for certain events arising from stock splits and combinations, stock dividends, cash dividends and certain other actions by us that modify our capital structure. However, we will not adjust the conversion rate for other events, including offerings of common stock for cash by us or in connection with acquisitions. As a result, an event that adversely affects the value of the shares of class B preferred stock, but does not result in an adjustment to the conversion rate, could occur. Further, we are not restricted from issuing additional common stock while the class B preferred stock is outstanding and have no obligation to consider your interests for any reason. If we issue additional shares of common stock, it may materially and adversely affect the price of our common stock and, because of the relationship of the number of shares to be received on the mandatory conversion date to the price of the common stock, such other events may adversely affect the trading price of the shares of class B preferred stock.

You may have to pay taxes with respect to distributions on our common stock that you do not receive.

The number of shares of common stock that you are entitled to receive on the mandatory conversion date, or as a result of early conversion of the shares of class B preferred stock, is subject to adjustment for certain events arising from stock splits and combinations, stock dividends, certain cash dividends and certain other actions by us that modify our capital structure. If the conversion rate is adjusted as a result of a distribution that is taxable to our common stockholders, such as a cash dividend, you would be required to include an amount in income for federal income tax purposes, notwithstanding the fact that you do not actually receive such distribution. The amount that you will generally have to include in income would be the fair market value of the additional common stock to which you would be entitled by reason of the increase in your proportionate equity interest in the company to the extent of our current and accumulated earnings and profits. In addition, non-U.S. holders of shares of class B preferred stock may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal withholding tax requirements.

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Provisions in our certificate of incorporation and our bylaws may make it more difficult and expensive for investors to remove our current board of directors and management.

Provisions in our amended and restated certificate of incorporation and our second amended and restated bylaws may make it more difficult and expensive for investors to remove our current board of directors and management. These provisions include:

- a classified board of directors, which could prevent a stockholder, or group of stockholders, having majority voting power, from obtaining control of our board of directors until the second annual meeting of stockholders following September 10, 2003, the effective date of our emergence from bankruptcy;
- advance notice requirements for stockholder proposals and director nominations; and
- removal of directors only for cause prior to the second annual meeting of stockholders following September 10, 2003, the effective date of our emergence from bankruptcy.

State insurance laws may delay, deter or prevent a takeover attempt that may be in the best interests of stockholders.

State insurance laws include provisions that may delay, deter or prevent a takeover attempt that may be in the best interests of stockholders. For instance, state insurance holding company laws and regulations applicable to us generally provide that no person may acquire control of a company, and thus indirect control of its insurance subsidiaries, unless the person has provided required information to, and the acquisition is approved or not disapproved by, the appropriate insurance regulatory authorities. Generally, any person acquiring beneficial ownership of 10 percent or more of the voting power of our capital stock would be presumed to have acquired control, unless the appropriate insurance regulatory authorities, upon advance application, determine otherwise. In addition, they may prevent stockholders from receiving the benefit from any premium over the market price of our common stock offered by a bidder in a potential takeover. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock and class B preferred stock if they are viewed as discouraging takeover attempts in the future.

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OUR RECENT EMERGENCE FROM BANKRUPTCY

On December 17, 2002, our predecessor and certain of its non-insurance company subsidiaries filed voluntary petitions for relief under chapter 11 of the bankruptcy code in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division. We emerged from bankruptcy protection under the plan of reorganization, which was confirmed pursuant to an order of the bankruptcy court on September 9, 2003, and became effective on September 10, 2003. Upon the confirmation of the plan of reorganization, we implemented fresh start accounting in accordance with Statement of Position 90-7 Financial Reporting by Entities in Reorganization under the Bankruptcy Code . Our accounting and actuarial systems and procedures are designed to produce financial information as of the end of a month. Accordingly, for accounting convenience purposes, we applied the effects of fresh start accounting on August 31, 2003. Our activities for the period from September 1, 2003 through September 10, 2003 are therefore included in the successor s statement of operations and excluded from the predecessor s statement of operations. See Selected Consolidated Financial and Operating Data and the notes entitled Basis of Presentation and Fresh Start Reporting in our audited consolidated financial statements included elsewhere in this prospectus for more information on fresh start accounting.

The plan of reorganization generally provided for the full payment or reinstatement of allowed administrative claims, priority claims, fully secured claims and certain intercompany claims, and the distribution of new equity securities and warrants to partially secured and unsecured creditors of our predecessor. Holders of claims arising under our predecessor s $1.5 billion senior bank credit facility also received a pro rata interest in our new senior credit facility. Holders of our predecessor s common stock and preferred stock did not receive any distribution under the plan of reorganization, and these securities, together with all other prepetition securities and the $1.5 billion senior bank credit facility of our predecessor, were cancelled on the effective date.

On the effective date, under the terms of the plan of reorganization, we emerged from the bankruptcy proceedings with a capital structure consisting of:

- our new $1.3 billion senior credit facility;
- approximately 34.4 million shares of class A preferred stock with an initial aggregate liquidation preference of approximately $859.7 million;
- 100.0 million shares of common stock, excluding shares issued to our new non-executive chairman upon his appointment and shares issued or to be issued to directors, officers or employees under a new equity incentive plan; and
- series A warrants to purchase 6.0 million shares of our common stock.

Under the terms of the plan of reorganization, we distributed the equity securities to the creditors of our predecessor in the amounts outlined below:

- lenders under our predecessor s senior bank credit facility and director and officer loan program received approximately 34.4 million shares of our class A preferred stock, with an initial aggregate liquidation preference of $859.7 million;
- holders of our predecessor s senior notes received approximately 32.3 million shares of our common stock;
- holders of our predecessor s guaranteed senior notes received approximately 60.6 million shares of our common stock;
- holders of our predecessor s general unsecured claims received approximately 3.8 million shares of our common stock; and
- holders of trust preferred securities issued by our predecessor s subsidiary trusts received approximately 1.5 million shares of our common stock and series A warrants to purchase 6.0 million shares of our common stock at an exercise price of $27.60 per share.

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The distribution of our common stock summarized above represents approximately 98 percent of all of the shares of common stock to be distributed under the plan of reorganization. As of December 31, 2003, approximately 1.8 million shares of outstanding common stock have been reserved for distribution under the plan of reorganization in respect of disputed claims, the resolution of which is still pending. If reserved shares remain after resolution of these disputed claims, then the reserved shares will be reallocated to other general unsecured creditors of our predecessor as provided for under the plan of reorganization.

As part of our chapter 11 reorganization, we sold substantially all of the assets of our predecessor s finance business and exited from this line of business. Our finance business was conducted through our predecessor s indirect wholly-owned subsidiary, Conseco Finance Corp. We accounted for our finance business as a discontinued operation in 2002 once we formalized our plans to sell it. On April 1, 2003, Conseco Finance Corp. and 22 of its direct and indirect subsidiaries, which collectively comprised substantially all of the finance business, filed liquidating plans of reorganization with the bankruptcy court in order to facilitate the sale of this business. The sale of the finance business was completed in the second quarter of 2003. We did not receive any proceeds from this sale in respect of our interest in Conseco Finance Corp., nor did any creditors of our predecessor. As of March 31, 2003, we ceased to include the assets and liabilities of Conseco Finance Corp. on our predecessor s consolidated balance sheet.

For a complete discussion of the distributions provided for under the plan of reorganization, you should refer to the complete text of the plan of reorganization confirmed by the bankruptcy court, which is filed as an exhibit to the registration statement of which this prospectus forms a part.

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[P] RATIOS OF EARNINGS TO FIXED CHARGES AND EARNINGS TO FIXED CHARGES, PREFERRED STOCK DIVIDENDS, AND DISTRIBUTIONS ON COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUSTS

The following table sets forth our ratio of earnings to fixed charges and our ratio of earnings to fixed charges, preferred stock dividends and distributions on company-obligated mandatorily redeemable preferred securities of subsidiary trusts for the periods indicated. For purposes of the table, earnings represent consolidated net income (loss) before income taxes, minority interest, discontinued operations, extraordinary gain (loss), cumulative effect of accounting change and fixed charges, as defined below.

Fixed charges for the ratio of earnings to fixed charges as reported consist of:

- interest expense on corporate debt, including amortization;
- interest expense on investment borrowings;
- interest added to policyholder account balances; and
- the portion of rental expense we deem representative of the interest factor.

Fixed charges for the ratio of earnings to fixed charges excluding interest added to policyholder balances consist of:

- interest expense on corporate debt, including amortization;
- interest expense on investment borrowings; and
- the portion of rental expense we deem representative of the interest factor.

We calculate the ratio of earnings to fixed charges excluding interest added to policyholder account balances as a measure of our historical ability to meet our interest obligations related to corporate debt and investment borrowings, without consideration of insurance policy benefits credited to policyholders in the form of interest.

Preferred stock dividends and distributions on company-obligated mandatorily redeemable preferred securities of subsidiary trusts consist of income before taxes that is required to pay dividends or distributions on such securities. For further information with respect to the following table, please see Exhibit 12.1 to the registration statement of which this prospectus is a part.

	Successor	Predecessor				
	Four Months Ended December 31, 2003	Eight Months Ended August 31, 2003(a)	Year Ended December 31			
			2002	2001	2000	1999
Ratio of earnings to fixed charges:						
As reported	1.79x	4.96x	(b)	(d)	(f)	2.10x
Excluding interest added to policyholder account balances	4.46x	10.04x	(b)	(d)	(f)	4.24x
Ratio of earnings to fixed charges, preferred stock dividends and distributions on company-obligated mandatorily redeemable preferred securities of subsidiary trusts:						
As reported	1.46x	4.96x	(c)	(e)	(g)	1.72x
Excluding interest added to policyholder account balances	2.23x	10.04x	(c)	(e)	(g)	2.55x
Pro forma ratio of earnings to fixed charges(h)	1.89x					

Pro forma ratio of earnings to fixed charges and preferred stock dividends(i)	1.73x

(a) Earnings for the eight months ended August 31, 2003 included reorganization items totaling $2,130.5 million. The reorganization items included: (1) $3,151.4 million related to the gain on the discharge of prepetition liabilities; (2) $(950.0) million related to fresh start adjustments; and (3) $(70.9) million related to professional fees. The ratios for the eight months ended August 31, 2003, excluding such reorganization items, would be as follows: (1) ratio of earnings to fixed charges 1.08x; and (2) ratio of earnings to fixed charges excluding interest added to policyholder account balances 1.17x. There were no preferred stock dividends or distributions on company-obligated mandatorily redeemable preferred securities of subsidiary trusts during the eight months ended August 31, 2003.

(b) For such ratios, earnings were $1,632.2 million less than fixed charges. Earnings for the year ended December 31, 2002 included: (1) special and reorganization charges of $110.9 million; (2) goodwill impairment charges of $500 million; and (3) provision for losses related to loan guarantees of $240.0 million, as described in greater detail in the notes to the consolidated financial statements included in this prospectus.

(c) For such ratios, earnings were $1,808.6 million less than fixed charges. Earnings for the year ended December 31, 2002 included: (1) special and reorganization charges of $110.9 million; (2) goodwill impairment charges of $500 million; and (3) provision for losses related to loan guarantees of $240.0 million, as described in greater detail in the notes to the consolidated financial statements included in this prospectus.

(d) For such ratios, earnings were $243.4 million less than fixed charges. Earnings for the year ended December 31, 2001 included: (1) special charges of $80.4 million; and (2) provision for losses related to loan guarantees of $169.6 million, as described in greater detail in the notes to the consolidated financial statements included in this prospectus.

(e) For such ratios, earnings were $447.1 million less than fixed charges. Earnings for the year ended December 31, 2001 included: (1) special charges of $80.4 million; and (2) provision for losses related to loan guarantees of $169.6 million, as described in greater detail in the notes to the consolidated financial statements included in this prospectus.

(f) For such ratios, earnings were $777.5 million less than fixed charges. Earnings for the year ended December 31, 2000 included: (1) special charges of $305.0 million; and (2) provision for losses related to loan guarantees of $231.5 million, as described in greater detail in the notes to the consolidated financial statements included in this prospectus.

(g) For such ratios, earnings were $1,018.0 million less than fixed charges. Earnings for the year ended December 31, 2000 included: (1) special charges of $305.0 million; and (2) provision for losses related to loan guarantees of $231.5 million, as described in greater detail in the notes to the consolidated financial statements included in this prospectus.

(h) For purposes of the pro forma ratio of earnings to fixed charges, fixed charges for the four months ended December 31, 2003 have been reduced and earnings have been increased by $9.8 million to reflect the reduction in interest expense resulting from the repayment of $400 million of indebtedness under our senior credit facility using a portion of the proceeds from the offering of the common stock and class B preferred stock.

(i) For purposes of the pro forma ratio of earnings to fixed charges, fixed charges for the four months ended December 31, 2003 have been reduced and earnings have been increased by $9.8 million to reflect the reduction in interest expense resulting from the repayment of $400 million of indebtedness under our senior credit facility using a portion of the proceeds from the offering of the common stock and class B preferred stock. In addition, preferred stock dividends for the four months ended December 31, 2003 have been reduced by $26.3 million to reflect the reduction in preferred stock dividends resulting from the redemption of all outstanding class A preferred stock, net of assumed dividends on the newly issued class B preferred stock.

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USE OF PROCEEDS

[C] Net proceeds from the offering of the common stock will be approximately $939.4 million, or $1,080.5 million if the underwriters exercise in full their option to purchase additional shares of common stock in the offering, assuming a public offering price of $22.33 per share, which was the last reported sale price of our common stock on the New York Stock Exchange on April 27, 2004, and after deducting underwriting discounts and commissions and the estimated expenses of the offering. Concurrently with the offering of the common stock, we are offering 20,000,000 shares of class B preferred stock. Net proceeds from the offering of the class B preferred stock will be approximately $484.3 million, or $557.0 million if the underwriters exercise in full their option to purchase additional shares of class B preferred stock in the offering, assuming a public offering price of $25 per share, and after deducting underwriting discounts and commissions and the estimated expenses of the offering. The closing of the common stock offering is not conditioned upon the closing of the class B preferred stock offering.

[P] Net proceeds from the offering of the class B preferred stock will be approximately $484.3 million, or $557.0 million if the underwriters exercise in full their option to purchase additional shares of class B preferred stock in the offering, assuming a public offering price of $25 per share, and after deducting underwriting discounts and commissions and the estimated expenses of the offering. Concurrently with the offering of the class B preferred stock, we are offering 44,000,000 shares of common stock. Net proceeds from the offering of the common stock will be approximately $939.4 million, or $1,080.5 million if the underwriters exercise in full their option to purchase additional shares of common stock in the offering, assuming a public offering price of $22.33 per share, which was the last reported sale price of our common stock on the New York Stock Exchange on April 27, 2004, and after deducting underwriting discounts and commissions and the estimated expenses of the offering. The closing of the class B preferred stock offering is conditioned upon the closing of the common stock offering and upon having sufficient net proceeds from the offerings to redeem all of our outstanding class A preferred stock.

We expect to use the net proceeds from the offering of the common stock and the class B preferred stock as follows:

- approximately $926.8 million to redeem all outstanding shares of our class A preferred stock,
- approximately $400.0 million to repay indebtedness under our senior credit facility, which matures in 2009 and currently has a weighted average interest rate of 7.8 percent,
- approximately $96.9 million to contribute capital to our insurance subsidiaries, and
- any remaining amount for general corporate purposes.

If we do not complete the class B preferred stock offering or for any other reason do not raise sufficient proceeds to accomplish all of our intended objectives, we intend to first redeem all of the outstanding shares of our class A preferred stock.

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PRICE RANGE OF OUR COMMON STOCK

All of our predecessor s common stock was cancelled pursuant to the plan of reorganization, which became effective September 10, 2003. Our common stock has traded on the New York Stock Exchange under the symbol CNO since September 12, 2003. The high and low sale prices of our common stock, as reported on the New York Stock Exchange, for the quarterly periods beginning September 12, 2003, are set forth below. On April 27, 2004, the last reported sale price of our common stock on the New York Stock Exchange was $22.33. As of April 6, 2004, there were 100,115,772 shares of our common stock outstanding, and there were approximately 67,000 holders of our common stock.

	Conseco Common Stock	
	High	Low
2003		
Third Quarter (beginning September 12)	$22.50	$17.70
Fourth Quarter	22.18	18.05
2004		
First Quarter	$23.89	$20.90
Second Quarter (through April 27)	24.00	22.10

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DIVIDEND POLICY

We have not declared or paid any cash dividends on our common stock since our emergence from bankruptcy, nor do we expect to pay any cash dividends on our common stock for the foreseeable future. We intend to pay cash dividends on our class B preferred stock in accordance with its terms. We currently intend to retain any additional future earnings to finance our operations and growth. Any future determination to pay cash dividends on our common stock will be at the discretion of our board of directors and will be dependent on our earnings, financial condition, operating results, capital requirements, any contractual restrictions, regulatory and other restrictions on the payment of dividends by our subsidiaries to us, and other factors that our board of directors deems relevant. In addition, our senior credit facility contains limitations on our ability to declare and pay cash dividends. Moreover, the payment of dividends on our common stock is subject to our prior satisfaction of our obligations under any outstanding shares of preferred stock with preference as to the payment of dividends, including our existing class A preferred stock and the class B preferred stock.

As an insurance holding company, the assets of which consist primarily of direct and indirect equity interests in our insurance company subsidiaries, our ability to pay dividends to our stockholders and meet our other obligations, including operating expenses and debt service, depends primarily on the receipt of dividends and other payments from our insurance company subsidiaries. The payment of dividends by our insurance subsidiaries is regulated under the insurance laws of the states in which they are organized. These regulations generally permit dividends to be paid from statutory earned surplus of the relevant insurance company for any 12-month period in amounts equal to the greater of, or in a few states, the lesser of:

- statutory net gain from operations or statutory net income for the prior year; or

- 10 percent of statutory capital and surplus as of the end of the preceding year.

Any dividends in excess of these levels require the approval of the director or commissioner of the applicable state insurance department. See Management s Discussion and Analysis of Consolidated Financial Condition and Results of Operations Liquidity and Capital Resources.

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CAPITALIZATION

The following table sets forth, as of December 31, 2003, our actual consolidated capitalization and our capitalization as adjusted to give effect to:

- the sale of 44,000,000 shares of common stock at an assumed public offering price of $22.33 per share, after deducting underwriting discounts and commissions and the estimated expenses of the offering; and

- the sale of 20,000,000 shares of class B preferred stock at an assumed public offering price of $25 per share, after deducting underwriting discounts and commissions and the estimated expenses of the offering; and

- the application of the estimated net proceeds from the offerings as set forth under Use of Proceeds as if the offerings had occurred as of December 31, 2003.

The table should be read in conjunction with Management s Discussion and Analysis of Consolidated Financial Condition and Results of Operations and our audited consolidated financial statements and the related notes thereto appearing elsewhere in this prospectus.

	As of December 31, 2003	
	Actual	As Adjusted
	(In millions)	
Notes payable	$1,300.0	$ 900.0
Equity:		
Preferred stock, par value $0.01 per share, 265,000,000 authorized:		
34,386,740 shares of class A preferred stock issued and outstanding actual; no shares of class A preferred stock issued and outstanding as adjusted	887.5	
No shares of class B preferred stock issued and outstanding actual; 20,000,000 shares of class B preferred stock issued and outstanding as adjusted		484.3
Common stock, par value $0.01 per share, 8,000,000,000 authorized: 100,115,772 shares issued and outstanding actual; 144,115,772 shares issued and outstanding as adjusted	1.0	1.4
Additional paid-in-capital	1,641.9	2,580.9
Accumulated other comprehensive income	218.7	218.7
Retained earnings	68.5	68.5
Total equity	2,817.6	3,353.8
Total capitalization	$4,117.6	$4,253.8

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SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The following table sets forth selected financial data for Conseco, Inc. as of and for the four months ended December 31, 2003, as of and for the eight months ended August 31, 2003, and as of and for each of the four years ended December 31, 2002. The data should be read in conjunction with Management s Discussion and Analysis of Consolidated Financial Condition and Results of Operations and our consolidated financial statements and related notes included in this prospectus.

For financial reporting purposes, we refer to Conseco and its subsidiaries on or prior to August 31, 2003 as the predecessor and after August 31, 2003 as the successor.

We and certain of our subsidiaries emerged from chapter 11 bankruptcy proceedings on September 10, 2003. However, for accounting convenience, the effective date of the plan of reorganization was deemed to have occurred on August 31, 2003. Fresh start accounting has been implemented as of August 31, 2003, and accordingly, we restated all of our assets and liabilities to their current estimated value, reestablished shareholders equity at the reorganization value determined in connection with our plan of reorganization, and recorded the portion of the reorganization value which could not be attributed to specific tangible or identified intangible assets as goodwill. As a result, our financial statements for periods following August 31, 2003, are not comparable with those prepared before that date.

As part of our chapter 11 reorganization, we sold the assets of our finance business and exited this line of business effective March 31, 2003. In October 2002, we sold Conseco Variable Insurance Company, our primary writer of variable annuity products. The results of operations of these former businesses have been reported as discontinued operations in all periods presented in the selected financial data prior to their sale. The predecessor s net income (loss) includes amounts related to the discontinued operations of $16.0 million, $(2,216.8) million, $(100.6) million, $(381.9) million and $117.3 million for the eight months ended August 31, 2003 and the years ended December 31, 2002, 2001, 2000 and 1999, respectively. The sales of these businesses further affect the comparability of the selected financial data.

We have derived the selected financial data for the four months ended December 31, 2003, the eight months ended August 31, 2003, the years ended December 31, 2002 and 2001 and as of December 31, 2003 and 2002 from our audited consolidated financial statements included in this prospectus. We have derived the selected financial data for the years ended December 31, 2000 and 1999 and as of December 31, 2001, 2000 and 1999 from our audited consolidated financial statements not included in this prospectus.

We have prepared the selected financial data, other than statutory data, in conformity with generally accepted accounting principles. We have derived the statutory data from the statements filed by our insurance subsidiaries with regulatory authorities and have prepared the statutory data in accordance with statutory accounting practices, which vary in certain respects from generally accepted accounting principles.

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	Successor	Predecessor				
	As of or for the Four Months Ended December 31, 2003	As of or for the Eight Months Ended August 31, 2003	Years Ended December 31, 2002	2001	2000	1999
	(Amounts in millions, except per share data)					
STATEMENT OF OPERATIONS DATA(a)						
Insurance policy income	$ 1,005.8	$ 2,204.3	$ 3,602.3	$ 3,992.7	$ 4,170.7	$ 3,990.4
Net investment income	474.6	969.0	1,334.3	1,550.0	1,578.1	2,287.7
Net realized investment gains (losses)	11.8	(5.4)	(556.3)	(340.0)	(304.8)	80.0
Total revenues	1,505.5	3,202.2	4,450.4	5,492.0	5,581.4	6,315.3
Interest expense on corporate notes payable and investment borrowings (contractual interest: $268.5 for the eight months ended August 31, 2003; and $345.3 for 2002)	36.8	202.5	341.9	400.0	454.3	300.2
Total benefits and expenses	1,356.0	1,030.0	6,082.6	5,735.4	6,358.9	5,301.2
Income (loss) before income taxes, minority interest, discontinued operations and cumulative effect of accounting change	149.5	2,172.2	(1,632.2)	(243.4)	(777.5)	1,014.1
Cumulative effect of accounting change, net of income tax			(2,949.2)		(55.3)	
Net income (loss)	96.3	2,201.7	(7,835.7)	(405.9)	(1,191.2)	595.0
Preferred stock dividends	27.8		2.1	12.8	11.0	1.5
Net income (loss) applicable to common stock	68.5	2,201.7	(7,837.8)	(418.7)	(1,202.2)	593.5
PER SHARE DATA						
Net income, basic	$ .68					
Net income, diluted	$ .67					
Book value per common share outstanding	$ 19.28					
Weighted average shares outstanding for basic earnings	100.1					
Weighted average shares outstanding for diluted earnings	143.5					
Shares outstanding at period end	100.1					
BALANCE SHEET DATA AT PERIOD END						
Total investments	$22,796.7	$22,018.3	$21,783.7	$25,067.1	$25,017.6	$26,431.6
Goodwill	952.2	99.4	100.0	3,695.4	3,800.8	3,927.8
Total assets	29,920.1	28,318.1	46,509.0	61,432.2	58,589.2	52,185.9
Corporate notes payable and commercial paper	1,300.0			4,085.0	5,055.0	4,624.2
Liabilities subject to compromise		6,951.4	4,873.3			
Total liabilities	27,102.5	30,519.5	46,637.9	54,764.7	51,810.9	43,990.6
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts			1,921.5	1,914.5	2,403.9	2,639.1
Shareholders equity (deficit)	2,817.6	(2,201.4)	(2,050.4)	4,753.0	4,374.4	5,556.2
STATUTORY DATA(b)						
Statutory capital and surplus	$ 1,514.1		$ 1,064.4	$ 1,649.8	$ 1,881.8	$ 2,170.5
Asset valuation reserve	40.9		11.6	105.1	266.8	362.8
	1,555.0		1,076.0	1,754.9	2,148.6	2,533.3

Total statutory capital and surplus and asset valuation reserve

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(a) Our financial condition and results of operations have been significantly affected during the periods presented by the discontinued finance operations. Please refer to note 19 to the audited consolidated financial statements included elsewhere in this prospectus.

(b) We have derived the statutory data from statements filed by our insurance subsidiaries with regulatory authorities and have prepared the statutory data in accordance with statutory accounting principles, which vary in certain respects from generally accepted accounting principles.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following analysis of the consolidated results of our operations and financial condition should be read in conjunction with Selected Consolidated Financial and Operating Data and the consolidated financial statements and the related notes to the financial statements and the other financial information included elsewhere in this prospectus.

Special Note Regarding Forward-Looking Statements

This prospectus contains forward-looking statements. Forward-looking statements typically are identified by the use of terms such as anticipate, believe, plan, estimate, expect, project, intend, may, will, would, contemplate, possible, attempts, seeks, track, comfortable with, optimistic and similar words, although some forward-looking statements are expressed differently. You should consider statements that contain these words carefully because they describe our expectations, plans, strategies and goals and our beliefs concerning future business conditions, our results of operations, financial position, and our business outlook or they state other forward-looking information based on currently available information. The Risk Factors section of this prospectus provides examples of risks, uncertainties and events that could cause our actual results to differ materially from the expectations expressed in our forward-looking statements. Assumptions and other important factors that could cause our actual results to differ materially from those anticipated in our forward-looking statements include, among other things:

- the potential adverse impact of our predecessor s chapter 11 petition on our business operations, and relationships with our customers, employees, regulators, distributors and agents;
- our ability to operate our business under the restrictions imposed by our senior bank credit facility or future credit facilities;
- our ability to improve the financial strength ratings of our insurance company subsidiaries and the impact of recent rating downgrades on our business;
- our ability to obtain adequate and timely rate increases on our supplemental health products including our long-term care business;
- general economic conditions and other factors, including prevailing interest rate levels, stock and credit market performance and health care inflation, which may affect our ability to sell products and access capital on acceptable terms, the market value of our investments, and the lapse rate and profitability of policies;
- our ability to achieve anticipated synergies and levels of operational efficiencies;
- customer response to new products, distribution channels and marketing initiatives;
- mortality, morbidity, usage of health care services, persistency and other factors which may affect the profitability of our insurance products;
- performance of our investments;
- changes in the Federal income tax laws and regulations which may reduce or eliminate the relative tax advantages of some of our products;
- increasing competition in the sale of insurance and annuities;
- regulatory changes or actions, including those relating to regulation of the financial affairs of our insurance companies, including the payment of dividends to us, regulation of financial services affecting bank sales and underwriting of insurance products, regulation of the sale, underwriting and pricing of products, and health care regulation affecting health insurance products;

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the ultimate outcome of lawsuits filed against us and other legal and regulatory proceedings to which we are subject; and

the risk factors or uncertainties listed from time to time in our other filings with the Securities and Exchange Commission.

Other factors and assumptions not identified above are also relevant to the forward-looking statements, and if they prove incorrect, could also cause actual results to differ materially from those projected. The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

Overview

We are a holding company for a group of insurance companies operating throughout the United States that develop, market and administer supplemental health insurance, annuity, individual life insurance and other insurance products. We focus on serving the senior and middle-income markets, which we believe are attractive, high growth markets. We sell our products through three distribution channels: career agents, professional independent producers, some of whom sell one or more of our product lines exclusively, and direct marketing.

We conduct our business operations through two primary operating segments, based primarily on method of product distribution, and a third segment comprised of businesses in run-off. Prior to September 30, 2003, we conducted our insurance operations through one segment. In the fourth quarter of 2003, we implemented changes contemplated in our restructuring plan to conduct our business through the following segments:

Bankers Life, which consists of the businesses of Bankers Life and Casualty and Colonial Penn. Bankers Life and Casualty markets and distributes Medicare supplement insurance, life insurance, long-term care insurance and fixed annuities to the senior market through approximately 4,000 exclusive career agents and sales managers. Colonial Penn markets graded benefit and simplified issue life insurance directly to consumers through television advertising, direct mail, the internet and telemarketing. Both Bankers Life and Casualty and Colonial Penn market their products under their own brand names.

Conseco Insurance Group, which markets and distributes specified disease insurance, Medicare supplement insurance and certain life and annuity products to the senior and middle-income markets through over 500 independent marketing organizations that represent over 9,100 producing independent agents. This segment markets its products under the Conseco brand.

Other business in run-off, which includes blocks of business that we no longer market or underwrite and are managed separately from our other businesses. This segment consists of long-term care insurance sold through independent agents and major medical insurance.

We also have a corporate segment, which consists of holding company activities and certain noninsurance company businesses that are not related to our operating segments.

We have restated all historical periods presented in Management s Discussion and Analysis of Consolidated Financial Condition and Results of Operations to reflect our new segments.

We emerged from bankruptcy protection under our plan of reorganization, which was confirmed pursuant to an order of the bankruptcy court on September 9, 2003, and became effective on September 10, 2003. Upon the confirmation of the plan of reorganization, we implemented fresh start accounting in accordance with Statement of Position 90-7 Financial Reporting by Entities in Reorganization under the Bankruptcy Code. Our accounting and actuarial systems and procedures are designed to produce financial information as of the end of a month. Accordingly, for accounting convenience purposes, we applied the effects of fresh start accounting on August 31, 2003. Our activities for the period September 1, 2003 through

September 10, 2003 are therefore included in the successor s statement of operations and excluded from the predecessor s statement of operations. We believe the net income impact of the use of the convenience date is immaterial.

In accordance with Statement of Position 90-7, we restated all of our assets and liabilities to their current estimated value, reestablished shareholders equity at the reorganization value determined in connection with our plan of reorganization and recorded the portion of the reorganization value which could not be attributed to specific tangible or identified intangible assets as goodwill. As a result, our financial statements for periods following August 31, 2003, are not comparable with those prepared before that date.

For the four months ended December 31, 2003, net income after dividends on our convertible exchangeable preferred stock totaled $68.5 million, or 67 cents per diluted share. Results for the four month period included net after-tax gains of $3.4 million from realized investment gains and venture capital losses.

Despite low ratings and our decisions to discontinue or curtail sales of some of our products in order to conserve capital coming out of bankruptcy, collected premiums in our core products have been relatively stable since our emergence from bankruptcy.

The past year was a year of transition for us. We continue to focus on the factors that we believe are most important to achieving our key business objective, improving the financial strength ratings of our insurance subsidiaries:

Combined statutory earnings (loss) (a non-GAAP measure) totaled $286.1 million and $(465.0) million in 2003 and 2002, respectively. Included in such earnings (loss) are net realized capital gains (losses), net of income taxes, of $32.8 million and $(516.1) million in 2003 and 2002, respectively. The 2003 statutory results included several positive income items resulting from the sale of the General Motors building in the third quarter, as well as expense reductions and other operating improvements.

Combined statutory capital and surplus (a non-GAAP measure) at December 31, 2003, was $1.5 billion, up from $1.1 billion at year-end 2002.

Combined risk-based capital ratio (a non-GAAP measure) was 287 percent at December 31, 2003, up from 166 percent at year-end 2002.

Our other major goals for 2004 are to reduce our capital cost, strengthen our balance sheet and improve our execution on the basics of our business by:

- further reducing operating expenses and improving the efficiency of our operations across all business functions;
- continuing to address the problems in the acquired blocks of long-term care business in the other business in run-off segment;
- consolidating and streamlining our back-office systems to reduce complexity, lower our costs and improve customer service; and
- expanding the reach of the career agents in our Bankers Life segment into new geographic markets.

Critical Accounting Policies

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management has made estimates in the past that we believed to be appropriate but were subsequently revised to reflect actual experience. If our future experience differs materially from these estimates and assumptions, our results of operations and financial condition could be affected.

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We base our estimates on historical experience and other assumptions that we believe are reasonable under the circumstances. We continually evaluate the information used to make these estimates as our business and the economic environment change. The use of estimates is pervasive throughout our financial statements. The accounting policies and estimates we consider most critical are summarized below. Additional information on our accounting policies is included in the note to our consolidated financial statements included elsewhere in this prospectus entitled Summary of Significant Accounting Policies .

Investments

At December 31, 2003, the carrying value of our investment portfolio was $22.8 billion. The accounting risks associated with these assets relate to the recognition of income, our determination of other-than-temporary impairments and our estimation of fair values.

We defer any fees received or costs incurred when we originate investments. We amortize fees, costs, discounts and premiums as yield adjustments over the contractual lives of the investments. We consider anticipated prepayments on structured securities in determining estimated yields on such securities. Adjustments to yields as a result of actual prepayments being different than anticipated are recognized as investment income (loss).

When we sell a security, other than trading securities or venture capital investments, we report the difference between the sale proceeds and the amortized cost, determined based on specific identification, as a realized investment gain or loss.

We regularly evaluate all of our investments for possible impairment based on current economic conditions, credit loss experience and other investee-specific developments. If there is a decline in a security s net realizable value that is other than temporary, the decline is recognized as a realized loss and the cost basis of the security is reduced to its estimated fair value. During the four months ended December 31, 2003, we recorded $9.6 million of writedowns of fixed maturities, equity securities and other invested assets as a result of conditions that caused us to conclude a decline in the fair value of the investments was other than temporary. During the eight months ended August 31, 2003, we recorded writedowns of fixed maturity investments, equity securities and other invested assets totaling $51.3 million.

If a decline in value is determined to be other than temporary and the cost basis of the security is written down to fair value, we review the circumstances which caused us to believe that the decline was other than temporary with respect to other investments in our portfolio. If such circumstances exist with respect to other investments, those investments are also written down to fair value. Future events may occur, or additional or updated information may become available, which may necessitate future realized losses of securities in our portfolio. Significant losses in the carrying value of our investments could have a material adverse effect on our earnings in future periods.

Our evaluation of investments for impairment requires significant judgments to be made, including:

- the identification of potentially impaired securities;
- the determination of their estimated fair value; and
- assessment of whether any decline in estimated fair value is other than temporary.

Our periodic assessment of whether unrealized losses are other than temporary also requires significant judgment. Factors considered include:

- the extent to which market value is less than the cost basis;
- the length of time that the market value has been less than cost;
- whether the unrealized loss is event driven, credit-driven or a result of changes in market interest rates;
- the near-term prospects for improvement in the issuer and/or its industry;

- whether the investment is investment grade and our security analyst s view of the investment s rating and whether the investment has been downgraded since its purchase;
- whether the issuer is current on all payments in accordance with the contractual terms of the investment and is expected to meet all of its obligations under the terms of the investment;
- our ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery; and
- the underlying asset and enterprise values of the issuer.

If new information becomes available or the financial condition of the investee changes, our judgments may change resulting in the recognition of a realized investment loss at that time. At December 31, 2003, our net accumulated other comprehensive income included gross unrealized losses on investments of $34.5 million. We consider all such declines in estimated fair value to be temporary.

Estimated fair values for our investments are determined based on estimates from nationally recognized pricing services, broker-dealer market makers and internally developed methods. Our internally developed methods require us to make judgments about the security s credit quality, liquidity and market spread.

Below-investment grade securities have different characteristics than investment grade corporate debt securities. Risk of loss upon default by the borrower is significantly greater with respect to below-investment grade securities than with other corporate debt securities. Below-investment grade securities are generally unsecured and are often subordinated to other creditors of the issuer. Also, issuers of below-investment grade securities usually have higher levels of debt and are more sensitive to adverse economic conditions, such as recession or increasing interest rates, than are investment grade issuers. We attempt to reduce the overall risk in the below-investment grade portfolio, as in all investments, through careful credit analysis, strict investment policy guidelines, and diversification by issuer and/or guarantor and by industry.

During the four months ended December 31, 2003, we sold $604.9 million of fixed maturity investments which resulted in gross realized investment losses, before income taxes, of $7.3 million. During the first eight months of 2003, we sold $2.7 billion of fixed maturity investments which resulted in gross realized investment losses, before income taxes, of $62.4 million. Securities sold at a loss are sold for a number of reasons including but not limited to:

- changes in the investment environment;
- expectation that the market value could deteriorate further;
- desire to reduce our exposure to an issuer or an industry;
- changes in credit quality; and
- our analysis indicating there is a high probability that the security is other-than-temporarily impaired.

We seek to manage the relationship between the estimated duration of our invested assets and the expected duration of our insurance liabilities. When the estimated durations of assets and liabilities are similar, exposure to interest rate risk is minimized because a change in the value of assets should be largely offset by a change in the value of liabilities. A mismatch of the durations of invested assets and insurance liabilities could have a significant impact on our results of operations and financial position. See Quantitative and Qualitative Disclosures About Market Risks for additional discussion of the duration of our invested assets and insurance liabilities.

For more information on our investment portfolio and our critical accounting policies related to investments, see the note to our consolidated financial statements included elsewhere in this prospectus entitled Investments .

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Value of Policies Inforce at the Effective Date and Cost of Policies Produced

In conjunction with the implementation of fresh start accounting, we eliminated the historical balances of our predecessor s cost of policies purchased and cost of policies produced as of the effective date and replaced them with the value of policies inforce.

The cost assigned to the right to receive future cash flows from contracts existing at August 31, 2003 is referred to as the value of policies inforce. We also defer renewal commissions paid in excess of ultimate commission levels related to the existing policies in this account. The balance of this account is amortized, evaluated for recovery, and adjusted for the impact of unrealized gains (losses) in the same manner as the cost of policies produced described below. We expect to amortize approximately 10 percent of the December 31, 2003 balance of value of policies inforce in 2004, 10 percent in 2005, 9 percent in 2006, 8 percent in 2007 and 8 percent in 2008.

The cost of policies produced are those costs that vary with, and are primarily related to, producing new insurance business. These amounts are amortized using the interest rate credited to the underlying policy:

- in relation to the estimated gross profits for investment and universal life-type products; or
- in relation to future anticipated premium revenue for other products.

The amortization for investment and universal life-type products is adjusted retrospectively when estimates of current or future gross profits and margins to be realized from a group of products and contracts are revised.

When we realize a gain or loss on investments backing our universal life or investment-type products, we adjust the amortization to reflect the change in estimated gross profits from the products due to the gain or loss realized and the effect of the event on future investment yields. We also adjust the cost of policies produced for the change in amortization that would have been recorded if actively managed fixed maturity securities had been sold at their stated aggregate fair value and the proceeds reinvested at current yields. We include the impact of this adjustment in accumulated other comprehensive income (loss) within shareholders equity.

At December 31, 2003, the combined balance of the value of policies inforce and cost of policies produced was $3.1 billion. The recovery of these costs is dependent on the future profitability of the related business.

Each year, we evaluate the recoverability of the unamortized balance of the value of policies inforce and the cost of policies produced. We consider estimated future gross profits or future premiums, expected mortality or morbidity, interest earned and credited rates, persistency and expenses in determining whether the balance is recoverable. If we determine a portion of the unamortized balance is not recoverable, it is charged to amortization expense.

The assumptions we use to amortize and evaluate the recoverability of the value of policies inforce and the cost of policies produced involve significant judgment. A revision to these assumptions could have a significant adverse effect on our results of operations and financial position.

Goodwill

Upon our emergence from bankruptcy, we revalued our assets and liabilities to current estimated fair value and established our capital accounts at the reorganization value determined in connection with the plan of reorganization. We recorded the $1,141.6 million of the reorganization value which could not be attributed to specific tangible or identified intangible assets as goodwill. Under current accounting rules, which became effective January 1, 2002, goodwill is not amortized but is subject to an annual impairment test, or if there is an indication that an impairment may exist, more frequent tests. We obtained an independent appraisal of our business in connection with the preparation of the plan of reorganization which indicated no impairment of our goodwill existed. However, we may have to recognize impairment charges in the future if circumstances change.

Although the goodwill balance will not be subject to amortization, it will be reduced by future use of our net deferred income tax assets, including the deferred tax assets associated with tax operating loss carryforwards, existing at August 31, 2003. The goodwill balance was reduced by $189.4 million in the four months ended December 31, 2003 as a result of our use of that amount of our tax operating loss carryforward during that period. A valuation allowance has been provided for the remaining balance of such net deferred income tax assets due to the uncertainties regarding their realization. See Income Taxes below for further discussion.

Income Taxes

Our income tax expense includes deferred income taxes arising from temporary differences between the financial reporting and tax bases of assets and liabilities, capital loss carryforwards and net operating loss carryforwards. In assessing the realization of deferred income tax assets, we consider whether it is more likely than not that the deferred income tax assets will be realized. The ultimate realization of our deferred income tax assets depends upon generating future taxable income during the periods in which our temporary differences become deductible and before our net operating loss carryforwards expire. In addition, the use of our net operating loss carryforwards is dependent, in part, on whether the IRS ultimately agrees with the tax position we plan to take in our current and future tax returns. With respect to the deferred income tax assets, we assess the need for a valuation allowance on a quarterly basis.

At the time of our emergence from bankruptcy, we established a valuation allowance for the entire balance of net deferred income tax assets as we believed that the realization of such net deferred income tax assets in future periods was uncertain. As of December 31, 2003, we continue to believe that the realization of our net deferred income tax asset is uncertain and continue to maintain a valuation allowance for the entire balance of net deferred income tax assets. We reached this conclusion after considering the losses we realized in recent years, the uncertainties related to the tax treatment for the worthlessness of our investment in Conseco Finance, which is more fully discussed below, and the likelihood of future taxable income exclusive of reversing temporary differences and carryforwards.

As of December 31, 2003, we had approximately $3.6 billion of net operating loss carryforwards, after taking into account the reduction in tax attributes described in the paragraph which follows and the loss resulting from the worthlessness of our predecessor s investment in Conseco Finance discussed below. These net operating loss carryforwards expire as follows: $11.2 million in 2004; $4.6 million in 2005; $.2 million in 2006; $5.8 million in 2007; $6.6 million in 2008; $10.5 million in 2009; $4.2 million in 2010; $2.5 million in 2011; $16.0 million in 2012; $43.4 million in 2013; $6.9 million in 2014; $60.4 million in 2016; $41.5 million in 2017; $3,399.5 million in 2018; $.7 million in 2019; $5.5 million in 2020; and $1.0 million in 2022. The timing and manner in which we will utilize the net operating loss carryforwards in any year or in total may be limited by various provisions of the Internal Revenue Code, and interpretation thereof, and our ability to generate sufficient future taxable income in the relevant carryforward period.

The Code provides that any income realized as a result of the cancellation of indebtedness in bankruptcy will reduce certain tax attributes, including net operating loss carryforwards. We realized an estimated $2.5 billion of cancellation of debt income when we emerged from bankruptcy. Accordingly, our net operating loss carryforwards were reduced by $2.5 billion.

The following paragraphs summarize some of the various limitations and contingencies which exist with respect to the future utilization of the net operating loss carryforwards.

We realized an estimated $5.4 billion tax loss in 2003 as a result of our investment in Conseco Finance. In consultation with our tax advisors and based on relevant provisions of the Code, we intend to treat this loss as an ordinary loss, thereby increasing our net operating loss carryforward. We have requested a pre-filing examination by the IRS to confirm that this loss should be treated as an ordinary loss. If the IRS were to disagree with our conclusion and such determination ultimately prevailed, the loss would be treated as a capital loss, which would only be available to reduce future capital gains for the next 5 years. The procedures related to the pre-filing examination are in process, but are not expected to be completed before August 2004.

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The Code limits the extent which losses realized by one or more a non-life entities may offset income from one or more life insurance companies to the lesser of:

- 35 percent of the income of the life insurance company; or

- 35 percent of the total loss.

There is no limitation with respect to the ability to utilize net operating losses generated by a life insurance company. Subsequent to our emergence from bankruptcy, we reorganized some of our subsidiaries to improve their capital position and, as a result, the loss related to Conseco Finance was realized by a life insurance company. Accordingly, we believe the loss should be treated as a life insurance loss and should not be subject to the limitations described above. However, if the IRS were to disagree with our conclusion and such determination ultimately prevailed, the loss related to Conseco Finance would be subject to the limitation described in the first sentence of this paragraph.

The timing and manner in which we will be able to utilize some or all of our net operating loss carryforwards may be limited by section 382 of the Code. Section 382 imposes limitations on a corporation s ability to use its net operating losses if the company undergoes an ownership change. Because we underwent an ownership change pursuant to our reorganization, we have determined that this limitation applies to us. In order to determine the amount of this limitation, we must determine how much of our net operating loss carryforward relates to the period prior to our emergence from bankruptcy (and, as a result is subject to the section 382 limitation) and how much relates to the period after emergence (and, as a result is not subject to the section 382 limitation). Pursuant to the Code, we may:

- allocate the current year tax loss on a pro rata basis to determine earnings (loss) post- and pre-emergence; or

- specifically identify transactions in each period and record them in the period in which they actually occurred.

We intend to elect the latter, which we believe will result in a substantial portion of the loss related to Conseco Finance being treated as post-emergence and therefore not subject to the section 382 limitation. Any losses that are subject to the section 382 limitation will only be utilized by us up to approximately $140 million per year, with any unused amounts carried forward to the following year.

The reduction of any portion of our deferred income tax valuation allowance, including the deferred tax assets associated with net operating loss carryforwards existing as of August 31, 2003, will be accounted for as a reduction of goodwill when eliminated pursuant to Statement of Position 90-7. If all goodwill is eliminated, any additional reduction of the valuation allowance existing at August 31, 2003 will be accounted for as a reduction of other intangible assets until exhausted and thereafter as an addition to paid-in-capital. Goodwill was reduced by $189.4 million during the four months ended December 31, 2003 due to a reduction in the valuation allowance for net deferred income tax assets established at the effective date.

Liabilities for Insurance Products

At December 31, 2003, the total balance of our liabilities for insurance and asset accumulation products was $24.8 billion. These liabilities are often payable over an extended period of time and the profitability of the related products is dependent on the pricing of the products and other factors. Differences between our expectations when we sold these products and our actual experience could result in future losses.

We calculate and maintain reserves for the estimated future payment of claims to our policyholders based on actuarial assumptions. For our supplemental health insurance business, we establish an active life reserve plus a liability for due and unpaid claims, claims in the course of settlement and incurred but not reported claims, as well as a reserve for the present value of amounts not yet due on claims. Many factors can affect these reserves and liabilities, such as economic and social conditions, inflation, hospital and pharmaceutical costs, changes in doctrines of legal liability and extra-contractual damage awards. Therefore, the reserves and liabilities we establish are necessarily based on extensive estimates, assumptions and historical experience. Establishing reserves is an uncertain process, and it is possible that actual claims will materially exceed our reserves and have a material adverse effect on our results of operations and financial condition. Our financial results depend significantly upon the extent to which our actual claims experience is consistent with the assumptions we used in determining our reserves and pricing our products. If our assumptions with respect to future claims are incorrect, and our reserves are insufficient to cover our actual losses and expenses, we would be required to increase our liabilities, which would negatively affect our operating results.

Liabilities for insurance products are calculated using management s best judgments of mortality, morbidity, lapse rates, investment experience and expense levels that are based on our past experience and standard actuarial tables.

In accordance with Statement of Position 90-7, we established insurance liabilities and an asset for the value of policies inforce at the effective date using current assumptions. Adjustments to the predecessor s liabilities for insurance and asset accumulation products as of August 31, 2003 are summarized below (dollars in millions):

	Predecessor Balance Sheet	Fresh Start Adjustments	Successor Balance Sheet
Liabilities for insurance and asset accumulation products:			
Traditional and limited payment products:			
Traditional life insurance products	$ 1,885.3	$ 320.3	$ 2,205.6
Limited pay annuities	880.0	140.0	1,020.0
Individual accident and health	5,245.8	1,887.9	7,133.7
Group life and health	692.0	136.7	828.7
Unearned premiums	3.3		3.3
Total liabilities for traditional and limited payment products	8,706.4	2,484.9	11,191.3
Interest-sensitive products:			
Investment contracts	8,489.8	132.9	8,622.7
Universal life-type products	3,994.6	(15.4)	3,979.2
Total liabilities for interest-sensitive products	12,484.4	117.5	12,601.9
Other liabilities for insurance and asset accumulation products:			
Separate accounts and investment trusts	87.7		87.7
Claims payable and other policyholder funds	897.1	(10.3)	886.8
Total other liabilities for insurance and asset accumulation products	984.8	(10.3)	974.5
Total liabilities for insurance and asset accumulation products	$22,175.6	$2,592.1	$24,767.7

The following provides explanations for the fresh-start adjustment to insurance liabilities related to our insurance inforce at the effective date.

Traditional Insurance and Limited Pay Products

In accordance with Statement of Financial Accounting Standards No. 60, Accounting and Reporting by Insurance Enterprises and Statement of Financial Accounting Standards No. 97, Accounting and Reporting by Insurance Enterprises for certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments , the predecessor used the original actuarial assumptions determined when traditional long-duration and limited payment insurance contracts were issued in determining liability calculations through the fresh start date, provided the resulting liabilities were adequate to provide for future benefits and expenses under the related contracts. This accounting principle is referred to as the lock in principle and is only applicable to traditional insurance and limited pay products. The use of assumptions that are locked in at the time of issue means that absent loss recognition, the same assumptions are used in accounting for a particular block of business unless the block is subject to purchase or fresh start accounting.

At the effective date, the successor established insurance liabilities at the present value of future benefits and expenses associated with the policies by using current best-estimate assumptions with provisions for adverse deviation. Such assumptions include estimates as to investment yields, mortality, morbidity, withdrawals, lapses and maintenance expenses. The current best-estimate assumptions for these blocks of business differ from the original actuarial assumptions determined when the business was acquired or issued as further described in the following paragraphs.

Due to the current interest rate environment and the requirement to mark the value of the investment portfolio to market, we changed our assumptions related to future investment earnings. The weighted average expected yield on our investment portfolio decreased to approximately 5.6 percent at the effective date from 6.7 percent at December 31, 2002. Approximately $.9 billion of the fresh-start increase to insurance liabilities is the result of changes in future expected investment earnings.

The performance of our long-term care business (especially the acquired block originally sold through independent agents) has generally been unfavorable relative to the predecessor s assumptions established when these blocks of business were acquired. For example, variance in actual versus estimated morbidity, lapses and expenses have been unfavorable to original assumptions. Approximately $1.4 billion of the increase to insurance liabilities is the result of changes in non-interest assumptions for our long-term care policies. Our assumption changes for long-term care business included:

- changes in morbidity assumptions from estimates made when the business was acquired to recent company experience;
- changes in mortality assumptions related to certain blocks of this business from the 1958 and 1980 Commissioners Standard Ordinary Mortality table to the 1983 Group Annuity Mortality table; and
- changes in ultimate lapse ratios from a range of approximately 3 percent to 5.5 percent prior to the adoption of fresh start accounting to a range of 2 percent to 3.5 percent.

Interest-Sensitive Products Subject to Requirements of SFAS 97

The insurance liability for asset accumulation products such as deferred annuities and universal life products is generally equal to current policyholder account balances. These balances generally do not change as a result of the adoption of fresh start accounting. The fresh-start adjustment to insurance liabilities for interest-sensitive products primarily results from:

- the adoption of Statement of Position 03-01 as of the effective date; and
- certain predecessor insurance liabilities that were different from the present value of estimated future benefits as of August 31, 2003.

The adoption of Statement of Position 03-01 as of the effective date required a change in methodology regarding persistency bonuses provided to policyholders who continue to keep their policies inforce for a stated period of time. The predecessor recognized the cost of this benefit over the period prior to the time the benefit is credited in proportion to estimated gross profits and assumed a certain number of policies would terminate before the benefit was credited. Under Statement of Position 03-01, the cost for such benefits is recognized ratably over the period prior to the time the benefit is credited without assuming policy terminations. Insurance liabilities increased by approximately $.1 billion as a result of the adoption of Statement of Position 03-01.

In addition, the insurance liabilities for certain predecessor insurance liabilities were different than the present value of estimated future benefits as of the effective date.

The predecessor had previously established an insurance liability related to some of its business to recognize the future loss expected to be recognized for the former practice of reducing the cost of insurance charges to amounts below the level permitted under the provisions of the policy. The predecessor amortized

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this liability into income in proportion to estimated gross profits on the business, consistent with Statement of Financial Accounting Standards No. 97 requirements for unearned revenues. The predecessor had previously decided to discontinue the practice of providing this nonguaranteed benefit. Accordingly, the remaining insurance liability established for this benefit was no longer required at August 31, 2003, resulting in a $.1 billion reduction to reserves in conjunction with our adoption of fresh-start accounting.

The liabilities established for our equity-indexed annuity products, including the value of options attributable to policyholders for the estimated life of the annuity contract and accounted for as embedded derivatives, are established pursuant to different accounting rules than other interest-sensitive products. At the effective date, the present value of estimated future benefits for our equity-indexed products exceeded the value of the predecessor s liabilities by $.2 billion, resulting in a fresh-start adjustment.

Liabilities for Loss Contingencies Related to Lawsuits and Our Guarantees of Bank Loans and Related Interest Loans

We are involved on an ongoing basis in lawsuits relating to our operations, including with respect to sales practices, and we and current and former officers and directors are defendants in pending class action lawsuits asserting claims under the securities laws and in derivative lawsuits. The ultimate outcome of these lawsuits cannot be predicted with certainty. We recognize an estimated loss from these loss contingencies when we believe it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. However, it is difficult to measure the actual loss that might be incurred related to litigation. The ultimate outcome of these lawsuits could have a significant impact on our results of operations and financial position.

In conjunction with the plan of reorganization, $481.3 million principal amount of bank loans made to certain former directors and certain current and former officers and key employees to enable them to purchase common stock of the predecessor were transferred to the successor. These loans had been guaranteed by the predecessor. We received all rights to collect the balances due pursuant to the original terms of these loans. In addition, we hold loans to participants for interest on the bank loans which total approximately $220 million. The former bank loans and the interest loans are collectively referred to as the director and officer loans. We regularly evaluate the collectibility of these loans in light of the collateral we hold and the creditworthiness of the participants. At December 31, 2003, we have estimated that approximately $51.0 million of the director and officer loan balance, which is included in other assets, is collectible, net of the cost of collection. An allowance has been established to reduce the recorded balance of the director and officer loans to this balance.

Pursuant to the settlement that was reached with the official committee of the trust originated preferred securities holders and the official committee of unsecured creditors in the plan of recognition, the former holders of the trust originated preferred securities (issued by the predecessor s subsidiary trusts and eliminated in our reorganization) who did not opt out of the bankruptcy settlement, will be entitled to receive 45 percent of any proceeds from the collection of certain director and officer loans in an aggregate amount not to exceed $30 million. We have established a liability of $23.1 million, which is included in other liabilities, representing our estimate of the amount which will be paid to the former holders of the trust originated preferred securities pursuant to the settlement.

Results of Operations

Due to the application of fresh start accounting, the reported historical financial statements of our predecessor for periods prior to August 31, 2003 generally are not comparable to our financial statements prepared after that date. Therefore, our results of operations have not been combined with those of our predecessor. Please read this discussion in conjunction with the accompanying consolidated financial statements and notes included elsewhere in this prospectus.

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After our emergence from bankruptcy, we began to manage our business operations through two primary operating segments, based primarily on method of product distribution, and a third segment comprised of business in run-off. We refer to these segments as: (1) Bankers Life; (2) Conseco Insurance Group; and (3) other business in run-off. Prior to its disposition effective March 31, 2003, we also had a finance segment. We also have a corporate segment, which consists of holding company activities and certain noninsurance company businesses that are not related to our other operating segments. The following tables and narratives summarize the operating results of our segments for the periods presented as we currently manage them (dollars in millions):

	Successor	Predecessor		
	Four Months Ended December 31, 2003	Eight Months Ended August 31, 2003	Years Ended December 31, 2002	2001
Earnings (losses) before taxes:				
Bankers Life	$ 85.5	$ 159.6	$ 136.5	$ 289.3
Conseco Insurance Group	94.3	299.9	(211.5)	186.0
Other business in run-off	12.8	(171.3)	(216.8)	(106.0)
Corporate operations	(43.1)	1,884.0	(1,340.4)	(612.7)
Income (loss) before income taxes, minority interest, discontinued operations and cumulative effect of accounting change	$149.5	$2,172.2	$(1,632.2)	$(243.4)

General: Conseco, Inc. is the top tier holding company for a group of insurance companies operating throughout the United States that develop, market and administer supplemental health insurance, annuity, individual life insurance and other insurance products. We distribute these products through a career agency force and direct response marketing, which, together, represent our Bankers Life segment, and through professional independent producers, which represent our Conseco Insurance Group segment. Our other business in run-off segment consists of:

- long-term care products written in prior years through independent agents;
- small group and individual major medical business which we began to nonrenew in 2001; and
- other group major medical business which we no longer actively market.

Most of the long-term care business in run-off relates to business written by certain of our subsidiaries prior to their acquisitions by Conseco in 1996 and 1997.

Bankers Life (dollars in millions)

	Successor	Predecessor		
	Four Months Ended December 31, 2003	Eight Months Ended August 31, 2003	Years Ended December 31, 2002	2001
Premiums and asset accumulation product collections:				
Annuities	$253.8	$ 698.4	$ 740.9	$ 513.1
Supplemental health	407.9	759.6	1,159.4	1,097.4
Life	58.6	102.7	139.0	286.3

Total premium collections	$720.3	$1,560.7	$2,039.3	$1,896.8

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	Successor	Predecessor		
	Four Months Ended December 31, 2003	Eight Months Ended August 31, 2003	Years Ended December 31, 2002	Years Ended December 31, 2001
Average liabilities for insurance products:				
Annuities:				
Mortality based	$ 325.7	$ 286.5	$ 271.7	$ 257.6
Equity-linked	262.9	264.8	301.0	320.8
Deposit based	3,156.2	2,847.7	2,248.4	1,864.3
Health	2,620.8	1,916.3	1,712.0	1,497.6
Life:				
Interest sensitive	333.0	324.4	311.6	300.0
Non-interest sensitive	747.3	652.4	654.0	1,083.2
Total average liabilities for insurance products, net of reinsurance ceded	$7,445.9	$6,292.1	$5,498.7	$5,323.5
Revenues:				
Insurance policy income	$ 456.8	$ 892.7	$1,300.1	$1,400.1
Net investment income:				
General account invested assets	128.9	253.4	382.2	391.9
Equity-indexed products based on the change in value of the S&P 500 call options	6.6	4.8	(14.8)	(15.5)
Trading account income related to policyholder and reinsurer accounts	5.2			
Change in value of embedded derivatives related to modified coinsurance agreements	(5.2)			
Net realized investment gains (losses)	3.4	5.5	(128.7)	(43.5)
Fee revenue and other income	.5	.2	1.3	1.2
Total revenues	596.2	1,156.6	1,540.1	1,734.2
Expenses:				
Insurance policy benefits	338.2	705.6	973.4	1,002.7
Amounts added to policyholder account balances:				
Annuity products and interest-sensitive life products other than those listed below	50.6	89.5	116.9	105.5
Equity-indexed products based on S&P 500 Index	7.0		.6	.6
Amortization related to operations	62.3	113.4	171.9	198.4
Amortization related to net realized investment gains (losses)		.5	(3.2)	(5.0)
Interest expense on investment borrowings	.8	3.4	4.6	6.1
Other operating costs and expenses	51.8	84.6	94.4	130.6
Special charges			45.0	6.0
Total benefits and expenses	510.7	997.0	1,403.6	1,444.9
Income before income taxes, minority interest, discontinued operations and cumulative effect of accounting change	$ 85.5	$ 159.6	$ 136.5	$ 289.3

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	Successor	Predecessor		
	Four Months Ended December 31, 2003	Eight Months Ended August 31, 2003	Years Ended December 31, 2002	2001
Health loss ratios:				
All health lines:				
Insurance policy benefits	$283.7	$ 578.5	$840.9	$770.8
Loss ratio(a)	73.11%	75.30%	74.06%	70.23%
Medicare Supplement:				
Insurance policy benefits	$133.3	$ 283.3	$437.6	$443.1
Loss ratio(a)	62.79%	66.39%	67.15%	66.87%
Long-Term Care:				
Insurance policy benefits	$148.0	$ 287.2	$394.3	$316.2
Loss ratio(a)	86.06%	86.08%	83.69%	75.31%
Interest-adjusted loss ratio(b)	60.04%	69.26%	67.95%	60.91%
Other:				
Insurance policy benefits	$ 2.4	$ 8.0	$ 9.0	$ 11.5
Loss ratio(a)	63.79%	101.05%	71.21%	76.45%

(a) We calculate loss ratios by taking the related product s (1) insurance policy benefits divided by (2) insurance policy income.

(b) We calculate the interest-adjusted loss ratio for Bankers Life s long-term care products by taking the product s (1) insurance policy benefits less interest income on the accumulated assets which back the insurance liabilities divided by (2) policy income. Interest income is an important factor in measuring losses on this product. The net cash flows from long-term care products generally result in the accumulation of amounts in the early years of a policy (accounted for as reserve increases) which will be paid out as benefits in later policy years (accounted for as reserve decreases). Accordingly, as the policies age, the loss ratio will typically increase, but the increase in the change in reserve will be partially offset by investment income earned on the assets which have accumulated. The interest-adjusted loss ratio reflects the effects of the investment income offset.

Total premium collections were $720.3 million in the four months ended December 31, 2003; $1,560.7 million in the eight months ended August 31, 2003; and $2,039.3 million and $1,896.8 million in 2002 and 2001, respectively. Bankers Life s annuity premium collections in 2003 were positively impacted by sales inducements provided to purchasers of our annuities and sales incentives to our career agents. These programs ended at various times during the second quarter of 2003. Premium collections on Bankers Life s other products have been negatively impacted by the A.M. Best ratings downgrade to B (Fair). See Premium and Asset Accumulation Product Collections for further analysis.

Average liabilities for insurance products, net of reinsurance ceded, were $7.4 billion in the four months ended December 31, 2003; $6.3 billion in the eight months ended August 31, 2003; and $5.5 billion and $5.3 billion in 2002 and 2001, respectively. The increase in such liabilities through August 31, 2003 is primarily due to increases in annuity reserves. As discussed above under Total premium collections , annuity premium collections in our Bankers Life segment were positively impacted during 2003 by sales inducements and incentives. The increase in such liabilities for the four months ended December 31, 2003 reflects the adoption of fresh start accounting. Bankers Life s average life reserves decreased by $417.6 million, or 30 percent, in 2002 as compared to 2001, primarily due to a first quarter 2002 reinsurance transaction which ceded approximately $400 million of liabilities to the assuming company. The reinsurance transaction is discussed further in the note to the consolidated financial statements included elsewhere in this prospectus entitled Summary of Significant Accounting Policies Reinsurance.

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Insurance policy income is comprised of (1) premiums earned on policies which provide mortality or morbidity coverage and (2) fees and other charges made against other policies. See Premium and Asset Accumulation Product Collections for further analysis.

Net investment income on general account invested assets, which excludes income on policyholder and reinsurer accounts, was:

$128.9 million in the four months ended December 31, 2003;

$253.4 million in the eight months ended August 31, 2003;

$382.2 million in 2002; and

$391.9 million in 2001.

The average balance of general account invested assets was:

$7.0 billion in the four months ended December 31, 2003;

$6.6 billion in the eight months ended August 31, 2003;

$6.1 billion in 2002; and

$5.7 billion in 2001.

The yield on these assets was:

5.5 percent in the four months ended December 31, 2003;

5.7 percent in the eight months ended August 31, 2003;

6.3 percent in 2002; and

6.9 percent in 2001.

The decrease in yield for the four months ended December 31, 2003, reflects the adoption of fresh start accounting which effectively reset the yields to market rates at August 31, 2003. The decrease in yield in the other periods reflects the lower interest rate environment prevailing during the periods presented and the resulting lower rates earned on invested assets. In 2002, net investment income and the average balance of general account invested assets both reflect the transfer of a portion of our investment portfolio to the reinsurer pursuant to the above-mentioned first quarter 2002 reinsurance transaction.

Net investment income related to equity-indexed products based on the change in value of the S&P 500 call options represents the change in the estimated fair value of Bankers Life s S&P 500 Index call options which are purchased in an effort to cover certain benefits accruing to the policyholders of our equity-indexed products. Our equity-indexed products are designed so that the investment income spread earned on the related insurance liabilities should be more than adequate to cover the cost of the S&P 500 call options and other costs related to these policies. Option costs that are attributable to benefits provided were:

$2.9 million in the four months ended December 31, 2003;

$7.7 million in the eight months ended August 31, 2003;

$15.2 million in 2002; and

$16.0 million in 2001.

These costs are reflected in the change in market value of the S&P 500 call options included in the investment income amounts. Net investment income (loss) related to equity-indexed products before this expense was:

$9.5 million in the four months ended December 31, 2003;

$12.5 million in the eight months ended August 31, 2003;

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$.4 million in 2002; and

$.5 million in 2001.

These amounts were partially offset by the corresponding charge (credit) to ***amounts added to policyholder account balances for equity-indexed products based on S&P 500 Index*** of:

$7.0 million in the four months ended December 31, 2003;

nil in the eight months ended August 31, 2003;

$.6 million in 2002; and

$.6 million in 2001.

Such income and related charge fluctuate based on the value of options embedded in the segment s equity-indexed annuity policyholder account balances subject to this benefit and to the performance of the S&P 500 Index to which the returns on these products are linked.

Change in value of embedded derivatives related to modified coinsurance agreements are described in the note to our consolidated financial statements for the period ended December 31, 2003 included elsewhere in this prospectus entitled Summary of Significant Accounting Policies Accounting for Derivatives. We have transferred the specific block of investments related to these agreements to our trading securities account, which we carry at estimated fair value with changes in such value recognized as trading account income. We expect the change in the value of the embedded derivatives largely to be offset by the change in value of the trading securities.

Net realized investment gains (losses) fluctuate from period to period. During the four months ended December 31, 2003, net realized investment gains in our Bankers Life segment included:

$8.6 million of net gains from the sales of investments (primarily fixed maturities), net of

$5.2 million of writedowns of fixed maturity investments, equity securities and other invested assets as a result of conditions which caused us to conclude a decline in fair value of the investment was other than temporary.

During the first eight months of 2003, we recognized net investment gains of $5.5 million. During the first eight months of 2003, the net realized investment gains included:

$20.5 million of net gains from the sales of investments (primarily fixed maturities), net of

$15.0 million of writedowns of fixed maturity investments, equity securities and other invested assets as a result of conditions which caused us to conclude a decline in fair value of the investment was other than temporary.

During 2002 and 2001, Bankers Life recognized net realized investment losses of $128.7 million and $43.5 million, respectively. The net realized investment losses during 2002 included:

$138.5 million to write down certain securities to fair value due to an other-than-temporary decline in value (including issuers who have faced significant problems: K-Mart Corp., Amerco, Inc., Global Crossing, MCI Communications, Mississippi Chemical, United Airlines and Worldcom, Inc.); and

$9.8 million of net gains from the sales of investments (primarily fixed maturities).

The net realized investment losses during 2001 included writedowns of $69.4 million related to:

the impact of higher default rate assumptions on certain structured investments;

losses on investments held in our private equity portfolio; and

the writedown of certain securities to fair value due to an other-than-temporary decline in value or our plan to sell the securities in connection with investment restructuring activities (including issuers

who have faced significant problems: Sunbeam Corp., Enron Corp., Crown Cork & Seal Company Inc., Global Crossing Ltd. and K-Mart Corp.).

Insurance policy benefits fluctuated as a result of the factors summarized in the explanations for loss ratios related to specific products which follow. Loss ratios are calculated by taking the related insurance product s (1) insurance policy benefits divided by (2) policy income.

The loss ratios on Bankers Life s Medicare supplement products have generally been in line with our expectations. Governmental regulations generally require us to attain and maintain a ratio of total benefits incurred to total premiums earned (as calculated based on amounts reported for statutory accounting purposes) of not less than 65 percent on these products. The loss ratio for the four months ended December 31, 2003, reflected the elimination of $5.8 million of reserve redundancies based on the ultimate development of reserves at August 31, 2003.

The loss ratios on Bankers Life s long-term care products have generally been in line with expectations. The net cash flows from our long-term care products generally result in the accumulation of amounts in the early years of a policy (accounted for as reserve increases) which will be paid out as benefits in later policy years (accounted for as reserve decreases). Accordingly, as the policies age, the loss ratio will typically increase, but the increase in the change in reserve will be partially offset by investment income earned on the assets which have accumulated. The interest-adjusted loss ratio for long-term care products is calculated by taking the insurance product s: (1) insurance policy benefits less interest income on the accumulated assets which back the insurance liabilities divided by (2) policy income. The loss ratio on Bankers Life s long-term care products during 2001 reflected the elimination of reserve redundancies based on the ultimate development of reserves at December 31, 2000. The decrease in the interest-adjusted loss ratio for the four months ended December 31, 2003, is primarily due to the adoption of fresh start accounting which increased the reserves on this block of business.

The loss ratios on our other products fluctuate due to the smaller size of these blocks of business. The loss ratios on this business have generally been in line with our expectations.

Amounts added to policyholder account balances for annuity products and interest-sensitive life products were:

- $50.6 million in the four months ended December 31, 2003;
- $89.5 million in the eight months ended August 31, 2003;
- $116.9 million in 2002; and
- $105.5 million in 2001.

The increases are primarily due to increases in annuity reserves. The weighted average crediting rates for these products were:

- 4.4 percent for the four months ended December 31, 2003;
- 4.2 percent for the eight months ended August 31, 2003;
- 4.6 percent in 2002; and
- 4.9 percent in 2001.

Amounts added to equity-indexed products based on S&P 500 Index correspond to the related investment income accounts described above.

Amortization related to operations includes amortization of the value of policies inforce at the effective date, cost of policies produced and the cost of policies purchased (such amortization is collectively referred to as amortization of insurance intangibles). Insurance intangibles are amortized:

- in relation to the estimated gross profits for universal life-type and investment-type products or
- in relation to future anticipated premium revenue for other products.

Bankers Life s amortization expense was in line with our expectations given the related premium revenue and gross profits for the periods.

Amortization related to net realized investment gains (losses) represents the increases or decreases in amortization which result from realized investment gains or losses. When we sell securities at a gain (loss) and reinvest the proceeds at a different yield, we increase (reduce) the amortization of insurance intangibles in order to reflect the change in future expected yields. Sales of fixed maturity investments resulted in an increase (decrease) in the amortization of insurance intangibles of:

nil in the four months ended December 31, 2003;

$.5 million in the eight months ended August 31, 2003;

$(3.2) million in 2002; and

$(5.0) million in 2001.

Interest expense on investment borrowings fluctuates along with our investment borrowing activities and the interest rates thereon. Average investment borrowings in our Bankers Life segment, excluding borrowings related to the General Motors building, were:

$173.6 million during the four months ended December 31, 2003;

$263.7 million during the eight months ended August 31, 2003;

$452.2 million in 2002; and

$222.4 million in 2001.

The weighted average interest rates on such borrowings, excluding borrowings related to the General Motors building, were:

1.4 percent during the four months ended December 31, 2003;

1.9 percent during the eight months ended August 31, 2003;

1.0 percent during 2002; and

2.7 percent during 2001.

Other operating costs and expenses in our Bankers Life segment were:

$51.8 million in the four months ended December 31, 2003;

$84.6 million in the eight months ended August 31, 2003;

$94.4 million in 2002; and

$130.6 million in 2001.

Increases in these expenses in 2003 are primarily related to increased policy acquisition costs which were non-deferrable. Such expenses decreased in 2002 by $36.2 million, or 28 percent compared to 2001, reflecting cost cutting programs implemented in the Bankers Life segment.

Special charges in 2002 included: (1) a loss of $39.0 million on a reinsurance transaction entered into as part of our cash raising initiatives; and (2) other items totaling $6.0 million primarily related to severance benefits and costs incurred with the transfer of certain customer service and backroom operations to our former India subsidiary. Special charges in 2001 were $6.0 million. Such charges primarily related to severance benefits and costs incurred in conjunction with the transfer of certain customer service and backroom operations to our former India subsidiary.

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Conseco Insurance Group (dollars in millions)

	Successor	Predecessor		
	Four Months Ended December 31, 2003	Eight Months Ended August 31, 2003	Years Ended December 31, 2002	Years Ended December 31, 2001
Premiums and asset accumulation product collections:				
Annuities	$ 18.1	$ 74.0	$ 351.9	$ 710.6
Supplemental health	272.0	525.3	830.3	784.1
Life	131.5	280.7	498.0	553.3
Collections on insurance products	$ 421.6	$ 880.0	$ 1,680.2	$ 2,048.0
Average liabilities for insurance and asset accumulation:				
Annuities:				
Mortality based	$ 243.5	$ 171.0	$ 175.0	$ 198.8
Equity-linked	1,561.4	1,514.7	1,983.1	2,311.4
Deposit based	4,027.8	4,245.4	5,352.1	5,993.4
Separate accounts and investment trust liabilities	50.1	401.3	672.6	738.0
Health	2,288.3	2,046.8	1,981.6	1,969.7
Life:				
Interest sensitive	3,349.8	3,407.8	3,798.7	3,733.2
Non-interest sensitive	1,483.3	1,493.9	1,327.6	1,399.8
Total average liabilities for insurance and asset accumulation products	$ 13,004.2	$ 13,280.9	$ 15,290.7	$ 16,344.3
Revenues:				
Insurance policy income	$ 398.5	$ 892.8	$ 1,454.9	$ 1,377.4
Net investment income:				
General account invested assets	240.9	562.2	982.0	1,114.2
Equity-indexed products based on the change in value of the S&P 500 call options	35.5	20.4	(85.7)	(98.7)
Separate account assets				(5.4)
Trading account income related to policyholder and reinsurer accounts	13.2			
Change in value of embedded derivatives related to modified coinsurance agreements	(1.0)			
Net realized investment gains (losses)	9.5	(17.1)	(368.1)	(209.1)
Fee revenue and other income	.5	17.0	25.4	31.4
Total revenues	697.1	1,475.3	2,008.5	2,209.8

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	Successor	Predecessor		
	Four Months Ended December 31, 2003	Eight Months Ended August 31, 2003	Years Ended December 31, 2002	Years Ended December 31, 2001
Expenses:				
Insurance policy benefits	290.5	461.3	998.2	977.5
Amounts added to policyholder account balances:				
Annuity products and interest-sensitive life products other than those listed below	94.9	218.4	379.7	417.8
Equity-indexed products based on S&P 500 Index	35.8	66.6	(.9)	.2
Separate account liabilities				(5.4)
Amortization related to operations	63.3	202.7	566.0	356.9
Amortization related to net realized investment gains (losses)	1.1	(.9)	(24.6)	(32.3)
Interest expense on investment borrowings	1.6	4.7	10.2	19.7
Other operating costs and expenses	115.6	222.6	292.1	273.9
Special charges			(.7)	15.5
Total benefits and expenses	602.8	1,175.4	2,220.0	2,023.8
Income (loss) before income taxes, minority interest, discontinued operations and cumulative effect of accounting change	$ 94.3	$ 299.9	$ (211.5)	$ 186.0
Health loss ratios:				
All health lines:				
Insurance policy benefits	$171.4	$ 381.3	$ 550.7	$ 533.1
Loss ratio(a)	64.92%	70.95%	66.36%	66.97%
Medicare Supplement:				
Insurance policy benefits	$ 86.5	$ 167.2	$ 217.6	$ 192.8
Loss ratio(a)	66.57%	65.49%	61.28%	61.81%
Specified Disease:				
Insurance policy benefits	$ 74.5	$ 184.7	$ 259.5	$ 250.9
Loss ratio(a)	61.61%	75.77%	69.61%	67.35%
Interest-adjusted loss ratio(b)	30.64%	46.33%	42.10%	41.70%
Other:				
Insurance policy benefits	$ 10.4	$ 29.4	$ 73.6	$ 89.4
Loss ratio(a)	79.11%	76.66%	72.22%	80.09%

(a) We calculate loss ratios by taking the related product s (1) insurance policy benefits divided by (2) insurance policy income.

(b) We calculate the interest-adjusted loss ratio for Conseco Insurance Group s specified disease products by taking the product s (1) insurance policy benefits less interest income on the accumulated assets which back the insurance liabilities divided by (2) policy income. Interest income is an important factor in measuring losses on this product. The net cash flows from specified disease products generally result in the accumulation of amounts in the early years of a policy (accounted for as reserve increases) which will be paid out as benefits in later policy years (accounted for as reserve decreases). Accordingly, as the policies age, the loss ratio will typically increase, but the increase in the change in reserve will be partially offset by investment income earned on the assets which have accumulated. The interest-adjusted loss ratio reflects the effects of the investment income offset.

Collections on insurance products were $421.6 million in the four months ended December 31, 2003; $880.0 million in the eight months ended August 31, 2003; and $1.7 billion and $2.0 billion in 2002 and 2001, respectively. Premium collections through the independent agents in our Conseco Insurance Group segment have been negatively impacted by the A.M. Best ratings downgrade to B (Fair) in August 2002 and our decision to de-emphasize the sale of certain products. See Premium and Asset Accumulation Product Collections for further analysis.

Average liabilities for insurance and asset accumulation products were $13.0 billion in the four months ended December 31, 2003; $13.3 billion in the eight months ended August 31, 2003; and $15.3 billion and $16.3 billion in 2002 and 2001, respectively. The decrease in such liabilities is primarily due to the increase in policyholder redemptions and lapses following the downgrade of our A.M. Best financial strength rating to B (Fair) in August 2002. See Liquidity for Insurance Operations for additional discussion of the A.M. Best ratings downgrade.

Insurance policy income is comprised of: (1) premiums earned on policies which provide mortality or morbidity coverage; and (2) fees and other charges made against other policies. See Premium and Asset Accumulation Product Collections for further analysis.

Net investment income on general account invested assets, which excludes income on policyholder and reinsurer accounts, was:

$240.9 million in the four months ended December 31, 2003;

$562.2 million in the eight months ended August 31, 2003;

$982.0 million in 2002; and

$1,114.2 million in 2001.

The average balance of general account invested assets was:

$12.7 billion in the four months ended December 31, 2003;

$13.7 billion in the eight months ended August 31, 2003;

$15.0 billion in 2002; and

$16.0 billion in 2001.

The yield on these assets was:

5.7 percent in the four months ended December 31, 2003;

6.2 percent in the eight months ended August 31, 2003;

6.5 percent in 2002; and

7.0 percent in 2001.

The decrease in yield for the four months ended December 31, 2003 reflects the adoption of fresh start accounting which effectively reset the yields to market rates at August 31, 2003. The decrease in yield in 2002 reflected general decreases in market interest rates between 2002 and 2001.

Net investment income related to equity-indexed products based on the change in value of the S&P 500 call options represents the change in the estimated fair value of Conseco Insurance Group s S&P 500 Index call options which are purchased in an effort to cover certain benefits accruing to the policyholders of our equity-indexed products. Our equity-indexed products are designed so that the investment income spread earned on the related insurance liabilities should be more than adequate to cover the cost of the S&P 500 call options and other costs related to these policies. Option costs that are attributable to benefits provided were:

$16.3 million in the four months ended December 31, 2003;

$45.8 million in the eight months ended August 31, 2003;

- $82.3 million in 2002; and

- $103.0 million in 2001.

These costs are reflected in the change in market value of the S&P 500 call options included in the investment income amounts. Net investment income (loss) related to equity-indexed products before this expense was:

- $51.8 million in the four months ended December 31, 2003;

- $66.2 million in the eight months ended August 31, 2003;

- $(3.4) million in 2002; and

- $4.3 million in 2001.

These amounts were partially offset by the corresponding charge (credit) to amounts added to policyholder account balances for equity-indexed products of:

- $35.8 million in the four months ended December 31, 2003;

- $66.6 million in the eight months ended August 31, 2003;

- $(.9) million in 2002; and

- $.2 million in 2001.

Such income and related charge fluctuate based on the value of options embedded in the segment s equity-indexed annuity policyholder account balances subject to this benefit and to the performance of the S&P 500 Index to which the returns on such products are linked.

Net investment income (loss) from separate account assets is offset by a corresponding charge (credit) to amounts added to policyholder account balances for separate account liabilities. Such income (loss) and related charge (credit) fluctuated in relationship to total separate account assets and the return earned on such assets.

Trading account income related to policyholder and reinsurer accounts represents the income on trading security accounts established on August 31, 2003, which are designed to act as a hedge for embedded derivatives related to: (1) Conseco Insurance Group s equity-indexed products; and (2) certain modified coinsurance agreements. In addition, such income includes the income on investments backing the market strategies of certain annuity products which provide for different rates of cash value growth based on the experience of a particular market strategy. The income on our trading account securities is designed to substantially offset: (1) the change in value of embedded derivatives related to modified coinsurance agreements described below; and (2) certain amounts included in insurance policy benefits.

Change in value of embedded derivatives related to modified coinsurance agreements are described in the note to our consolidated financial statements included elsewhere in this prospectus entitled Summary of Significant Accounting Policies Accounting for Derivatives. We have transferred the specific block of investments related to these agreements to our trading securities account, which we carry at estimated fair value with changes in such value recognized as trading account income. The change in the value of the embedded derivatives has largely been offset by the change in value of the trading securities.

Net realized investment gains (losses) fluctuate from period to period. During the four months ended December 31, 2003, we recognized net realized investment gains in our Conseco Insurance Group segment which included:

- $13.4 million of net gains from the sales of investments (primarily fixed maturities), net of

- $3.9 million of writedowns of fixed maturity investments, equity securities and other invested assets as a result of conditions which caused us to conclude a decline in fair value of the investment was other than temporary.

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During the first eight months of 2003, we recognized net realized investment losses of $17.1 million. During the first eight months of 2003, the net realized investment losses included:

- $16.8 million of net gains from the sales of investments (primarily fixed maturities), net of
- $33.9 million of writedowns of fixed maturity investments, equity securities and other invested assets as a result of conditions which caused us to conclude a decline in fair value of the investment was other than temporary.

During 2002 and 2001, we recognized net realized investment losses of $368.1 million and $209.1 million, respectively, in our Conseco Insurance Group segment. The net realized investment losses during 2002 included:

- $365.2 million to write down certain securities to fair value due to an other-than-temporary decline in value (including issuers who have faced significant problems: K-Mart Corp., Amerco, Inc., Global Crossing, MCI Communications, Mississippi Chemical, United Airlines and Worldcom, Inc.); and
- $2.9 million of net losses from the sales of investments (primarily fixed maturities).

The net realized investment losses during 2001 included writedowns of $209.6 million related to:

- the impact of higher default rate assumptions on certain structured investments;
- losses on investments held in our private equity portfolio; and
- the writedown of certain securities to fair value due to an other-than-temporary decline in value, or our plan to sell the securities in connection with investment restructuring activities (including issuers who have faced significant problems: Sunbeam Corp., Enron Corp., Crown Cork & Seal Company Inc., Global Crossing Ltd. and K-Mart Corp.).

Fee revenue and other income primarily represents income earned by a subsidiary sold in September 2003 which earned fees for marketing insurance products of other companies.

Insurance policy benefits fluctuated as a result of the factors summarized in the explanations for loss ratios related to specific products which follow and, in the eight months ended August 31, 2003, as a result of a change in estimates of future losses on certain policies, as discussed below in further detail. Loss ratios are calculated by taking the related insurance product s (1) insurance policy benefits divided by (2) policy income.

The loss ratios on Conseco Insurance Group s Medicare supplement products have generally been in line with our expectations. Governmental regulations generally require us to attain and maintain a ratio of total benefits incurred to total premiums earned (as calculated based on amounts reported for statutory accounting purposes) of not less than 65 percent on these products. The loss ratios in 2002 and 2001 reflected eliminations of reserve redundancies based on the ultimate development of reserves at December 31, 2001 and December 31, 2000.

The loss ratio on Conseco Insurance Group s specified disease products reflected higher than expected incurred claims on certain cancer insurance policies during the first eight months of 2003. These policies generally provide fixed or limited benefits. Payments under cancer insurance policies are generally made directly to, or at the direction of, the policyholder following diagnosis of, or treatment for, a covered type of cancer. We had favorable claims experience in the four months ended December 31, 2003. Approximately 76 percent of our specified disease policies inforce (based on policy count) are sold with return of premium or cash value riders. The return of premium rider generally provides that after a policy has been inforce for a specified number of years or upon the policyholder reaching a specified age, we will pay to the policyholder, or a beneficiary under the policy, the aggregate amount of all premiums paid under the policy, without interest, less the aggregate amount of all claims incurred under the policy. Accordingly, the net cash flows from these products generally result in the accumulation of amounts in the early years of a policy (accounted for as reserve increases) which will be paid out as benefits in later policy years (accounted for as reserve decreases). Accordingly, as the policies age, the loss ratio will typically increase, but the increase in the change in reserve will be partially offset by investment income earned on the assets which have accumulated. The loss ratios on Conseco Insurance Group s specified disease products in 2002 and 2001 were generally in line with our expectations. The interest-adjusted loss ratio for specified disease products is calculated by taking the insurance product s: (1) insurance policy benefits less interest income on the accumulated assets which back the insurance liabilities; divided by (2) policy income.

The loss ratios on Conseco Insurance Group s other products fluctuate due to the smaller size of these blocks of business. The loss ratios on this business have generally been in line with our expectations.

In August 2003, we decided to change a non-guaranteed element of certain Conseco Insurance Group policies. This element was not required by the policy and the change will eliminate the former practice of reducing the cost of insurance charges to amounts below the level permitted under the provisions of the policies. As a result of this decision, our estimates of future expected gross profits on these products used as a basis for amortization of insurance intangibles and the establishment of insurance liabilities has changed. We adjusted the total amortization and reserve charge we had recorded since the acquisition of these policies as a result of the change to our earlier estimates in accordance with Statement of Financial Accounting Standards No. 97, Accounting and Reporting by Insurance Enterprises of Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments. The effect of the change in estimate was a $220.2 million reduction to insurance policy benefits and a $39.8 million reduction to amortization recorded in the eight months ended August 31, 2003.

Amounts added to policyholder account balances for annuity products and interest-sensitive life products were:

$94.9 million in the four months ended December 31, 2003;

$218.4 million in the eight months ended August 31, 2003;

$379.7 million in 2002; and

$417.8 million in 2001.

The decreases during the 2003 periods and 2002 are primarily due to a smaller block of annuity business inforce and changes in the weighted average crediting rates. The weighted average crediting rates for these products were:

4.0 percent for the four months ended December 31, 2003;

4.4 percent for the eight months ended August 31, 2003;

4.3 percent in 2002; and

4.4 percent in 2001.

Amounts added to equity-indexed products based on S&P 500 Index correspond to the related investment income accounts described above.

Amortization related to operations includes amortization of insurance intangibles. Conseco Insurance Group s amortization recorded in the eight months ended August 31, 2003 was affected by the change in estimates of future losses on certain policies described above under insurance policy benefits. Policyholder redemptions of annuity and, to a lesser extent, life products increased following the downgrade of our A.M. Best financial strength rating to B (Fair) in August of 2002. When redemptions are greater than our previous assumptions, we are required to accelerate the amortization of insurance intangibles to write off the balance associated with the redeemed policies. Amortization in the periods presented has fluctuated as a result of the acceleration of the amortization of insurance intangibles associated with policy redemptions and changes in future lapse assumptions with respect to the policies inforce. In 2002, we changed the lapse assumptions used to determine the amortization of insurance intangibles related to certain universal life products and our annuities to reflect our then current estimates of future lapses. For certain universal life products, we changed the ultimate lapse assumption from: (1) a range of 6 percent to 7 percent to; (2) a tiered assumption based on the level of funding of the policy of a range of 2 percent to 10 percent. We

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recorded additional amortization related to higher redemptions and changes to our lapse assumptions of $203.2 million in 2002. Policyholder redemptions during the 2003 periods have generally been consistent with our revised lapse assumptions.

As a result of economic developments, actual experience of our products and changes in our expectations, we changed our investment yield assumptions used in calculating the estimated gross profits to be earned on our annuity products in 2001. Such changes resulted in additional amortization of insurance intangibles of $27.8 million in 2001.

Amortization related to net realized investment gains (losses) represents the increases or decreases in amortization which result from realized investment gains or losses. When we sell securities at a gain (loss) and reinvest the proceeds at a different yield, we increase (reduce) the amortization of insurance intangibles in order to reflect the change in future expected yields. Sales of fixed maturity investments resulted in an increase (decrease) in the amortization of insurance intangibles of:

$1.1 million in the four months ended December 31, 2003;

$(.9) million in the eight months ended August 31, 2003;

$(24.6) million in 2002; and

$(32.3) million in 2001.

Interest expense on investment borrowings fluctuates along with Conseco Insurance Group s investment borrowing activities and the interest rates thereon. Average investment borrowings (excluding borrowings related to the General Motors building) were:

$304.2 million during the four months ended December 31, 2003;

$403.4 million during the eight months ended August 31, 2003;

$639.1 million during 2002; and

$618.1 million during 2001.

The weighted average interest rates on these borrowings (excluding borrowings related to the General Motors building) were:

1.6 percent during the four months ended December 31, 2003;

1.7 percent during the eight months ended August 31, 2003;

1.6 percent during 2002; and

3.2 percent during 2001.

Other operating costs and expenses were:

$115.6 million in the four months ended December 31, 2003;

$222.6 million in the eight months ended August 31, 2003;

$292.1 million in 2002; and

$273.9 million in 2001.

Increases in these expenses in 2003 and 2002 are primarily related to increased policy acquisition costs which were non-deferrable.

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Special charges in 2002 included:

a gain of $4.0 million on asset sale transactions entered into as part of our cash raising initiatives; and

other expenses totaling $3.3 million primarily related to severance benefits and costs incurred with the transfer of certain customer service and backroom operations to our former India subsidiary.

Special charges in 2001 were $15.5 million. The 2001 charges primarily related to severance benefits and costs incurred in conjunction with the transfer of certain customer service and backroom operations to our former India subsidiary.

Other Business in Run-Off (dollars in millions)

	Successor	Predecessor		
	Four Months Ended December 31, 2003	Eight Months Ended August 31, 2003	Years Ended December 31, 2002	Years Ended December 31, 2001
Premiums and asset accumulation product collections:				
Long-term care	$ 134.6	$ 268.0	$ 434.5	$ 463.0
Major medical	39.3	156.4	409.5	737.1
Total premium collections	$ 173.9	$ 424.4	$ 844.0	$1,200.1
Average liabilities for other business in run-off:				
Long-term care	$3,296.2	$1,977.9	$1,768.7	$1,639.0
Major medical	103.8	120.0	225.2	407.1
Total average liabilities for other business in run-off, net of reinsurance ceded	$3,400.0	$2,097.9	$1,993.9	$2,046.1
Revenues:				
Insurance policy income	$ 150.5	$ 418.8	$ 847.3	$1,215.2
Net investment income on general account invested assets	55.3	101.5	155.8	166.7
Net realized investment gains (losses)	(.7)	6.3	(58.2)	(24.6)
Fee revenue and other income	.9		.8	1.2
Total revenues	206.0	526.6	945.7	1,358.5
Expenses:				
Insurance policy benefits	150.7	597.3	864.6	1,089.6
Amortization related to operations	6.3	25.7	112.2	160.1
Interest expense on investment borrowings		.2	.6	2.0
Other operating costs and expenses	36.2	74.7	185.1	212.8
Total benefits and expenses	193.2	697.9	1,162.5	1,464.5
Income (loss) before income taxes, minority interest, discontinued operations and cumulative effect of accounting change	$ 12.8	$ (171.3)	$ (216.8)	$ (106.0)

Health loss ratios:

Long-term care:				
Insurance policy benefits	$ 136.9	$ 458.1	$ 595.9	$ 446.4
Loss ratio(a)	103.32%	169.76%	139.11%	96.44%
Interest-adjusted loss ratio(b)	65.84%	134.58%	110.19%	73.13%

	Successor	Predecessor		
	Four Months Ended December 31, 2003	Eight Months Ended August 31, 2003	Years Ended December 31, 2002	2001
Major medical:				
Insurance policy benefits	$ 13.8	$139.2	$268.7	$643.2
Loss ratio(a)	77.29%	93.43%	64.15%	85.61%

(a) We calculate loss ratios by taking the related product s: (1) insurance policy benefits; divided by (2) insurance policy income.

(b) We calculate the interest-adjusted loss ratio for long-term care products included in this segment by taking the product s: (1) insurance policy benefits less interest income on the accumulated assets which back the insurance liabilities; divided by (2) policy income. Interest income is an important factor in measuring losses on this product. The net cash flows from long-term care products generally result in the accumulation of amounts in the early years of a policy (accounted for as reserve increases) which will be paid out as benefits in later policy years (accounted for as reserve decreases). Accordingly, as the policies age, the loss ratio will typically increase, but the increase in the change in reserve will be partially offset by investment income earned on the assets which have accumulated. The interest-adjusted loss ratio reflects the effects of the investment income offset.

Total premium collections in this segment were $173.9 million in the four months ended December 31, 2003; $424.4 million in the eight months ended August 31, 2003; and $844.0 million and $1,200.1 million in 2002 and 2001, respectively. We have ceased marketing the long-term care business included in this segment. Accordingly, collected premiums will decrease over time. Decreases in long-term care premium collections are the result of policy lapses, partially offset by premium rate increases. We have ceased marketing and have not renewed our major medical business, which has resulted in the significant reduction in major medical collected premiums. See Premium and Asset Accumulation Product Collections for further analysis.

Average liabilities for other business in run-off, net of reinsurance ceded were $3.4 billion in the four months ended December 31, 2003; $2.1 billion in the eight months ended August 31, 2003; and $2.0 billion in both 2002 and 2001. The increase in 2003 reflects the adoption of fresh start accounting as further discussed under Critical Accounting Policies Liabilities for Insurance Products.

Insurance policy income is comprised of premiums earned on the segment s long-term care and major medical policies. See Premium and Asset Accumulation Product Collections for further analysis.

Net investment income on general account invested assets was:

$55.3 million in the four months ended December 31, 2003;

$101.5 million in the eight months ended August 31, 2003;

$155.8 million in 2002; and

$166.7 million in 2001.

The average balance of general account invested assets was:

$2.8 billion in the four months ended December 31, 2003;

$2.5 billion in the eight months ended August 31, 2003;

$2.4 billion in 2002; and

$2.3 billion in 2001.

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The yield on these assets was:

- 5.8 percent in the four months ended December 31, 2003;
- 6.1 percent in the eight months ended August 31, 2003;
- 6.6 percent in 202; and
- 7.2 percent in 2001.

The decrease in yield for the four months ended December 31, 2003 reflects the adoption of fresh start accounting which effectively reset the yields to market rates at August 31, 2003.

Net realized investment gains (losses) fluctuate from period to period. During the four months ended December 31, 2003, net realized investment losses in our other business in run-off segment included:

- $.2 million of net losses from the sales of investments; and
- $.5 million of writedowns of investments as a result of conditions which caused us to conclude a decline in fair value of the investment was other than temporary.

During the first eight months of 2003, we recognized net realized investment gains of $6.3 million. During the first eight months of 2003, the net realized investment gains included:

- $8.7 million of net gains from the sales of investments (primarily fixed maturities); net of
- $2.4 million of writedowns of fixed maturity investments, equity securities and other invested assets as a result of conditions which caused us to conclude a decline in fair value of the investment was other than temporary.

During 2002 and 2001, we recognized net realized investment losses in the other business in run-off segment of $58.2 million and $24.6 million, respectively. The net realized investment losses during 2002 included:

- $51.8 million to writedown certain securities to fair value due to an other-than-temporary decline in value, including issuers who have faced significant problems: K-Mart Corp., Amerco, Inc., Global Crossing, MCI Communications, Mississippi Chemical, United Airlines and Worldcom, Inc.; and
- $6.4 million of net losses from the sales of investments, primarily fixed maturities.

The net realized investment losses during 2001 included writedowns of $21.9 million related to:

- the impact of higher default rate assumptions on certain structured investments;
- losses on investments held in our private equity portfolio; and
- the writedown of certain securities to fair value due to an other-than-temporary decline in value or our plan to sell the securities in connection with investment restructuring activities, including issuers who have faced significant problems: Sunbeam Corp., Enron Corp., Crown Cork & Seal Company Inc., Global Crossing Ltd. and K-Mart Corp.

Insurance policy benefits fluctuated primarily as a result of the factors summarized below related to loss ratios in the blocks of long-term care business in this segment. Loss ratios are calculated by taking the product s: (1) insurance policy benefits; divided by (2) policy income.

This segment includes long-term care insurance inforce, substantially all of which was issued through independent agents by some of our subsidiaries prior to their acquisitions by Conseco in 1996 and 1997. The loss experience on these products has been worse than we expected. Although we anticipated a higher level of benefits to be paid out on these products as the policies age, the paid claims have exceeded our projections. We are experiencing adverse developments on home health care policies issued in certain areas of Florida and other states. This adverse experience is reflected in the higher loss ratios in the eight months ended August 31, 2003. On April 20, 2004, the Florida Office of Insurance Regulation issued an order to our subsidiary, Conseco Senior Health Insurance Company, that affects approximately 18,000 home health care policies issued in Florida by Conseco Senior Health and its predecessor companies. The order provides for Conseco Senior Health to offer the following three alternatives to holders of these policies:

retention of their current policy with a maximum rate increase of 50 percent in the first year and actuarially justified increases in subsequent years;

receipt of a replacement policy with reduced benefits and a maximum rate increase in the first year of 25 percent and no more than 15 percent in subsequent years;

receipt of a paid up policy, allowing the holder to file future claims up to 100 percent of the amount of premiums paid since the inception of the policy.

The order also requires Conseco Senior Health to pursue a similar course of action with respect to approximately 21,000 home health care policies issued by Conseco Senior Health and its predecessor companies in other states, subject to consideration and approval by other state insurance departments. We are also seeking rate increases on other long-term care policies in this segment.

We hired an actuarial consulting firm to help evaluate the adequacy of this segment s long-term care reserves given our recent adverse experience and claim reserve deficiencies. Based on the results of their study and our internal evaluations, we modified our claim continuance tables to reflect longer benefit payment periods consistent with our current estimate of future loss experience. Accordingly, claim reserves increased by approximately $85 million in the eight months ended August 31, 2003, most of which was due to the new continuance tables. Excluding the increase in claim reserves, the loss ratio for the eight months ended August 31, 2003, would have been 138 percent and the interest-adjusted loss ratio for the eight months ended August 31, 2003, would have been 103 percent. The decrease in the long-term care loss ratio for the four months ended December 31, 2003 reflects the adoption of fresh start accounting.

During 2002, we conducted an extensive examination of the assumptions used to estimate our claim reserves for long-term care products sold through our independent agent distribution channel. The examination was prompted by the continuing claim reserve deficiencies that we were experiencing based on the assumptions and estimates made by our actuaries. We engaged an independent actuarial firm to assist in the examination.

Our prior estimates for long-term care reserves were based on claim continuance tables using experience for the period from January 1, 1990 through September 30, 1999. These tables are used to estimate the length of time an insured will receive covered long-term care for an incurred event. In 2002, we completed studies which indicated that the average length of time an insured will receive covered care had increased in recent periods. In addition, we have experienced significant fluctuations in claim inventories for these products. Accordingly, our actuaries and the independent actuarial firm concluded that estimates of future claim payments for incurred claims using the more recent data reflecting the longer covered care time periods were more appropriate than estimates based on prior data. The changes in estimation in calculating the reserves resulted in an increase to insurance policy benefits of $130.0 million in 2002. Excluding this adjustment related to the change in estimate, insurance policy benefits on long-term care policies would have been $465.9 million, the loss ratio for the year ended December 31, 2002 would have been 109 percent, and the interest-adjusted loss ratio for the year ended December 31, 2002 would have been 80 percent.

The net cash flows from long-term care products generally result in the accumulation of amounts in the early years of a policy (accounted for as reserve increases) which will be paid out as benefits in later policy years (accounted for as reserve decreases). Accordingly, as the policies age, the loss ratio will typically increase, but the increase in the change in reserve will be partially offset by investment income earned on the assets which have accumulated. The interest-adjusted loss ratio for long-term care products is calculated by taking the insurance product s: (1) insurance policy benefits less interest income on the accumulated assets which back the insurance liabilities; divided by (2) policy income.

The loss ratio on the major medical business increased in the eight months ended August 31, 2003, primarily due to adverse claim experience. The loss ratio on the major medical business decreased during 2002. This decrease resulted primarily from lower than expected claims experience as the business began running off following our decision, in 2001, to begin nonrenewing major medical business.

Amortization related to operations includes amortization of insurance intangibles. The decrease in amortization expense for the four months ended December 31, 2003 reflects the adoption of fresh start accounting, and also reflects the relatively small amount of value of policies inforce associated with the business comprising this segment. In 2001, we stopped renewing portions of our major medical lines of business in several unprofitable states in accordance with the contractual terms of the policies. As a result, we

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determined that approximately $77.4 million of insurance intangibles would not be recoverable. Such amount is recorded as amortization related to operations.

Interest expense on investment borrowings fluctuates along with our investment borrowing activities, which have not been significant in this segment.

Other operating costs and expenses were:

$36.2 million in the four months ended December 31, 2003;

$74.7 million in the eight months ended August 31, 2003;

$185.1 million in 2002; and

$212.8 million in 2001.

The decreases in expenses were due primarily to expense reductions in the major medical operations. Since our decision in 2001 to nonrenew the small group and individual major medical business, the total number of employees dedicated to major medical has been reduced by approximately 550 during the period June 30, 2001 through December 31, 2003.

Corporate (dollars in millions)

	Successor	Predecessor		
	Four Months Ended December 31, 2003	Eight Months Ended August 31, 2003	Years Ended December 31, 2002	2001
Corporate operations:				
Interest expense on corporate debt	$(34.4)	$ (194.2)	$ (325.5)	$(369.6)
Investment income	.7	16.2	14.0	39.7
Provision for losses related to stock purchase plan		(55.6)	(240.0)	(169.6)
Venture capital income (loss) related to investment in AT&T Wireless Service, Inc., net of related expenses	(5.5)	10.5	(99.3)	(23.4)
Fee revenue and other income	11.4	17.1	59.2	68.5
Net realized investment losses	(.4)	(.1)	(1.3)	(62.8)
Other items	(14.9)	(40.4)	(182.7)	(137.8)
Goodwill amortization				(108.2)
Gain on sale of interest in riverboat				192.4
Special charges			(52.2)	(58.9)
Gain on extinguishment of debt			1.8	17.0
Goodwill impairment			(500.0)	
Reorganization items		2,130.5	(14.4)	
Income (loss) before income taxes and minority interest	$(43.1)	$1,884.0	$(1,340.4)	$(612.7)

Interest expense on corporate debt in the four months ended December 31, 2003 includes interest expense on the senior credit facility. Interest expense decreased in the eight months ended August 31, 2003 primarily as a result of our ceasing to accrue interest on notes payable, excluding our predecessor s senior credit facility, guaranteed senior notes and certain secured senior notes. Interest expense decreased in 2002 as a result of the repayment of debt and lower interest rates. The average debt outstanding was $4.1 billion in 2002 and $4.5 billion in 2001. The average interest rate on such debt was 8.0 percent in 2002 and 8.2 percent in 2001.

Investment income primarily included income earned on short-term investments held by the corporate segment and the income from our investment in a riverboat casino, prior to its sale in the first quarter of 2001, and miscellaneous other income.

Provision for losses and expense related to stock purchase plan represents the non-cash provision we established in connection with our guarantees of bank loans to approximately 155 current and former directors, officers and key employees and our related loans for interest. The funds from the bank loans were used by the participants to purchase approximately 18.0 million shares of our predecessor s common stock. In the first eight months of 2003 and in 2002 and 2001, we established provisions of $55.6 million, $240.0 million and $169.6 million, respectively, in connection with these guarantees and loans. We determined the reserve based upon the value of the collateral held by the banks. At December 31, 2002, the reserve for losses on the loan guarantees totaled $660.0 million. The outstanding principal balance on the bank loans was $481.3 million. In addition, our predecessor provided loans to participants for interest on the bank loans totaling $179.2 million. During 2002, our predecessor purchased $55.5 million of loans from the banks utilizing cash held in a segregated cash account as collateral for our guarantee of the bank loans, including accrued interest, the balance on these loans was $56.7 million at December 31, 2002.

In conjunction with the plan of reorganization, the $481.3 million principal amount of bank loans was transferred to us. We received all rights to collect the balances due pursuant to the original terms of these loans. In addition, we hold loans to participants for interest on the bank loans which total approximately $220 million. The former bank loans and the interest loans are collectively referred to as the director and officer loans. We regularly evaluate the collectibility of these loans in light of the collateral we hold and the creditworthiness of the participants. At December 31, 2003, we have estimated that approximately $51.0 million of the director and officer loan balance, which is included in other assets, is collectible, net of the cost of collection. An allowance has been established to reduce the recorded balance of the director and officer loans to this balance.

Venture capital income (loss) relates to our investment in AT&T Wireless, a company in the wireless communication business. Our investment in AT&T Wireless was carried at estimated fair value, with changes in fair value recognized as investment income (loss). We sold all of our holdings in AT&T Wireless during the fourth quarter of 2003.

Fee revenue and other income includes: (1) revenues we receive for managing investments for other companies; and (2) fees received for marketing insurance products of other companies. This amount included $16.7 million in 2002 and $5.4 million in 2001 of affiliated fee revenue earned by our subsidiary in India. This revenue is eliminated in consolidation. Excluding this affiliated income, fee revenue and other income decreased primarily as a result of a decrease in the market value of investments managed for others, upon which these fees are based. We sold our India subsidiary in the fourth quarter of 2002 and have substantially eliminated the customer service and other operations conducted there. Fee revenue and other income in the four months ended December 31, 2003 includes $5.6 million of interest received on a Federal income tax refund.

Net realized investment losses often fluctuate from period to period. We recorded writedowns in the corporate segment totaling $1.3 million in 2002 and $60.7 million in 2001 on certain securities due to an other than temporary decline in value.

Other items include general corporate expenses, net of amounts charged to subsidiaries for services provided by the corporate operations. During the first eight months of 2003, disputes with certain of our insurance carriers were resolved and a previously established liability of $40 million, which was established in 2002, was released which was substantially offset by increases to various litigation reserves of $30 million. This amount includes expenses in 2002 and 2001 related to our subsidiary in India which was sold in the fourth quarter of 2002.

Goodwill amortization in 2001 was $108.2 million. Pursuant to Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets , intangible assets with an indefinite life are no longer amortized in periods subsequent to December 31, 2001, but are subject to annual impairment tests (or more frequently under certain circumstances) effective January 1, 2002.

Gain on sale of interest in riverboat represents the gain recognized in the first quarter of 2001 as a result of our sale of our 29 percent ownership interest in the riverboat casino in Lawrenceberg, Indiana, for $260 million.

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Special charges in the corporate segment for 2002 included:

- a loss of $20.0 million associated with the sale of our India subsidiary;
- $17.7 million related to debt modification and refinancing transactions;
- other items totaling $22.0 million; partially offset by
- net gains of $7.5 million related to the sale of certain non-core assets.

Special charges in this segment for 2001 included:

- litigation accrual and expenses of $23.8 million;
- severance benefits of $2.9 million;
- losses related to office closings and the sale of artwork totaling $6.8 million;
- losses related to disputed reinsurance balances totaling $8.5 million; and
- other losses totaling $16.9 million.

During 2002, we recognized a ***gain on the extinguishment of debt*** as we repurchased $77.4 million par value of our predecessor s notes payable resulting in a gain of $1.8 million.

During 2001, we repurchased $893.8 million par value of our predecessor s notes payable resulting in a gain of $17.0 million.

In 2002, we recognized a ***goodwill impairment*** of $500.0 million as discussed in greater detail in the notes to the consolidated financial statements included elsewhere in this prospectus.

Reorganization items in the eight months ended August 31, 2003 included:

- $3,151.4 million related to the gain on the discharge of prepetition liabilities;
- $(950.0) million related to fresh start adjustments; and
- $(70.9) million related to professional fees associated with our bankruptcy proceedings which are expensed as incurred in accordance with Statement of Position 90-7.

In 2002, we incurred reorganization items of $14.4 million related to professional fees associated with our bankruptcy proceedings.

Premium and Asset Accumulation Product Collections

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

Agents, insurance brokers and marketing companies who market our products and prospective purchasers of our products use the ratings of our insurance subsidiaries as an important factor in determining which insurer s products to market or purchase. Ratings have the most impact on our annuity and interest-sensitive life insurance products. Our insurance companies financial strength ratings were downgraded by all of the major rating agencies beginning in July 2002, in connection with the financial distress that ultimately led to our predecessor s bankruptcy. The current financial strength ratings of all of our insurance subsidiaries other than Conseco Senior Health Insurance Company from A.M. Best, S&P and Moody s are B (Fair), BB- and Ba3, respectively. The current financial strength ratings of Conseco Senior Health Insurance Company from A.M. Best, Standard & Poor s and Moody s are B (Fair), CCC and Caa1, respectively. For a description of the ratings issued by these firms and additional information on our ratings, see Management s Discussion and Analysis of Consolidated Financial Condition and Results of Operations Liquidity for Insurance Operations. Many of our competitors have higher financial strength ratings and we believe it is critical for us to improve our ratings to be competitive. The lowered ratings assigned to our insurance subsidiaries were one of the primary factors causing sales of our insurance products to decline and policyholder redemptions and lapses to increase during 2002 and 2003. We also experienced increased agent attrition, which in some cases led us to increase commissions or sales incentives in an effort to retain them.

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We set the premium rates on our health insurance policies based on facts and circumstances known at the time we issue the policies and on assumptions about numerous variables, including the actuarial probability of a policyholder incurring a claim, the probable size of the claim, and the interest rate earned on our investment of premiums. In setting premium rates, we consider historical claims information, industry statistics, the rates of our competitors and other factors. If our actual claims experience proves to be less favorable than we assumed and we are unable to raise our premium rates, our financial results may be adversely affected. Our estimates of insurance liabilities assume we will be able to raise rates if future experience results in blocks of our health insurance business becoming unprofitable. We generally cannot raise our health insurance premiums in any state unless we first obtain the approval of the insurance regulator in that state. We review the adequacy of our premium rates regularly and file rate increases on our products when we believe existing premium rates are too low. It is possible that we will not be able to obtain approval for premium rate increases from currently pending requests or requests filed in the future. If we are unable to raise our premium rates because we fail to obtain approval for a rate increase in one or more states, our net income may decrease. If we are successful in obtaining regulatory approval to raise premium rates due to unfavorable actual claims experience, the increased premium rates may reduce the volume of our new sales and cause existing policyholders to allow their policies to lapse. This could result in significantly higher claims cost as a percentage of premiums if healthier policyholders allow their policies to lapse. This would reduce our premium income and profitability in future periods. Increased lapse rates also could require us to expense all or a portion of our insurance intangibles relating to lapsed policies in the period in which those policies lapse, adversely affecting our financial results in that period.

Our insurance segments sell insurance products through three primary distribution channels career agents and direct marketing, in our Bankers Life segment, and independent producers, in our Conseco Insurance Group segment. Our career agency force in the Bankers Life segment sells primarily Medicare supplement and long-term care insurance policies, senior life insurance and annuities. These agents visit the customer s home, which permits one-on-one contact with potential policyholders and promotes strong personal relationships with existing policyholders. Bankers Life s direct marketing distribution channel is engaged primarily in the sale of graded benefit life insurance policies which are sold directly to the policyholder. Our independent producer distribution channel in the Conseco Insurance Group segment consists of a general agency and insurance brokerage distribution system comprised of independent licensed agents doing business in all fifty states, the District of Columbia, and certain protectorates of the United States. Independent producers are a diverse network of independent agents, insurance brokers and marketing organizations.

Total premiums and accumulation product collections were as follows:

Bankers Life (dollars in millions):

	Successor	Predecessor		
	Four Months Ended December 31, 2003	Eight Months Ended August 31, 2003	Years Ended December 31, 2002	Years Ended December 31, 2001
Premiums collected:				
Annuities:				
Equity-indexed (first-year)	$ 5.1	$ 10.0	$ 30.4	$ 41.4
Other fixed (first-year)	247.7	685.4	707.1	469.1
Other fixed (renewal)	1.0	3.0	3.4	2.6
Subtotal other fixed annuities	248.7	688.4	710.5	471.7
Total annuities	253.8	698.4	740.9	513.1

	Successor	Predecessor		
	Four Months Ended December 31, 2003	Eight Months Ended August 31, 2003	Years Ended December 31, 2002	Years Ended December 31, 2001
Supplemental health:				
Medicare supplement (first-year)	20.5	37.6	75.8	74.4
Medicare supplement (renewal)	205.1	381.5	588.1	582.3
Subtotal Medicare supplement	225.6	419.1	663.9	656.7
Long-term care (first-year)	24.6	48.7	87.7	87.8
Long-term care (renewal)	153.3	282.8	395.2	337.5
Subtotal long-term care	177.9	331.5	482.9	425.3
Other health (first-year)	.3	.8	1.0	1.2
Other health (renewal)	4.1	8.2	11.6	14.2
Subtotal other health	4.4	9.0	12.6	15.4
Total supplemental health	407.9	759.6	1,159.4	1,097.4
Life insurance:				
First-year	15.3	25.1	37.5	50.2
Renewal	43.3	77.6	101.5	236.1
Total life insurance	58.6	102.7	139.0	286.3
Collections on insurance products:				
Total first-year premium collections on insurance products	313.5	807.6	939.5	724.1
Total renewal premium collections on insurance products	406.8	753.1	1,099.8	1,172.7
Total collections on insurance products	$720.3	$1,560.7	$2,039.3	$1,896.8

Annuities in the Bankers Life segment include equity-indexed and other fixed annuities sold to the senior market through our career agents. In order to maintain our career agency distribution force during the parent company s chapter 11 reorganization process, we provided certain sales inducements to purchasers of annuities and sales incentives to our career agents. These programs ended at various times during the second quarter of 2003. Annuity collections from career agents totaled $253.8 million in the four months ended December 31, 2003; $698.4 million in the eight months ended August 31, 2003; and $740.9 million in 2002 and $513.1 million in 2001. Annuity premium collections in 2003 were favorably impacted by the sales inducements and incentives discussed above. In addition, the minimum guaranteed crediting rates on certain of our annuity products were very attractive. We recently introduced new annuity products which have lower minimum guaranteed crediting rates. As a result of the elimination of the sales inducements and incentives and the lower minimum guaranteed crediting rates, sales of fixed rate annuity products have declined.

Supplemental health products in the Bankers Life segment include Medicare supplement, long-term care and other insurance products distributed through our career agency force. Our profits on supplemental health policies depend on the overall level of sales, the length of time the business remains inforce, investment yields, claims experience and expense management.

Collected premiums on Medicare supplement policies in the Bankers Life segment were $225.6 million in the four months ended December 31, 2003; $419.1 million in the eight months ended August 31, 2003; and $663.9 million and $656.7 million in 2002 and 2001, respectively. Collected premiums have been affected by new sales levels, which have declined in the Bankers Life segment since our ratings downgrades.

Premiums collected on Bankers Life s long-term care policies totaled $177.9 million in the four months ended December 31, 2003; $331.5 million in the eight months ended August 31, 2003; and $482.9 million and $425.3 million in 2002 and 2001, respectively. New sales of long-term care policies through our career

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agents have declined since our ratings downgrades, as reflected in the declines in first-year collected premiums in 2003.

Other health products include various other health insurance products which we have not been actively marketing. Premiums collected totaled $4.4 million in the four months ended December 31, 2003; $9.0 million in the eight months ended August 31, 2003; and $12.6 million and $15.4 million in 2002 and 2001, respectively.

Life products in our Bankers Life segment are sold primarily to the senior market through our career agents and our direct response distribution channel. Life premiums collected in this segment totaled $58.6 million in the four months ended December 31, 2003; $102.7 million in the eight months ended August 31, 2003; and $139.0 million in 2002 and $286.3 million in 2001. The decrease in life premiums collected in 2002 and 2003 compared to 2001 is primarily due to a first quarter 2002 reinsurance transaction. The reinsurance transaction is discussed further in the note to the consolidated financial statements included elsewhere in this prospectus entitled Summary of Significant Accounting Policies Reinsurance . The A.M. Best ratings downgrade to B (Fair) has not had a significant impact on sales of life products through these channels.

Conseco Insurance Group (dollars in millions)

	Successor	Predecessor		
	Four Months Ended December 31, 2003	Eight Months Ended August 31, 2003	Years Ended December 31, 2002	2001
Premiums collected:				
Annuities:				
Equity-indexed (first-year)	$ 5.2	$ 32.8	$162.6	$306.2
Equity-indexed (renewal)	4.2	12.1	27.1	33.3
Subtotal equity-indexed annuities	9.4	44.9	189.7	339.5
Other fixed (first-year)	1.6	14.3	134.9	339.8
Other fixed (renewal)	7.1	14.8	27.3	31.3
Subtotal other fixed annuities	8.7	29.1	162.2	371.1
Total annuities	18.1	74.0	351.9	710.6
Supplemental health:				
Medicare supplement (first-year)	16.0	36.5	90.8	47.0
Medicare supplement (renewal)	118.2	213.9	279.1	271.4
Subtotal Medicare supplement	134.2	250.4	369.9	318.4
Specified disease (first-year)	10.0	19.7	36.8	42.1
Specified disease (renewal)	108.7	216.7	331.8	329.7
Subtotal specified disease	118.7	236.4	368.6	371.8
Other health (first-year)	4.3	9.7	12.9	10.3
Other health (renewal)	14.8	28.8	78.9	83.6
Subtotal other health	19.1	38.5	91.8	93.9
Total supplemental health	272.0	525.3	830.3	784.1

Life insurance:				
First-year	9.0	20.6	59.2	69.9
Renewal	122.5	260.1	438.8	483.4
Total life insurance	131.5	280.7	498.0	553.3

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	Successor	Predecessor		
	Four Months Ended December 31, 2003	Eight Months Ended August 31, 2003	Years Ended December 31, 2002	2001
Collections on insurance products:				
Total first-year premium collections on insurance products	46.1	133.6	497.2	815.3
Total renewal premium collections on insurance products	375.5	746.4	1,183.0	1,232.7
Total collections on insurance products	$421.6	$880.0	$1,680.2	$2,048.0

Annuities in our Conseco Insurance Group segment include equity-indexed annuities and other fixed annuities sold through professional independent producers. Many professional independent producers discontinued marketing our annuity products after A.M. Best lowered our financial strength ratings. Accordingly, we took actions to reduce our expenses related to marketing these products through this distribution channel, and began to focus instead on the sale of products that were less ratings sensitive. Total annuity collected premiums in this segment were $18.1 million in the four months ended December 31, 2003; $74.0 million in the eight months ended August 31, 2003; and $351.9 million in 2002 and $710.6 million in 2001.

We introduced our first equity-indexed annuity product in 1996. The account value, or accumulation value, of these annuities is credited with interest at an annual guaranteed minimum rate of 3 percent (or, including the effect of applicable sales loads, a 1.7 percent compound average interest rate over the term of the contracts). These annuities provide for potentially higher returns based on a percentage of the change in the S&P 500 Index during each year of their term. We purchase S&P 500 call options in an effort to hedge increases to policyholder benefits resulting from increases in the S&P 500 Index. Total collected premiums for this product were $9.4 million in the four months ended December 31, 2003; $44.9 million in the eight months ended August 31, 2003; and $189.7 million in 2002 and $339.5 million in 2001. The decreases can be attributed to (1) the general stock market performance in recent years which has made other investment products more attractive to certain customers and (2) the effect of the A.M. Best ratings downgrade to B (Fair).

Other fixed rate annuity products include single-premium deferred annuities, flexible-premium deferred annuities and single-premium immediate annuities, which are credited with a declared rate. Single-premium deferred annuity and flexible-premium deferred annuity policies typically have an interest rate that is guaranteed for the first policy year, after which we have the discretionary ability to change the crediting rate to any rate not below a guaranteed minimum rate. The interest rate credited on single-premium immediate annuities is based on market conditions existing when a policy is issued and remains unchanged over the life of the single-premium immediate annuity. Annuity premiums on these products were $8.7 million in the four months ended December 31, 2003; $29.1 million in the eight months ended August 31, 2003; and $162.2 million in 2002 and $371.1 million in 2001. The decreases can be attributed to the effect of the A.M. Best ratings downgrade.

Supplemental health products in our Conseco Insurance Group segment include Medicare supplement, specified disease and other insurance products distributed through professional independent producers. Our profits on supplemental health policies depend on the overall level of sales, the length of time the business remains inforce, investment yields, claims experience and expense management.

Collected premiums on Medicare supplement policies in the Conseco Insurance Group segment were $134.2 million in the four months ended December 31, 2003; $250.4 million in the eight months ended August 31, 2003; and $369.9 million in 2002 and $318.4 million in 2001. Collected premiums have been affected by the decrease in new Medicare supplement sales since our ratings downgrades.

Premiums collected on specified disease products totaled $118.7 million in the four months ended December 31, 2003; $236.4 million in the eight months ended August 31, 2003; and $368.6 million in 2002 and $371.8 million in 2001. Collected premiums have been affected by decreases in new sales since our ratings downgrades.

Other health products include disability income, dental and various other health insurance products. We no longer actively market many of these products. The disability income and dental products have been marketed to school systems located in nearly all states. Premiums collected totaled $19.1 million in the four months ended December 31, 2003; $38.5 million in the eight months ended August 31, 2003; and $91.8 million in 2002 and $93.9 million in 2001.

Life products in the Conseco Insurance Group segment are sold through professional independent producers. Life premiums collected totaled $131.5 million in the four months ended December 31, 2003; $280.7 million in the eight months ended August 31, 2003; and $498.0 million in 2002 and $553.3 million in 2001. The A.M. Best ratings downgrade to B (Fair) has negatively affected our sales of life products. We stopped actively marketing many of our life insurance products sold through the professional independent producer channel in the second quarter of 2003.

Other Business in Run-Off (dollars in millions)

	Successor	Predecessor		
	Four Months Ended December 31, 2003	Eight Months Ended August 31, 2003	Years Ended December 31, 2002	2001
Premiums collected:				
Long-term care:				
First-year	$ .6	$ 3.2	$ 10.0	$ 17.4
Renewal	134.0	264.8	424.5	445.6
Subtotal long-term care	134.6	268.0	434.5	463.0
Major medical:				
Group (first-year)			.5	16.4
Group (renewal)	36.7	152.4	315.1	354.5
Subtotal group major medical	36.7	152.4	315.6	370.9
Individual (first-year)			15.6	112.8
Individual (renewal)	2.6	4.0	78.3	253.4
Subtotal individual major medical	2.6	4.0	93.9	366.2
Total major medical	39.3	156.4	409.5	737.1
Collections on insurance products:				
Total first-year premium collections on insurance products	.6	3.2	26.1	146.6
Total renewal premium collections on insurance products	173.3	421.2	817.9	1,053.5
Total collections on insurance products	$173.9	$424.4	$844.0	$1,200.1

As described elsewhere, the other business in run-off segment includes: (1) long-term care products written in prior years through independent agents; and (2) group and individual major medical business in run-off.

Long-term care premiums collected in this segment totaled $134.6 million in the four months ended December 31, 2003; $268.0 million in the eight months ended August 31, 2003; and $434.5 million in 2002 and $463.0 million in 2001. Most of the long-term care premiums in this segment relate to business written by certain of our subsidiaries prior to their acquisitions by Conseco in 1996 and 1997. We ceased selling new long-term care policies through professional independent producers in the second quarter of 2003. As a result,

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decreases in this segment s long-term care collected premiums reflect policy lapses partially offset by premium rate increases.

Group major medical premiums totaled $36.7 million in the four months ended December 31, 2003; $152.4 million in the eight months ended August 31, 2003; and $315.6 million in 2002 and $370.9 million in 2001. We no longer actively market new sales of group products. In early 2002, we decided to stop renewing all inforce small group business and discontinued new sales.

Individual major medical premiums collected were $2.6 million in the four months ended December 31, 2003; $4.0 million in the eight months ended August 31, 2003; and $93.9 million in 2002 and $366.2 million in 2001. In the second half of 2001, we stopped renewing a large portion of our major medical lines of business. In early 2002, we decided to stop renewing all inforce individual major medical business and discontinued new sales.

Liquidity and Capital Resources

Changes in our consolidated balance sheet between December 31, 2003 and December 31, 2002, reflect: (1) the reorganization of our capital structure pursuant to the plan of reorganization; and (2) the effect of the sale of Conseco Finance.

In accordance with generally accepted accounting principles, we record our actively managed fixed maturity investments, equity securities and certain other invested assets at estimated fair value with any unrealized gain or loss (excluding impairment losses which are recognized through earnings), net of tax and related adjustments, recorded as a component of shareholders equity. At December 31, 2003, we increased the carrying value of such investments by $375.2 million as a result of this fair value adjustment.

Our capital structure was determined in accordance with the terms of the plan of reorganization and consisted of: (1) our $1.3 billion senior credit facility; (2) class A preferred stock with an aggregate liquidation preference of $887.5 million as of December 31, 2003; (3) warrants to purchase six million shares of common stock; and (4) 100 million shares of new common stock. Our capital structure as of December 31, 2003, is as follows (dollars in millions):

Total capital:	
Corporate notes payable	$1,300.0
Shareholders equity:	
Class A preferred stock	887.5
Common stock	1.0
Additional paid-in capital	1,641.9
Accumulated other comprehensive income	218.7
Retained earnings	68.5
Total shareholders equity	2,817.6
Total capital	$4,117.6

The following table summarizes certain financial ratios as of and for the four months ended December 31, 2003:

Book value per common share	$19.28
Ratio of earnings to fixed charges	1.79x
Ratio of earnings to fixed charges and preferred dividends	1.46x
Debt to total capital ratios:	
Corporate debt to total capital	32%
Corporate debt and preferred stock to total capital	53%

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Contractual Obligations

Our significant contractual obligations as of December 31, 2003, are set forth below (dollars in millions):

	Payment Due in				
	Total	2004	2005-2006	2007-2008	Thereafter
Notes payable	$1,300.0	$ 53.0	$156.0	$306.0	$ 785.0
Insurance liabilities(a)	792.4	91.0	134.3	85.4	481.7
Investment borrowings	387.3	387.3			
Operating leases	117.0	23.0	40.2	29.7	24.1
Total	$2,596.7	$554.3	$330.5	$421.1	$1,290.8

(a) These liabilities are comprised primarily of supplemental contracts without life contingencies and structured settlements.

Refer to the notes to the consolidated financial statements included elsewhere in this prospectus entitled Notes Payable Direct Corporate Obligations and Commitments and Contingencies for additional information on notes payable and operating leases.

Liquidity for Insurance Operations

Our insurance operating companies generally receive adequate cash flow from premium collections and investment income to meet their obligations. Life insurance and annuity liabilities are generally long-term in nature. Policyholders may, however, withdraw funds or surrender their policies, subject to any applicable surrender and withdrawal penalty provisions. We seek to balance the duration of our invested assets with the estimated duration of benefit payments arising from contract liabilities.

In July 2002, A.M. Best downgraded the financial strength ratings of our primary insurance subsidiaries from A- (Excellent) to B++ (Very good) and placed the ratings under review with negative implications. On August 14, 2002, A.M. Best again lowered the financial strength ratings of our primary insurance subsidiaries from B++ (Very Good) to B (Fair) . A.M. Best ratings for the industry currently range from A++ (Superior) to F (In Liquidation) and some companies are not rated. An A++ rating indicates superior overall performance and a superior ability to meet ongoing obligations to policyholders. The B rating is assigned to companies which have, on balance, fair balance sheet strength, operating performance and business profile, when compared to the standards established by A.M. Best, and a fair ability in A.M. Best s opinion to meet their current obligations to policyholders, but are financially vulnerable to adverse changes in underwriting and economic conditions. The rating reflected A.M. Best s view of the uncertainty surrounding our restructuring initiatives and the potential adverse financial impact on our subsidiaries. On September 11, 2003, A.M. Best affirmed its financial strength ratings of our primary insurance companies (B (Fair)) and removed the ratings from under review, indicating that the ratings outlook is positive. On October 3, 2003, A.M. Best assigned a positive outlook to all of our ratings. According to a press release issued by A.M. Best, the assignment of a positive outlook to Conseco s ratings reflects their favorable view of our bankruptcy reorganization and a number of management initiatives including the sale of the General Motors building, sale of Conseco Finance, restructuring of our investment portfolios, expense reductions, merging of certain subsidiaries, stabilization of surrenders and a commitment in the near-to-medium term to focus on selling higher margin products with lower capital requirements.

On August 2, 2002, S&P downgraded the financial strength rating of our primary insurance companies from BB+ to B+. On November 19, 2003, S&P assigned a BB- counterparty credit and financial strength rating to our primary insurance companies, with the exception of Conseco Senior Health Insurance Company, which was assigned a CCC rating. S&P financial strength ratings range from AAA to R and some companies are not rated. Rating categories from BB to CCC are classified as vulnerable , and pluses and minuses show the relative standing within a category. In S&P s view, an insurer rated BB has marginal financial security characteristics and although positive attributes exist, adverse business conditions could lead to an insufficient ability to meet financial commitments. In S&P s view, an insurer rated CCC has very weak financial security characteristics and is dependent on favorable business conditions to meet financial commitments. On July 1, 2003, Moody s downgraded the financial strength rating of our primary insurance companies from Ba3 to B3 . On December 4, 2003, Moody s assigned a Ba3 rating to our primary insurance companies with the exception of Conseco Senior Health Insurance Company, which was assigned a Caa1 rating. Moody s financial strength ratings range from Aaa to C . Rating categories from Ba to C are classified as vulnerabl Moody s, and may be supplemented with numbers 1 , 2 , or 3 to show relative standing within a category. In Moody s view, an insurer rated Ba offers questionable financial security and the ability of the insurer to meet policyholder obligations may be very moderate and thereby not well safeguarded in the future. In Moody s view, an insurer rated Caa offers very poor financial security and may default on its policyholder obligations or there may be elements of danger with respect to punctual payment of policyholder obligations and claims.

The lowered ratings assigned to our insurance subsidiaries caused sales of our insurance products to decline and policyholder redemptions and lapses to increase during 2002 and 2003. We also experienced increased agent attrition, which in some cases led us to increase commissions or sales incentives we must pay in order to retain them. These events have had a material adverse effect on our financial results.

As more fully described under the caption Statutory Information within Management s Discussion and Analysis of Consolidated Financial Condition and Results of Operations, our two insurance subsidiaries domiciled in Texas entered into consent orders with the Texas Department of Insurance, which were formally released on November 19, 2003. The consent orders applied to all of our insurance subsidiaries and, among other things, restricted the ability of our insurance subsidiaries to pay any dividends or other distributions to any non-insurance company parent without prior approval. State laws generally provide state insurance regulatory agencies with broad authority to protect policyholders in their jurisdictions. Accordingly, we cannot assure you that the regulators will not seek to assert greater supervision and control over our insurance subsidiaries businesses and financial affairs. We have agreed with the Texas Department of Insurance to provide prior notice of certain transactions, including up to 30 days prior notice for the payment of dividends by an insurance subsidiary to any non-insurance company parent, and periodic reporting of information concerning our financial performance and condition.

Our insurance subsidiaries experienced increased lapse rates on annuity policies during 2002. Aggregate annuity surrenders have declined in 2003. We believe that the diversity of the investment portfolios of our insurance subsidiaries and the concentration of investments in high-quality, liquid securities provide sufficient liquidity to meet foreseeable cash requirements of our insurance subsidiaries. We believe our insurance subsidiaries could readily liquidate sufficient portions of their investments if lapses were to increase to the levels experienced in 2002.

Liquidity of the Holding Companies

Pursuant to the plan of reorganization, we entered into a new senior credit facility. The senior credit facility consists of two tranches: Tranche A $1.0 billion; and Tranche B $0.3 billion. See the note to the consolidated financial statements included elsewhere in this prospectus entitled Notes Payable Direct

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Corporate Obligations for further discussion related to the senior credit facility. Principal repayments are due as follows (dollars in millions):

	Tranche A	Tranche B
June 30, 2004	$ 50.0	$ 3.0
June 30, 2005	50.0	3.0
June 30, 2006	50.0	1.5
December 31, 2006	50.0	1.5
June 30, 2007	75.0	1.5
December 31, 2007	75.0	1.5
June 30, 2008	75.0	1.5
December 31, 2008	75.0	1.5
June 30, 2009		1.5
September 10, 2009	500.0	
December 31, 2009		1.5
September 10, 2010		282.0
	$1,000.0	$300.0

At December 31, 2003, Conseco, Inc. and CDOC held unrestricted cash of $27.9 million and additional restricted cash of $17.3 million held in trust for the payment of bankruptcy-related professional fees. In addition, our other non-life insurance companies held unrestricted cash of approximately $61.0 million which could be upstreamed to the parent companies if needed.

Conseco, Inc. and CDOC are holding companies with no business operations of their own; they depend on their operating subsidiaries for cash to make principal and interest payments on debt, and to pay administrative expenses and income taxes. The cash Conseco and CDOC receive from insurance subsidiaries consists of dividends and distributions, principal and interest payments on surplus debentures, fees for services, tax-sharing payments, and from our non-insurance subsidiaries, loans and advances. A further deterioration in the financial condition, earnings or cash flow of the material subsidiaries of Conseco or CDOC for any reason could further limit such subsidiaries ability to pay cash dividends or other disbursements to Conseco and/or CDOC, which, in turn, would limit Conseco s and/or CDOC s ability to meet debt service requirements and satisfy other financial obligations.

The ability of our insurance subsidiaries to pay dividends is subject to state insurance department regulations and is based on the financial statements of our insurance subsidiaries prepared in accordance with statutory accounting practices prescribed or permitted by regulatory authorities, which differ from generally accepted accounting principles. These regulations generally permit dividends to be paid from statutory earned surplus of the insurance company for any 12-month period in amounts equal to the greater of (or in a few states, the lesser of): (1) statutory net gain from operations or net income for the prior year; and (2) 10 percent of statutory capital and surplus as of the end of the preceding year. Any dividends in excess of these levels require the approval of the director or commissioner of the applicable state insurance department. Also, we have agreed with the Texas Department of Insurance to provide up to 30 days prior notice of the payment of dividends by an insurance subsidiary to any non-insurance company parent. As described under the caption Statutory Information , we recently were subject to consent orders with the Commissioner of Insurance for the State of Texas that, among other things, restricted the ability of our insurance subsidiaries to pay any dividends to any non-insurance company parent without prior approval. If our financial condition were to deteriorate, we may be required to enter into similar orders in the future. In addition, we may need to contribute additional capital to improve the risk-based capital ratios of our insurance subsidiaries and this could affect the ability of our top tier insurance subsidiary to pay dividends.

Our cash flow may be affected by a variety of factors, many of which are outside of our control, including insurance and banking regulatory issues, competition, financial markets and other general business conditions. We cannot assure you that we will possess sufficient income and liquidity to meet all of our liquidity requirements and other obligations.

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If an insurance company subsidiary were to be liquidated, that liquidation would be conducted under the insurance law of its state of domicile by such state s insurance regulator as the receiver with respect to such insurer s property and business. In the event of a default on our debt or our insolvency, liquidation or other reorganization, our creditors and stockholders will not have the right to proceed against the assets of our insurance subsidiaries or to cause their liquidation under federal and state bankruptcy laws.

We have adopted several initiatives designed to reduce the expense levels that exceed product pricing at our Conseco Insurance Group segment. These initiatives include the elimination of duplicate processing systems by converting all similar systems to a single system. We expect to spend over $35 million on capital expenditures in 2004, including amounts related to the aforementioned initiatives. We believe we have adequate cash flows from operations to fund these initiatives.

Under our senior credit facility, we have agreed to a number of covenants and other provisions that restrict our ability to engage in various financing transactions and pursue certain operating activities without the prior consent of the lenders under the senior credit facility. We have also agreed to meet or maintain various financial ratios. Our ability to meet these financial covenants may be affected by events beyond our control. These requirements represent significant restrictions on the manner in which we may operate our business. If we default under any of these requirements (subject to certain remedies), the lenders could declare all outstanding borrowings, accrued interest and fees to be immediately due and payable. If that were to occur, we cannot assure you that we would have sufficient liquidity to repay or refinance this indebtedness or any of our other debts. In January 2004, the senior credit facility was amended to remove requirements that our insurance subsidiaries maintain minimum A.M. Best financial strength ratings. In March 2004, the senior credit facility was amended to change the definition of a financial ratio we are required to maintain. The change was needed to clarify how the ratio is calculated. The definition in the amended facility is consistent with calculations used to determine the original covenant levels.

Investments

Our investment strategy is to: (1) maintain a predominately investment grade fixed income portfolio; (2) provide adequate liquidity to meet our cash obligations to policyholders and others; and (3) maximize current investment income and total investment return through active investment management. Consistent with this strategy, investments in fixed maturity securities, mortgage loans and policy loans made up 94 percent of our $22.8 billion investment portfolio at December 31, 2003. The remainder of the invested assets were equity securities, venture capital investments and other invested assets.

The following table summarizes the composition of our investment portfolio as of December 31, 2003 (dollars in millions):

	Carrying Value	Percent of Total Investments
Actively managed fixed maturities	$19,840.1	87%
Equity securities	74.5	
Mortgage loans	1,139.5	5
Policy loans	503.4	2
Trading securities	915.1	4
Partnership investments	192.6	1
Other invested assets	131.5	1
Total investments	$22,796.7	100%

Insurance statutes regulate the type of investments that our insurance subsidiaries are permitted to make and limit the amount of funds that may be used for any one type of investment. In light of these statutes and regulations and our business and investment strategy, we generally seek to invest in United States government and government-agency securities and corporate securities rated investment grade by established nationally recognized rating organizations or in securities of comparable investment quality, if not rated.

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The following table summarizes the carrying values of our fixed maturity securities by industry category as of December 31, 2003 (dollars in millions):

	Carrying Value	Percent of Fixed Maturities
Mortgage-backed securities	$ 5,851.0	29.5%
Bank & finance	2,713.5	13.7
Manufacturing	2,169.6	10.9
Utilities	1,322.1	6.7
Services	1,142.6	5.8
Communications	1,058.6	5.3
Asset-backed securities	761.6	3.8
Agri/ forestry/ mining	761.1	3.8
Government (US)	733.6	3.7
Transportation	498.3	2.5
Retail/ wholesale	486.2	2.5
Other	2,341.9	11.8
Total fixed maturity securities	$19,840.1	100.0%

Our fixed maturity securities consist predominantly of publicly traded securities. We classify securities issued in the Rule 144A market as publicly traded. Our privately traded securities comprise less than 1 percent of our total fixed maturity securities portfolio and consist almost entirely of mortgage-backed securities.

The following table sets forth fixed maturity investments at December 31, 2003, classified by rating categories. The category assigned is the highest rating by a nationally recognized statistical rating organization or, as to $661.5 million fair value of fixed maturities not rated by such firms, the rating assigned by the National Association of Insurance Commissioners. For purposes of the table, National Association of Insurance Commissioners Class 1 is included in the A rating; Class 2, BBB- ; Class 3, BB- ; and Classes 4-6, B+ and below (dollars in millions).

Investment Rating	Amortized Cost	Carrying Value	Percent of Fixed Maturities
AAA	$ 7,069.6	$ 7,131.8	36%
AA	1,592.5	1,624.5	8
A	4,918.2	5,018.3	25
BBB+	1,959.1	2,013.8	10
BBB	2,401.9	2,450.4	13
BBB-	794.9	825.3	4
Investment grade	18,736.2	19,064.1	96
BB+	191.2	199.0	1
BB	156.4	163.5	1
BB-	149.0	158.5	1
B+ and below	237.9	255.0	1
Below-investment grade	734.5	776.0	4
Total fixed maturity securities	$19,470.7	$19,840.1	100%

The following table summarizes investment yields earned over the past three years on the general account invested assets of our insurance subsidiaries. General account investments exclude the invested assets

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of our corporate segment, our venture capital investment in AT&T Wireless, separate account assets, the value of S&P 500 call options and the investments held by Conseco Finance (dollars in millions).

	Successor	Predecessor		
	Four Months Ended December 31, 2003	Eight Months Ended August 31, 2003	Years Ended December 31, 2002	2001
Weighted average general account invested assets as defined:				
As reported	$23,045.4	$23,311.5	$23,407.2	$23,716.2
Excluding unrealized appreciation (depreciation)(a)	22,499.5	22,777.3	23,481.0	23,992.3
Net investment income on general account invested assets	425.1	917.1	1,520.0	1,672.8
Yields earned:				
As reported	5.5%	5.9%	6.5%	7.1%
Excluding unrealized appreciation (depreciation)(a)	5.7%	6.0%	6.5%	7.0%

(a) Excludes the effect of reporting fixed maturities at fair value as described in the note to our consolidated financial statements included elsewhere in this prospectus entitled Investments .

Although investment income is a significant component of total revenues, the profitability of certain of our insurance products is determined primarily by the spreads between the interest rates we earn and the rates we credit or accrue to our insurance liabilities. At December 31, 2003, the average yield, computed on the cost basis of our actively managed fixed maturity portfolio, was 5.6 percent, and the average interest rate credited or accruing to our total insurance liabilities (excluding interest rate bonuses for the first policy year only and excluding the effect of credited rates attributable to variable or equity-indexed products) was 4.7 percent.

Actively Managed Fixed Maturities

Our actively managed fixed maturity portfolio at December 31, 2003, included primarily debt securities of the United States government, public utilities and other corporations, and structured securities. Structured securities included mortgage-backed securities, collateralized mortgage obligations, asset-backed securities and commercial mortgage-backed securities.

At December 31, 2003, our fixed maturity portfolio had $403.8 million of unrealized gains and $34.4 million of unrealized losses, for a net unrealized gain of $369.4 million. Estimated fair values for fixed maturity investments were determined based on estimates from: (1) nationally recognized pricing services (92 percent of the portfolio); (2) broker-dealer market makers (5 percent of the portfolio); and (3) internally developed methods (3 percent of the portfolio).

At December 31, 2003, approximately 3.4 percent of our invested assets (3.9 percent of fixed maturity investments) were fixed maturities rated below-investment grade by nationally recognized statistical rating organizations (or, if not rated by such firms, with ratings below Class 2 assigned by the National Association of Insurance Commissioners). We plan to maintain approximately the present level of investments in below-investment grade fixed maturities. These securities generally have greater risks than other corporate debt investments, including risk of loss upon default by the borrower, and are often unsecured and subordinated to other creditors. Below-investment grade issuers usually have higher levels of indebtedness and are more sensitive to adverse economic conditions, such as recession or increasing interest rates, than are investment grade issuers. We are aware of these risks and monitor our below-investment grade securities closely. At

December 31, 2003, our below-investment grade fixed maturity investments had an amortized cost of $734.5 million and an estimated fair value of $776.0 million.

We continually evaluate the creditworthiness of each issuer whose securities we hold. We pay special attention to those securities whose market values have declined materially for reasons other than changes in interest rates or other general market conditions. We evaluate the realizable value of the investment, the specific condition of the issuer and the issuer s ability to comply with the material terms of the security. Information reviewed may include the recent operational results and financial position of the issuer, information about its industry, information about the variety of factors affecting the issuer s performance and other information. 40C86 Advisors employs a staff of experienced securities analysts in a variety of specialty areas who compile and review such data. If evidence does not exist to support a realizable value equal to or greater than the carrying value of the investment, and such decline in market value is determined to be other than temporary, we reduce the carrying amount to its fair value, which becomes the new cost basis. We report the amount of the reduction as a realized loss. We recognize any recovery of such reductions in the cost basis of an investment as investment income over the remaining life of the investment (but only to the extent our current valuations indicate such amounts will ultimately be collected), upon the sale, repayment or other disposition of the investment. We recorded writedowns of fixed maturity investments, equity securities and other invested assets totaling $9.6 million in the four months ended December 31, 2003 and $51.3 million in the eight months ended August 31, 2003. Our investment portfolio is subject to the risks of further declines in realizable value. However, we attempt to mitigate this risk through the diversification and active management of our portfolio.

As of December 31, 2003, our fixed maturity investments in substantive default (i.e., in default due to nonpayment of interest or principal) or technical default (i.e., in default, but not as to the payment of interest or principal) had an amortized cost of $15.1 million and a carrying value of $16.6 million. 40C86 Advisors employs a staff of experienced professionals to manage non-performing and impaired investments. There were no other fixed maturity investments about which we had serious doubts as to the ability of the issuer to comply with the material terms of the instrument on a timely basis.

When a security defaults, our policy is to discontinue the accrual of interest and eliminate all previous interest accruals, if we determine that such amounts will not be ultimately realized in full. Investment income forgone due to defaulted securities was $5.3 million in the four months ended December 31, 2003; $12.1 million in the eight months ended August 31, 2003; and $60.4 million and $17.6 million for the years ended December 31, 2002 and 2001, respectively.

At December 31, 2003, fixed maturity investments included $5.9 billion of structured securities (or 29 percent of all fixed maturity securities). Collateralized mortgage obligations are backed by pools of mortgages that are segregated into sections or tranches that provide for reprioritizing of retirement of principal. Pass-through securities receive principal and interest payments through their regular pro rata share of the payments on the underlying mortgages backing the securities. The yield characteristics of structured securities differ from those of traditional fixed-income securities. Interest and principal payments for mortgage-backed securities occur more frequently, often monthly. Mortgage-backed securities are subject to risks associated with variable prepayments. Prepayment rates are influenced by a number of factors that cannot be predicted with certainty, including: the relative sensitivity of the underlying 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 the securities backed by these loans increase when prevailing interest rates decline significantly relative to the interest rates on such loans. The yields on mortgage-backed securities purchased at a discount to par will increase when the underlying mortgages prepay faster than expected. The yields on mortgage-backed securities purchased at a premium will decrease when the underlying mortgages prepay faster than expected. When interest rates decline, the proceeds from the prepayment of mortgage-backed securities may be reinvested at lower rates than we were earning on the prepaid securities. When interest rates increase, prepayments on mortgage-backed securities decrease, as fewer underlying mortgages are refinanced. When this occurs, the average maturity and duration of the mortgage-backed securities increase, which decreases the yield on mortgage-backed securities purchased at a discount, because 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.

Pursuant to fresh start reporting, we were required to mark all of our investments to market value. The current interest rate environment is much lower than when most of our investments were purchased. Accordingly, the fresh start values of our investments generally exceed the par values of such investments. The amount of value exceeding par is referred to as a purchase premium which is amortized against future income. If prepayments in any period are higher than expected, purchase premium amortization is increased. In periods of unexpectedly high prepayment activity, the increased amortization will reduce net investment income.

The following table sets forth the par value, amortized cost and estimated fair value of mortgage-backed securities, summarized by interest rates on the underlying collateral at December 31, 2003 (dollars in millions):

	Par Value	Amortized Cost	Estimated Fair Value
Below 4 percent	$ 60.4	$ 63.4	$ 63.8
4 percent - 5 percent	1,193.1	1,138.2	1,145.8
5 percent - 6 percent	998.6	990.5	1,005.8
6 percent - 7 percent	2,816.2	2,916.6	2,932.2
7 percent - 8 percent	579.5	613.4	618.6
8 percent and above	79.8	84.7	84.8
Total structured securities(a)	$5,727.6	$5,806.8	$5,851.0

(a) Includes below-investment grade structured securities with an amortized cost and estimated fair value of $2.1 million.

The amortized cost and estimated fair value of structured securities at December 31, 2003, summarized by type of security, were as follows (dollars in millions):

		Estimated Fair Value	
Type	Amortized Cost	Amount	Percent of Fixed Maturities
Pass-throughs and sequential and targeted amortization classes	$3,690.6	$3,718.1	19%
Planned amortization classes and accretion-directed bonds	714.0	713.6	3
Commercial mortgage-backed securities	1,215.8	1,234.7	6
Subordinated classes and mezzanine tranches	183.8	181.9	1
Other	2.6	2.7	
Total structured securities(a)	$5,806.8	$5,851.0	29%

(a) Includes below-investment grade structured securities with an amortized cost and estimated fair value of $2.1 million.

Pass-throughs and sequential and targeted amortization classes have similar prepayment variability. Pass-throughs historically provide the best liquidity in the mortgage-backed securities market. Pass-throughs are also used frequently in the dollar roll market and can be used as the collateral when creating collateralized mortgage obligations. Sequential classes are a series of tranches that return principal to the holders of the transaction s various tranches in sequence. Targeted amortization classes offer slightly better structure in return of principal than sequentials when prepayment speeds are close to the speed at the time of creation.

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Planned amortization classes and accretion-directed bonds are generally 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 as long as the underlying mortgage collateral experiences prepayments within a certain range. Changes in prepayment rates are first absorbed by support or companion classes. This insulates the planned amortization class from the consequences of both faster prepayments (average life shortening) and slower prepayments (average life extension).

Commercial mortgage-backed securities are bonds secured by commercial real estate mortgages. Commercial real estate encompasses income producing properties that are managed for economic profit. Property types include multi-family dwellings including apartments, retail centers, hotels, restaurants, hospitals, nursing homes, warehouses, and office buildings. The commercial mortgage-backed securities market currently offers high yields, strong credits, and call protection compared to similar-rated corporate bonds. Most commercial mortgage-backed securities have strong call protection features where borrowers are locked out from prepaying their mortgages for a stated period of time. If the borrower does prepay any or all of the loan, they will be required to pay prepayment penalties.

Subordinated and mezzanine tranches are classes that provide credit enhancement to the senior tranches. The rating agencies require that this credit enhancement not deteriorate due to prepayments for a period of time, usually five years of complete lockout followed by another period of time where prepayments are shared pro rata with senior tranches. Subordinated and mezzanine tranches bear a majority of the risk of loss due to property owner defaults. Subordinated bonds are generally rated AA or lower; we typically do not hold securities rated lower than BB .

During the four months ended December 31, 2003, we sold $604.9 million of fixed maturity investments which resulted in gross investment losses, before income taxes, of $7.3 million. During the first eight months of 2003, we sold $2.7 billion of fixed maturity investments which resulted in gross investment losses, before income taxes, of $62.4 million. Securities sold at a loss are sold for a number of reasons including but not limited to:

- changes in the investment environment;
- expectation that the market value could deteriorate further;
- desire to reduce our exposure to an issuer or an industry;
- changes in credit quality; and
- our analysis indicating there is a high probability that the security is other-than-temporarily impaired.

As discussed in the notes to our consolidated financial statements included elsewhere in this prospectus, the realization of gains and losses affects the timing of the amortization of the cost of policies produced and the cost of policies purchased related to universal life and investment products.

Venture Capital Investment in AT&T Wireless Services, Inc.

Our venture capital investment in AT&T Wireless was made by our subsidiary which engages in venture capital investment activity. AT&T Wireless is a company in the wireless communication business. In December 2003, we sold the remaining 4.1 million shares of AT&T Wireless common stock. In 2002, we sold 10.3 million shares of AT&T Wireless common stock which generated proceeds of $75.7 million. At December 31, 2002, we held 4.1 million shares of AT&T Wireless common stock with a value of $25.0 million. We recognized venture capital investment income (losses) of $(5.5) million in the four months ended December 31, 2003; $10.5 million in the eight months ended August 31, 2003; and $(99.3) million and $(42.9) million in 2002 and 2001, respectively, related to this investment.

Other Investments

At December 31, 2003, we held mortgage loan investments with a carrying value of $1,139.5 million (or 5.0 percent of total invested assets) and a fair value of $1,174.1 million. Mortgage loans were

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substantially comprised of commercial loans. Noncurrent mortgage loans were insignificant at December 31, 2003. Realized losses on mortgage loans were not significant in any of the past three years. At December 31, 2003, we had no allowance for losses on mortgage loans (mortgage loans were recorded at market values at August 31, 2003, in conjunction with our adoption of fresh start accounting). Approximately 8 percent, 7 percent, 7 percent and 6 percent of the mortgage loan balance were on properties located in New York, Massachusetts, Florida and Pennsylvania, respectively. No other state accounted for more than 5 percent of the mortgage loan balance.

The following table shows the distribution of our mortgage loan portfolio by property type as of December 31, 2003 (dollars in millions):

	Number of Loans	Carrying Value
Retail	415	$ 907.2
Office building	48	159.9
Industrial	18	39.1
Multi-family	13	16.3
Other	53	17.0
Total mortgage loans	547	$1,139.5

The following table shows our mortgage loan portfolio by loan size (dollars in millions):

	Number of Loans	Principal Balance
Under $5 million	491	$ 719.7
$5 million but less than $10 million	43	296.4
$10 million but less than $20 million	13	149.7
Total mortgage loans	547	$1,165.8

The following table summarizes the distribution of maturities of our mortgage loans (dollars in millions):

	Number of Loans	Principal Balance
2004	13	$ 7.1
2005	14	7.1
2006	14	2.3
2007	28	8.7
2008	21	24.3
after 2008	457	1,116.3
Total mortgage loans	547	$1,165.8

At December 31, 2003, we held $915.1 million of trading securities. We carry trading securities at estimated fair value; changes in fair value are reflected in the statement of operations. At August 31, 2003, we established trading security accounts which are designed to act as a hedge for embedded derivatives related to: (1) our equity-indexed annuity products; and (2) certain modified coinsurance agreements. See the note to the consolidated financial statements included elsewhere in this prospectus entitled Summary of Significant Accounting Policies Accounting for Derivatives for further discussion regarding the embedded derivatives and the trading accounts. In addition, the trading account includes the investments backing the market strategies of our multibucket annuity products.

Other invested assets also include: (1) S&P 500 call options; and (2) certain nontraditional investments, including investments in limited partnerships and promissory notes.

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As part of our investment strategy, we enter into reverse repurchase agreements and dollar-roll transactions to increase our return on investments and improve our liquidity. Reverse repurchase agreements involve a sale of securities and an agreement to repurchase the same securities at a later date at an agreed-upon price. Dollar rolls are similar to reverse repurchase agreements except that the repurchase involves securities that are only substantially the same as the securities sold. We enhance our investment yield by investing the proceeds from the sales in short-term securities pending the contractual repurchase of the securities at discounted prices in the forward market. In many cases, such transactions arise from the market demand for mortgage-backed securities to form collateralized mortgage obligations. At December 31, 2003, we had investment borrowings of $387.3 million. Such investment borrowings (excluding borrowings related to the General Motors building) averaged approximately $488.9 million during the four months ended December 31, 2003; and $689.1 million during the eight months ended August 31, 2003 and were collateralized by investment securities with fair values approximately equal to the loan value. The weighted average interest rate on such borrowings (excluding borrowings related to the General Motors building) was 1.5 percent during the four months ended December 31, 2003; and 1.8 percent during the eight months ended August 31, 2003. The primary risk associated with short-term collateralized borrowings is that the counterparty might be unable to perform under the terms of the contract. Our exposure is limited to the excess of the net replacement cost of the securities over the value of the short-term investments (which was not material at December 31, 2003). We believe that the counterparties to our reverse repurchase and dollar-roll agreements are financially responsible and that counterparty risk is minimal.

Statutory Information (Based on Non-GAAP Measures)

Statutory accounting practices prescribed or permitted by regulatory authorities for our insurance subsidiaries differ from GAAP. Our insurance subsidiaries reported the following amounts to regulatory agencies, after appropriate elimination of intercompany accounts among such subsidiaries (dollars in millions):

	2003	2002
Statutory capital and surplus	$1,514.1	$1,064.4
Asset valuation reserve	40.9	11.6
Interest maintenance reserve	217.4	311.3
Total	$1,772.4	$1,387.3

The statutory capital and surplus shown above included investments in upstream affiliates, all of which were eliminated in the consolidated financial statements prepared in accordance with GAAP, as follows (dollars in millions):

	2003	2002
Securitization debt issued by special purpose entities and guaranteed by our finance subsidiary, all of which was purchased by our insurance subsidiaries prior to the acquisition of Conseco Finance	$	$ 2.0
Preferred and common stock of intermediate holding company	159.0	146.4
Other		2.5
Total	$159.0	$150.9

Statutory earnings build the capital adequacy required by ratings agencies and regulators. Statutory earnings and fees and interest paid by the insurance companies to the parent company create the cash flow capacity the parent company needs to meet its obligations, including debt service. The combined statutory net income (loss), a non-GAAP measure, of our life insurance subsidiaries was $286.1 million, $(465.0) million and $(137.8) million in 2003, 2002 and 2001, respectively. Included in such net income (loss) are net realized capital gains (losses), net of income taxes, of $32.8 million, $(516.1) million and $(188.0) million in 2003, 2002 and 2001, respectively. In addition, the insurance subsidiaries incur fees and

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interest to Conseco or its non-life subsidiaries; such amounts totaled $85.8 million, $194.8 million and $279.2 million in 2003, 2002 and 2001, respectively.

The ability of our insurance subsidiaries to pay dividends is subject to state insurance department regulations. These regulations generally permit dividends to be paid from statutory earned surplus of the insurance company for any 12-month period in amounts equal to the greater of (or in a few states, the lesser of): (1) statutory net gain from operations or statutory net income for the prior year; or (2) 10 percent of statutory capital and surplus as of the end of the preceding year. Any dividends in excess of these levels require the approval of the director or commissioner of the applicable state insurance department. During 2002, our insurance subsidiaries paid dividends to Conseco totaling $240.0 million. In 2003, a non-cash dividend of $4.5 million representing affiliated common stock was paid to CDOC.

On October 30, 2002, Bankers National Life Insurance Company and Conseco Life Insurance Company of Texas, on behalf of itself and all other Conseco insurance subsidiaries, our insurance subsidiaries domiciled in Texas, each entered into consent orders with the Commissioner of Insurance for the State of Texas whereby they agreed:

- not to request any dividends or other distributions before January 1, 2003 and, thereafter, not to pay any dividends or other distributions to parent companies outside of the insurance system without the prior approval of the Texas Insurance Commissioner;
- to continue to maintain sufficient capitalization and reserves as required by the Texas Insurance Code;
- to request approval from the Texas Insurance Commissioner before making any disbursements not in the ordinary course of business;
- to complete any pending transactions previously reported to the proper insurance regulatory officials prior to and during Conseco s restructuring, unless not approved by the Texas Insurance Commissioner;
- to obtain a commitment from Conseco to maintain their infrastructure, employees, systems and physical facilities prior to and during Conseco s restructuring; and
- to continue to permit the Texas Insurance Commissioner to examine its books, papers, accounts, records and affairs.

The consent orders were formally released on November 19, 2003. We have agreed with the Texas Insurance Department to provide prior notice of certain transactions, including up to 30 days prior notice of the payment of dividends by an insurance subsidiary to any non-insurance company parent, and periodic reporting of information concerning our financial performance and condition.

The National Association of Insurance Commissioners Risk-Based Capital for Life and/or Health Insurers Model Act provides a tool for insurance regulators to determine the levels of statutory capital and surplus an insurer must maintain in relation to its insurance and investment risks and whether there is a need for possible regulatory attention. The Model Act provides four levels of regulatory attention, varying with the ratio of the insurance company s total adjusted capital (defined as the total of its statutory capital and surplus, asset valuation reserve and certain other adjustments) to its company action level risk based capital:

- if a company s total adjusted capital is less than 100 percent but greater than or equal to 75 percent of its risk-based capital (the Company Action Level), the company must submit a comprehensive plan to the regulatory authority proposing corrective actions aimed at improving its capital position;
- if a company s total adjusted capital is less than 75 percent but greater than or equal to 50 percent of its risk-based capital, the regulatory authority will perform a special examination of the company and issue an order specifying the corrective actions that must be taken;
- if a company s total adjusted capital is less than 50 percent but greater than or equal to 35 percent of its risk-based capital, the regulatory authority may take any action it deems necessary, including placing the company under regulatory control; and

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if a company s total adjusted capital is less than 35 percent of its risk-based capital, the regulatory authority must place the company under its control.

In addition, the Model Act provides for an annual trend test if a company s total adjusted capital is between 100 percent and 125 percent of its risk-based capital at the end of the year. The trend test calculates the greater of the decrease in the margin of total adjusted capital over risk-based capital: (1) between the current year and the prior year; and (2) for the average of the last 3 years. It assumes that such decrease could occur again in the coming year. Any company whose trended total adjusted capital is less than 95 percent of its risk-based capital would trigger a requirement to submit a comprehensive plan as described above for the Company Action Level.

The 2003 statutory annual statements filed with the state insurance regulators of each of our insurance subsidiaries reflected total adjusted capital in excess of the levels subjecting the subsidiaries to any regulatory action. However, as a result of losses on the long-term care business within the other business in run-off segment, the risk-based capital ratio of one of our subsidiaries is near the level which would require it to submit a comprehensive plan aimed at improving its capital position.

The consolidated risk-based capital ratio for our insurance subsidiaries was approximately 287 percent at December 31, 2003. We calculate the consolidated risk-based capital ratio by assuming all of the assets, liabilities, capital and surplus and other aspects of the business of our insurance subsidiaries are combined together in one insurance subsidiary, with appropriate intercompany eliminations.

Our insurance subsidiaries hold principal protected senior notes of three trusts which invest in fixed maturities, mortgages, preferred stock, common stock and limited partnerships. We consolidate the trusts in our financial statements prepared in accordance with GAAP and at December 31, 2003, the estimated fair value of the trust investments slightly exceeded their GAAP book value. During the fourth quarter of 2003, the trusts began liquidating their portfolios, a process which was completed in the first quarter of 2004. Under statutory accounting practices, which differ from GAAP, realized capital losses of $45.9 million were recorded on the fourth quarter 2003 partial redemption of the senior notes issued by the trusts that are owned by the insurance subsidiaries. Additional statutory realized capital losses of $94.9 million were recorded at December 31, 2003 since a decision had been made to redeem the remaining senior notes at amounts less than their amortized cost. The total statutory realized losses of $140.8 million on the senior notes were included in the interest maintenance reserve.

Quantitative and Qualitative Disclosures About Market Risks

Our spread-based insurance business is subject to several inherent risks arising from movements in interest rates, especially if we fail to anticipate or respond to such movements. First, interest rate changes can cause compression of our net spread between interest earned on investments and interest credited on customer deposits, thereby adversely affecting our results. Second, if interest rate changes produce an unanticipated increase in surrenders of our spread-based products, we may be forced to sell investment assets at a loss in order to fund such surrenders. At December 31, 2003, approximately 18 percent of our total insurance liabilities (or approximately $4.5 billion) could be surrendered by the policyholder without penalty. Finally, changes in interest rates can have significant effects on the performance of our structured securities portfolio, including collateralized mortgage obligations, as a result of changes in the prepayment rate of the loans underlying such securities. We follow asset/liability strategies that are designed to mitigate the effect of interest rate changes on our profitability. However, there can be no assurance that management will be successful in implementing such strategies and achieving adequate investment spreads.

We seek to invest our available funds in a manner that will fund future obligations to policyholders, subject to appropriate risk considerations. We seek to meet this objective through investments that:

have similar cash flow characteristics to the liabilities they support;

are diversified among industries, issuers and geographic locations; and

make up a predominantly investment grade fixed maturity securities portfolio.

Many of our products incorporate surrender charges, market interest rate adjustments or other features to encourage persistency.

We seek to maximize the total return on our investments through active investment management. Accordingly, we have determined that our entire portfolio of fixed maturity securities is available to be sold in response to:

- changes in market interest rates;
- changes in relative values of individual securities and asset sectors;
- changes in prepayment risks;
- changes in credit quality outlook for certain securities;
- liquidity needs; and
- other factors.

From time to time, we invest in securities for trading purposes, although such investments account for a relatively small portion of our total portfolio.

The profitability of many of our products depends on the spreads between the interest yield we earn on investments and the rates we credit on our insurance liabilities. In addition, changes in competition and other factors, including the impact of the level of surrenders and withdrawals, may limit our ability to adjust or to maintain crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions. As of December 31, 2003, approximately 40 percent of our insurance liabilities were subject to interest rates that may be reset annually; 45 percent had a fixed explicit interest rate for the duration of the contract; 10 percent had credited rates which approximate the income earned by the company; and the remainder had no explicit interest rates. As of December 31, 2003, the average yield, computed on the cost basis of our actively managed fixed maturity portfolio, was 5.6 percent, and the average interest rate credited or accruing to our total insurance liabilities (excluding interest rate bonuses for the first policy year only and excluding the effect of credited rates attributable to variable or equity-indexed products) was 4.7 percent.

We use computer models to simulate the cash flows expected from our existing insurance business under various interest rate scenarios. These simulations help us to measure the potential gain or loss in fair value of our interest rate-sensitive financial instruments. With such estimates, we seek to manage the relationship between the duration of our assets and the expected duration of our liabilities. When the estimated durations of assets and liabilities are similar, exposure to interest rate risk is minimized because a change in the value of assets should be largely offset by a change in the value of liabilities. At December 31, 2003, the adjusted modified duration of our fixed maturity securities and short-term investments was approximately 6.7 years and the duration of our insurance liabilities was approximately 7.2 years. We estimate that our fixed maturity securities and short-term investments (net of corresponding changes in the value of insurance intangibles) would decline in fair value by approximately $625 million if interest rates were to increase by 10 percent from their December 31, 2003 levels. This compares to a decline in fair value of $595 million based on amounts and rates at December 31, 2002. The calculations involved in our computer simulations incorporate numerous assumptions, require significant estimates and assume an immediate change in interest rates without any management of the investment portfolio in reaction to such change. Consequently, potential changes in value of our financial instruments indicated by the simulations will likely be different from the actual changes experienced under given interest rate scenarios, and the differences may be material. Because we actively manage our investments and liabilities, our net exposure to interest rates can vary over time.

We are subject to the risk that our investments will decline in value. This has occurred in the past and may occur again. During the four months ended December 31, 2003, we recognized net realized investment gains of $11.8 million. The net realized investment gains during the four months ended December 31, 2003, included:

- $21.4 million of net gains from the sales of investments (primarily fixed maturities) which generated proceeds of $5.2 billion; net of
- $9.6 million of writedowns of fixed maturity investments, equity securities and other invested assets as a result of conditions which caused us to conclude a decline in fair value of the investment was other than temporary.

During the first eight months of 2003, we recognized net realized investment losses of $5.4 million. The net realized investment losses during the first eight months of 2003 included:

- $45.9 million of net gains from the sales of investments (primarily fixed maturities) which generated proceeds of $5.4 billion; net of
- $51.3 million of writedowns of fixed maturity investments, equity securities and other invested assets as a result of conditions which caused us to conclude a decline in fair value of the investment was other than temporary.

During 2002, we recognized net realized investment losses of $556.3 million, compared to net realized investment losses of $340.0 million during 2001. The net realized investment losses during 2002 included:

- $556.8 million of writedowns of fixed maturity investments, equity securities and other invested assets as a result of conditions which caused us to conclude a decline in fair value of the investment was other than temporary; net of
- $.5 million of net gains from the sales of investments (primarily fixed maturities) which generated proceeds of $19.5 billion.

During 2002, we recognized other-than-temporary declines in value of several of our investments including K-Mart Corp., Amerco, Inc., Global Crossing, MCI Communications, Mississippi Chemical, United Airlines and Worldcom, Inc.

Our operations are subject to risk resulting from fluctuations in market prices of our equity securities and venture-capital investments. In general, these investments have more year-to-year price variability than our fixed maturity investments. However, returns over longer time frames have been consistently higher. We manage this risk by limiting our equity securities and venture-capital investments to a relatively small portion of our total investments.

Our investment in S&P 500 call options is closely matched with our obligation to equity-indexed annuity holders. Market value changes associated with that investment are substantially offset by an increase or decrease in the amounts added to policyholder account balances for equity-indexed products.

Inflation

Inflation rates may impact the financial statements and operating results in several areas. Fluctuations in rates of inflation influence interest rates, which in turn impact the market value of the investment portfolio and yields on new investments. Inflation also impacts the portion of our insurance policy benefits for certain medical coverages affected by increased costs. Operating expenses, including payrolls, are impacted to a certain degree by the inflation rate.

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BUSINESS

We are a holding company for a group of insurance companies operating throughout the United States that develop, market and administer supplemental health insurance, annuity, individual life insurance and other insurance products. We focus on serving the senior and middle-income markets, which we believe are attractive, high growth markets. We sell our products through three distribution channels: career agents, professional independent producers and direct marketing. As of December 31, 2003, we had $2.8 billion of shareholders equity and $29.9 billion of assets. For the four months ended December 31, 2003, we had $1,505.5 million of revenues and $96.3 million of net income.

We are the successor to Conseco, Inc., an Indiana corporation. On December 17, 2002, our predecessor and certain of its non-insurance company subsidiaries filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code. We became the successor to our predecessor in connection with our emergence from bankruptcy on September 10, 2003. As part of our reorganization, we sold substantially all of the assets of the predecessor s finance business and exited this line of business in the second quarter of 2003.

We conduct our business operations through two primary operating segments, based primarily on method of product distribution, and a third segment comprised of businesses in run-off. Prior to September 30, 2003, we conducted our insurance operations through one segment. In the fourth quarter of 2003, we implemented changes contemplated in our restructuring plan to conduct our business through the following segments:

Bankers Life, which consists of the businesses of Bankers Life & Casualty and Colonial Penn. Bankers Life & Casualty markets and distributes Medicare supplement insurance, life insurance, long-term care insurance and fixed annuities to the senior market through approximately 4,000 exclusive career agents and sales managers. Colonial Penn markets graded benefit and simplified issue life insurance directly to consumers through television advertising, direct mail, the internet and telemarketing. Both Bankers Life & Casualty and Colonial Penn market their products under their own brand names.

Conseco Insurance Group, which markets and distributes specified disease insurance, Medicare supplement insurance and certain life and annuity products to the senior and middle-income markets through over 500 independent marketing organizations that represent over 9,100 producing independent agents. This segment markets its products under the Conseco brand.

Other business in run-off, which includes blocks of business that we no longer market or underwrite and are managed separately from our other businesses. This segment consists of long-term care insurance sold through independent agents and major medical insurance.

We also have a corporate segment, which consists of holding company activities and certain non-insurance company businesses that are not related to our operating segments.

The following table sets forth information on our segments for the four months ended December 31, 2003 (dollars in millions):

	Collected Premiums $	Collected Premiums Percentage	Income before Income Taxes
Bankers Life	$ 720.3	54.8%	$ 85.5
Conseco Insurance Group	421.6	32.0	94.3
Other Business In Run-off	173.9	13.2	12.8
Corporate			(43.1)
Total	$1,315.8	100.0%	$149.5

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Our Restructuring

We are in the process of significantly restructuring our business through a process which included the bankruptcy of our predecessor company and our subsequent emergence from bankruptcy on September 10, 2003. None of our insurance company subsidiaries were a part of the bankruptcy petitions, although the bankruptcy did cause disruptions to our insurance operations.

We have achieved several critical financial goals as part of our restructuring, including:

- reducing our debt and other obligations by $5.7 billion,
- disposing of the assets of our predecessor s finance business,
- selling non-core operating subsidiaries such as Conseco Variable Insurance Company,
- improving the risk profile of our investment portfolio, and
- improving the financial strength of our insurance companies as measured by risk-based capital.

We have also recruited and integrated new members into our management team, and we have a new board of directors. Since our emergence from bankruptcy, management has continued to take steps in an effort to improve our profitability and further streamline our business. For example, in September 2003, we sold our stake in the General Motors building, which increased the statutory capital and surplus of our insurance subsidiaries by over $350 million.

We have also undertaken several strategic initiatives to streamline our business lines, focusing on those businesses we believe are most profitable. These initiatives include emphasizing the sales of Medicare supplement and specified disease products and de-emphasizing sales of certain annuity and life products, ceasing sales of long-term care products in Conseco Insurance Group and attempting to re-price certain lines of business through significant rate increases.

The next stage of our restructuring, which includes the offering of our common stock and the offering of the class B preferred stock, is a recapitalization of our current balance sheet. The completion of the offering of our class B preferred stock is conditioned upon the completion of the offering of our common stock. The completion of the offering of our common stock is not conditioned upon the completion of the offering of our class B preferred stock. Our current capitalization is presented below:

	As of December 31, 2003
	(In millions)
Notes payable	$1,300.0
Equity:	
Preferred stock, par value $0.01 per share, 265,000,000 authorized; 34,386,740 shares of class A senior cumulative convertible exchangeable preferred stock issued and outstanding	887.5
Common stock, par value $0.01 per share, 8,000,000,000 authorized; 100,115,772 issued and outstanding	1.0
Additional paid-in-capital	1,641.9
Accumulated other comprehensive income	218.7
Retained earnings	68.5
Total equity	2,817.6
Total capitalization	$4,117.6

Our recapitalization has two components:

Redemption of our existing preferred stock. We plan to use a portion of the proceeds of the offerings to redeem all of our outstanding class A preferred stock.

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Reduction and replacement or renegotiation of our existing bank credit facility. We intend to reduce our overall senior indebtedness, reduce our borrowing costs and improve the terms and conditions of our existing bank credit facility. We believe that we can achieve these goals by using a portion of the proceeds of the offerings of our common stock and our class B preferred stock to retire a portion of our existing debt and/or by renegotiating the terms of our existing bank credit facility.

By redeeming the class A preferred stock and reducing our overall indebtedness, our goals are to improve the financial flexibility of our top-tier holding company and improve the financial strength ratings of our insurance companies. The completion of the common stock offering is not conditioned upon completion of the class B preferred stock offering, and if we complete the common stock offering but not the class B preferred stock offering, we will have fewer proceeds to apply in this regard.

Competitive Strengths

We believe our competitive strengths have enabled and will continue to enable us to capitalize on the opportunities in our target markets. These strengths include:

- our position as a leading national provider of life and health insurance products to the senior market,
- our broad-based distribution networks,
- our strong, nationally recognized brand names, and
- our experienced management with a proven track record.

Leading National Provider of Life and Health Insurance Products to the Senior Market. The Bankers Life segment is one of the leading national providers of life and health insurance products focused primarily on the senior market. The career agents and direct distribution channels within Bankers Life provide a number of products that are important to the financial well-being of seniors: supplemental health coverage, including Medicare supplement and long-term care insurance, as well as selected life and annuity products. According to the most recently published study on the Medicare supplement market by the Life Insurance Marketing Research Association, we were ranked second in sales of agent-distributed Medicare supplement insurance based on collected premiums in 2002. Our approximately 4,000 career agents are trained to cater to the needs of the senior market. Current demographic trends indicate that the senior market will continue to grow, and we believe our focus on seniors will provide us with a significant opportunity to increase our share of this market.

Broad-Based Distribution Networks. Our broad-based distribution networks provide us with a number of ways to reach our target market. Our career agents and direct distribution channels focus on the senior market. We also have independent agents who focus on senior market products such as Medicare supplement insurance. Our independent agents also sell certain of our products that are specifically designed for the under-age-65 middle-income market. These products include our specified disease insurance coverage, such as cancer and heart/stroke products, as well as equity-indexed life insurance and equity-indexed annuities. Despite the bankruptcy, we have retained the majority of our career agents, including 80 percent of our top 1,000 career agents. Our top 1,000 career agents collectively accounted for over 50 percent of Bankers Life & Casualty s sales during 2003. In 2003, 52 percent of our sales were through career agents, 45 percent were through independent distributors and 3 percent were through direct marketing by Colonial Penn.

Strong, Nationally Recognized Brand Names. We believe our brands are widely recognized by our customers and distributors. We believe we have successfully developed product-focused consumer recognition in our chosen markets through three distinct brands Conseco, Bankers Life & Casualty and Colonial Penn. We believe our multiple-brand strategy has helped us maintain sales of certain key products, such as Medicare supplement, and retain business through our reorganization. We continue to raise the profile of our brands through our Step Up campaign and several national and local community sponsorship arrangements, including the Indy Racing League and the Conseco Fieldhouse in Indianapolis, home to the Indiana Pacers NBA basketball team. In addition, we continue to raise the profile of our Bankers Life brand through our continued relationship with the Alzheimer s Association and International Longevity Center as well as a renewed relationship with Paul Harvey, who for many years was the spokesperson for Bankers Life & Casualty. We believe that our brands give us a key competitive advantage, allowing us to continue to build and maintain strong relationships with our customers and distributors.

Experienced Management With a Proven Track Record. Our strong, experienced senior management team has led us through our restructuring to date. Our management is led by our President and Chief Executive Officer, William J. Shea, who has over 25 years of financial services experience and joined Conseco in 2001. Mr. Shea has served as Vice Chairman and Chief Financial Officer of BankBoston Corporation and as Partner and Vice Chairman of PricewaterhouseCoopers LLP, formerly Coopers & Lybrand LLP. In addition to our experienced senior management team, our Non-Executive Chairman, R. Glenn Hilliard, has over 35 years of insurance experience, having served most recently as Chairman and CEO of ING Americas. Mr. Hilliard joined our board in September 2003. Our management s knowledge and experience have helped us maintain our business operations through the restructuring and are expected to provide us with opportunities to further enhance our business in the future.

Strategy

Our objective is to generate attractive returns on equity while growing a stable, well capitalized insurance business focused on serving the middle-income and senior markets. We intend to achieve these objectives by executing the following strategies:

focus on the senior and middle-income markets,

continue to improve our financial condition,

use our distribution network to strengthen market access, and

continue to improve our operational efficiency.

Focus on the Senior and Middle-Income Markets. We are committed to serving the senior and middle-income markets in the United States. Our customer base includes approximately 3.8 million policyholders. According to the January 2004 issue of Journal of Financial Service Professionals, the population of the United States age 50 or older is projected to increase by approximately 27 percent from 2004 to 2014. We have taken several steps in recent periods to sharpen our focus on both markets by strengthening our distribution, reducing our sales of non-core life and annuity products and introducing new and innovative supplemental health and retirement savings products targeting senior and middle-income customers.

Continue to Improve Our Financial Condition. We seek to continue to improve our financial condition by reducing debt at the holding company, maintaining adequate risk-based capital in our operating subsidiaries and focusing on marketing profitable products. We took a series of actions in 2002 and 2003 to enhance our financial condition. In addition to reducing our debt and other obligations at the holding company by $5.7 billion through the bankruptcy, we improved the risk profile of our investment portfolio and the financial strength of our insurance companies as measured by risk-based capital. Our fixed maturity investment portfolio is primarily comprised of government, investment grade and structured securities. Below-investment grade securities comprised 3.9 percent of our fixed maturity portfolio as of December 31, 2003, down from 6.5 percent as of December 31, 2002. Our insurance companies consolidated company action level risk-based capital ratio improved from 166 percent at December 31, 2002 to 287 percent at December 31, 2003. The risk-based capital ratio is one of the tools insurance regulators use to determine the adequacy of an insurance company s capital. See Management s Discussion and Analysis of Consolidated Financial Condition and Results of Operations Statutory Information for further information. We intend to continue to manage our business with a view to improving our capitalization, financial strength and ratings.

Use Our Distribution Network to Strengthen Market Access. We seek to use our broad distribution channels to meet our customers needs and enhance our market presence. We believe we have created appropriate incentives focused on persistent and profitable production, as well as improved monitoring and

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tracking of production and persistency levels by distributor. We promote cross-selling of life, supplemental health and retirement savings products in certain markets to capture a greater share of our policyholders coverage needs. In addition, we utilize our independent producers and career agent network as important sources of information regarding the evolving needs of our customer base. As a result, our products are tailored to include the specific features that we believe are most important to our customers. If we are successful in raising our ratings, we expect to be able to add new agents to our career and independent agency distribution channels, which we believe will result in increased sales of our insurance products.

Continue to Improve Our Operational Efficiency. We have undertaken several initiatives to improve our operational efficiency and lower costs. We have simplified our organizational structure by divesting certain businesses and consolidating several legal entities. We are in the process of integrating policy administration and claims management systems from previous acquisitions to lower our operational costs in our Conseco Insurance Group Segment. We intend to reduce the number of policy administration and related support systems by 50 percent, from 33 systems in April 2003 to 16 systems by the end of 2004. We have also reduced our headcount over the past two years and have focused on improving the productivity of our employees, career agents and independent distributors. We intend to continue to work to improve our operational efficiency by rationalizing expenses and systems in an effort to enhance our service standards and profitability.

Products

The premium collection tables below combine the 2003 premium collections of the predecessor for the eight months ended August 31, 2003 and premium collections of the successor for the four months ended December 31, 2003. Combining premium collections for these periods facilitates comparison of these amounts which were not affected by the adoption of fresh start accounting. See Management s Discussion and Analysis of Consolidated Financial Condition and Results of Operations Premium and Asset Accumulation Product Collections for a summary of 2003 premium collections by the predecessor and successor.

The following table summarizes premium collections by major category and segment for the years ended December 31, 2003, 2002 and 2001 (dollars in millions):

Total Premium Collections

	Years Ended December 31,		
	2003	2002	2001
Supplemental health:			
Bankers Life	$1,167.5	$1,159.4	$1,097.4
Conseco Insurance Group	797.3	830.3	784.1
Other Business in Run-off	598.3	844.0	1,200.1
Total supplemental health	2,563.1	2,833.7	3,081.6
Annuities:			
Bankers Life	952.2	740.9	513.1
Conseco Insurance Group	92.1	351.9	710.6
Total annuities	1,044.3	1,092.8	1,223.7
Life:			
Bankers Life	161.3	139.0	286.3
Conseco Insurance Group	412.2	498.0	553.3
Total life	573.5	637.0	839.6
Total premium collections	$4,180.9	$4,563.5	$5,144.9

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Our insurance companies offer the following products:

Supplemental Health

Supplemental Health Premium Collections (dollars in millions)

	Years Ended December 31,		
	2003	**2002**	**2001**
Medicare Supplement:			
Bankers Life	$ 644.7	$ 663.9	$ 656.7
Conseco Insurance Group	384.6	369.9	318.4
Total	1,029.3	1,033.8	975.1
Long-Term Care:			
Bankers Life	509.4	482.9	425.3
Conseco Insurance Group(1)	N/A	N/A	N/A
Other Business in Run-off	402.6	434.5	463.0
Total	912.0	917.4	888.3
Specified disease products from Conseco Insurance Group	355.1	368.6	371.8
Major medical business included in the Other Business in Run-off	195.7	409.5	737.1
Other			
Bankers Life	13.4	12.6	15.4
Conseco Insurance Group	57.6	91.8	93.9
Total	71.0	104.4	109.3
Total Supplemental Health	$2,563.1	$2,833.7	$3,081.6

(1) We have ceased writing long-term care policies through Conseco Insurance Group and all major medical insurance. Accordingly, we classify the associated collected premiums as part of other business in run-off.

Supplemental health products include Medicare supplement, long-term care and specified disease insurance and major medical insurance business in run-off. During 2003, we collected supplemental health premiums of $2,563.1 million, or 61 percent of our total premiums collected. During 2003, we collected Medicare supplement premiums of $1,029.3 million, long-term care premiums of $912.0 million, specified disease premiums of $355.1 million, major medical premiums of $195.7 million and other supplemental health premiums of $71.0 million. Medicare supplement, long-term care, specified disease, major medical and other supplemental health premiums represented 25 percent, 22 percent, 8 percent, 5 percent and 1 percent, respectively, of our total premiums collected in 2003. Sales of supplemental health products are affected by the financial strength ratings assigned to our insurance subsidiaries by independent rating agencies. See Competition below.

The following describes our major supplemental health products:

Medicare Supplement. Medicare supplement collected premiums were $1,029.3 million during 2003, or 25 percent of our total collected premiums. Medicare is a two-part federal health insurance program for disabled persons and senior citizens age 65 and older. Part A of the program provides protection against the costs of hospitalization and related hospital and skilled nursing home care, subject to an initial deductible, related coinsurance amounts and specified maximum benefit levels. The deductible and coinsurance amounts are subject to change each year by the federal government. Part B of Medicare covers doctor s bills and a number of other medical costs not covered by Part A, subject to deductible and coinsurance amounts for approved charges.

Medicare supplement policies provide coverage for many of the medical expenses which the Medicare program does not cover, such as deductibles, coinsurance costs and specified losses which exceed the federal program s maximum benefits. Our Medicare supplement plans automatically adjust coverage to reflect changes in Medicare benefits. In marketing these products, we concentrate on individuals who have recently become eligible for Medicare by reaching the age of 65. We offer a higher first-year commission to agents for sales to these policyholders and competitive premium pricing for our policyholders. Approximately 33 percent of new sales of Medicare supplement policies in 2003 were to individuals who had recently reached the age of 65.

Both Bankers Life and Conseco Insurance Group sell Medicare supplement insurance.

Long-Term Care. Long-term care collected premiums were $912.0 million during 2003, or 22 percent of our total collected premiums. Long-term care products provide coverage, within prescribed limits, for nursing home, home healthcare, or a combination of both nursing home and home healthcare expenses. The long-term care plans are sold primarily to retirees and, to a lesser degree, to older self-employed individuals and others in middle-income levels.

Current nursing home care policies cover incurred and daily fixed-dollar benefits available with an elimination period, subject to a maximum benefit. The elimination period is similar to a deductible, requiring the insured to pay for a certain number of days of nursing home care before the insurance coverage begins. Home healthcare policies cover the usual and customary charges after a deductible or elimination period and are subject to a daily or weekly maximum dollar amount and an overall maximum benefit. We monitor the loss experience on our long-term care products and, when necessary, apply for rate increases in the jurisdictions in which we sell such products. Regulatory approval is required to increase our premiums on these products.

The long-term care insurance blocks of business sold through the professional independent producer distribution channel were largely underwritten by certain of our subsidiaries prior to their acquisition by Conseco in 1996 and 1997. The performance of these blocks of business has been significantly less favorable than expectations when the blocks were acquired. As a result, we ceased selling new long-term care policies through this distribution channel.

We continue to sell long-term care insurance through the career agent distribution channel. The long-term care business sold through Bankers Life s career agents was underwritten using stricter underwriting and pricing standards than our acquired blocks of long-term care business included in the other business in run-off segment. The performance of this block has been better and more predictable than the acquired business.

Specified Disease Products. Specified disease collected premiums were $355.1 million during 2003, or 8 percent of our total collected premiums. These policies generally provide fixed or limited benefits. Cancer insurance and heart/stroke products are guaranteed renewable individual accident and health insurance policies. Payments under cancer insurance policies are generally made directly to, or at the direction of, the policyholder following diagnosis of, or treatment for, a covered type of cancer. Heart/stroke policies provide for payments directly to the policyholder for treatment of a covered heart disease, heart attack or stroke. The benefits provided under the specified disease policies do not necessarily reflect the actual cost incurred by the insured as a result of the illness and benefits are not reduced by any other medical insurance payments made to or on behalf of the insured.

Approximately 76 percent of our specified disease policies inforce, based on a count of policies, are sold with return of premium or cash value riders. The return of premium rider generally provides that after a policy has been in force for a specified number of years or upon the policyholder reaching a specified age, we will pay to the policyholder, or a beneficiary under the policy, the aggregate amount of all premiums paid under the policy, without interest, less the aggregate amount of all claims incurred under the policy. Our specified disease products are sold through the independent distribution network of Conseco Insurance Group.

Major Medical. Our major medical business is included in our other business in run-off segment. Sales of our major medical health insurance products were targeted to self-employed individuals, small business owners, large employers and early retirees. Various deductible and coinsurance options were

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available, and most policies require certain utilization review procedures. The profitability of this business depends largely on the overall persistency of the business inforce, claims experience and expense management. During 2001, we decided to discontinue a large block of major medical business by not renewing these policies because this business was not profitable. During 2003, we collected major medical premiums of $195.7 million, or 5 percent of our total collected premiums.

Other Supplemental Health Products. Other supplemental health product collected premiums were $71.0 million, or 1 percent of our total collected premiums in 2003. These products include various other products such as disability income insurance. We no longer actively market these products.

Annuities

Annuity Premium Collections (dollars in millions)

	Years Ended December 31,		
	2003	**2002**	**2001**
Equity-indexed annuity			
Bankers Life	$ 15.1	$ 30.4	$ 41.4
Conseco Insurance Group	54.3	189.7	339.5
Total equity-indexed annuity premium collections	69.4	220.1	380.9
Other fixed annuity			
Bankers Life	937.1	710.5	471.7
Conseco Insurance Group	37.8	162.2	371.1
Total fixed annuity premium collections	974.9	872.7	842.8
Total annuity premium collections	$1,044.3	$1,092.8	$1,223.7

During 2003, we collected annuity premiums of $1,044.3 million, or 25 percent of our total premiums collected. Annuity products include equity-indexed annuity, traditional fixed rate annuity and market value-adjusted annuity products sold through both Bankers Life and Conseco Insurance Group. Annuities offer a tax-deferred means of accumulating savings for retirement needs, and provide a tax-efficient source of income in the payout period. Our major source of income from annuities is the spread between the investment income earned on the underlying general account assets and the interest credited to contractholders accounts.

More than our other products, annuities are affected by the financial strength ratings assigned to our insurance subsidiaries by independent rating agencies. Many of our professional independent agents discontinued marketing our annuity products after A.M. Best lowered the financial strength ratings assigned to our insurance subsidiaries. In addition, the annuity business we were selling through this distribution channel required more statutory capital and surplus than our other insurance products. Accordingly, we took actions in our Conseco Insurance Group segment to de-emphasize new sales of annuity products sold through professional independent producers. Instead, we focused on the sale of products that are less ratings sensitive and capital intensive. Career agents selling annuity products in the Bankers Life segment are less sensitive in the near-term to A.M. Best ratings, since these agents only sell our products. Accordingly, we continue to actively market annuities through Bankers Life. In order to maintain Bankers Life s career agency distribution force during the bankruptcy process, we provided certain sales inducements to purchasers of annuities and sales incentives to our career agents.

The following describes the major annuity products:

Equity-Indexed Annuities. These products accounted for $69.4 million, or 2 percent, of our total premium collections during 2003. The accumulation value of these annuities is credited with interest at an annual minimum guaranteed average rate over the term of the contract of 3 percent or, including the effect of applicable sales loads, a 1.7 percent compound average interest rate over the term of the contracts, but the annuities provide for potentially higher returns based on a percentage, which we refer to as the participation rate, of the change in the Standard & Poor s 500 Index during each year of their term. We have the

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discretionary ability to annually change the participation rate, which currently ranges from 50 percent to 100 percent, and may include a first-year bonus participation rate, similar to the bonus interest described below for traditional fixed rate annuity products, which generally ranges from an additional 10 percent to 20 percent. The minimum guaranteed values are equal to:

- 90 percent of premiums collected for annuities for which premiums are received in a single payment, commonly referred to as single-premium deferred annuities, or 75 percent of first year and 87.5 percent of renewal premiums collected for annuities which allow for more than one payment, commonly referred to as flexible-premium deferred annuities; plus

- interest credited on such percentage of the premiums collected at an annual rate of 3 percent.

The annuity provides for penalty-free withdrawals of up to 10 percent of premiums in each year after the first year of the annuity s term. Other withdrawals from single-premium deferred annuity products are generally subject to a surrender charge of 9 percent over the eight year contract term at the end of which the contract must be renewed or withdrawn. Other withdrawals from flexible-premium deferred annuity products are subject to a surrender charge of 12 percent to 20 percent in the first year, declining 1.2 percent to 1.3 percent each year, to zero over a 10 to 15 year period, depending on issue age. We purchase S&P 500 Index call options in an effort to offset, or hedge, potential increases to policyholder benefits resulting from increases in the S&P 500 Index to which the product s return is linked.

Other Fixed Rate Annuities. These products include fixed rate single-premium deferred annuities, flexible-premium deferred annuities and single-premium immediate annuities. These products accounted for $974.9 million, or 23 percent, of our total premium collections during 2003. Our fixed rate single-premium deferred annuities and flexible-premium deferred annuities typically have an interest rate, or crediting rate, that we guarantee for the first policy year, after which we have the discretionary ability to change the crediting rate to any rate not below a guaranteed minimum rate. The guaranteed rate on annuities written recently ranges from 3 percent to 4 percent, and the rate on all policies inforce ranges from 3 percent to 6 percent. The initial crediting rate is largely a function of:

- the interest rate we can earn on invested assets acquired with the new annuity fund deposits;

- the costs related to marketing and maintaining the annuity products; and

- the rates offered on similar products by our competitors.

For subsequent adjustments to crediting rates, we take into account current and prospective yields on investments, annuity surrender assumptions, competitive industry pricing and the crediting rate history for particular groups of annuity policies with similar characteristics.

In 2003, approximately 85 percent of our new annuity sales were bonus products. The initial crediting rate on these products specifies a bonus crediting rate ranging from 1 percent to 6 percent of the annuity deposit for the first policy year only. After the first year, the bonus interest portion of the initial crediting rate is automatically discontinued, and the renewal crediting rate is established. As of December 31, 2003, crediting rates on our outstanding traditional annuities were at an average rate, excluding bonuses, of 4.1 percent.

The policyholder is typically permitted to withdraw all or part of the premium paid plus the accumulated interest credited to his or her accumulation value, subject in virtually all cases to the assessment of a surrender charge for withdrawals in excess of specified limits. Most of our traditional annuities provide for penalty-free withdrawals of up to 10 percent of the accumulation value each year, subject to limitations. Withdrawals in excess of allowable penalty-free amounts are assessed a surrender charge during a penalty period which generally ranges from five to 12 years after the date a policy is issued. The initial surrender charge is generally 6 percent to 12 percent of the accumulation value and generally decreases by approximately 1 to 2 percentage points per year during the penalty period. Surrender charges are set at levels intended to protect us from loss on early terminations and to reduce the likelihood of policyholders terminating their policies during periods of increasing interest rates. This practice is intended to lengthen the effective duration of policy liabilities and enable us to maintain profitability on such policies.

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Single-premium immediate annuities accounted for $29.5 million, or .7 percent, of our total premiums collected in 2003. Single-premium immediate annuities are designed to provide a series of periodic payments for a fixed period of time or for life, according to the policyholder s choice at the time of issue. Once the payments begin, the amount, frequency and length of time for which they are payable are fixed. Single-premium immediate annuities often are purchased by persons at or near retirement age who desire a steady stream of payments over a future period of years. The single premium is often the payout from a terminated annuity contract. The implicit interest rate on single-premium immediate annuities is based on market conditions when the policy is issued. The implicit interest rate on our outstanding single-premium immediate annuities averaged 6.7 percent at December 31, 2003.

We also offered a multibucket annuity product which provides for different rates of cash value growth based on the experience of a particular market strategy. Earnings are credited to this product based on the market activity of a given strategy, less management fees, and funds may be moved between cash value strategies. Portfolios available include high yield bond, investment grade bond, convertible bond and guaranteed-rate portfolios. During 2003, this product accounted for $3.5 million, or .1 percent, of our total premiums collected. Sales of this product were discontinued in 2003.

In October 2002, we sold Conseco Variable Insurance Company, a company engaged in the variable annuity business. In connection with that sale, we agreed with the buyer not to engage in the variable annuity business for a period of three years. We no longer offer variable annuity products.

Life

Life Insurance Premium Collections (dollars in millions)

	Years Ended December 31,		
	2003	**2002**	**2001**
Interest-sensitive life products			
Bankers Life	$ 34.2	$ 34.2	$ 33.7
Conseco Insurance Group	266.5	339.1	386.9
Total interest-sensitive life premium collections	300.7	373.3	420.6
Traditional life			
Bankers Life	127.1	104.8	252.6
Conseco Insurance Group	145.7	158.9	166.4
Total traditional life premium collections	272.8	263.7	419.0
Total life insurance premium collections	$573.5	$637.0	$839.6

Life products include traditional, interest-sensitive and other life insurance products. These products are currently sold through both Bankers Life and Conseco Insurance Group. During 2003, we collected life insurance premiums of $573.5 million, or 14 percent, of our total collected premiums. In April 2003, we took actions to de-emphasize new sales of several of our life insurance products through Conseco Insurance Group s professional independent producers. Sales of life products are affected by the financial strength ratings assigned to our insurance subsidiaries by independent rating agencies. See Competition below. The decrease in traditional life premiums collected in the Bankers Life segment in 2002 and 2003, compared to 2001, is primarily due to a first quarter 2002 reinsurance transaction pursuant to which we ceded 80 percent of the inforce traditional life insurance business of Bankers Life & Casualty to Reassure America Life Insurance Company.

Interest-Sensitive Life Products. These products include universal life products that provide whole life insurance with adjustable rates of return related to current interest rates. They accounted for $300.7 million, or 7.2 percent, of our total collected premiums in 2003. These products are marketed through professional independent producers and, to a lesser extent, career agents. The principal differences between universal life products and other interest-sensitive life insurance products are policy provisions affecting the amount and

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timing of premium payments. Universal life policyholders may vary the frequency and size of their premium payments, and policy benefits may also fluctuate according to such payments. Premium payments under other interest-sensitive policies may not be varied by the policyholders.

Traditional Life. These products accounted for $272.8 million, or 6.5 percent, of our total collected premiums in 2003. Traditional life policies, including whole life, graded benefit life, simplified issue and term life products, are marketed through professional independent producers, career agents and direct response marketing. Under whole life policies, the policyholder generally pays a level premium over an agreed period or the policyholder s lifetime. The annual premium in a whole life policy is generally higher than the premium for comparable term insurance coverage in the early years of the policy s life, but is generally lower than the premium for comparable term insurance coverage in the later years of the policy s life. These policies, which we continue to market on a limited basis, combine insurance protection with a savings component that gradually increases in amount over the life of the policy. The policyholder may borrow against the savings generally at a rate of interest lower than that available from other lending sources. The policyholder may also choose to surrender the policy and receive the accumulated cash value rather than continuing the insurance protection. Term life products offer pure insurance protection for a specified period of time typically five, 10 or 20 years. We stopped selling most term life products through the professional independent producer distribution channel during the second quarter of 2003.

Traditional life products also include graded benefit life insurance products. Graded benefit life products accounted for $79.4 million, or 1.9 percent, of our total collected premiums in 2003. Graded benefit life insurance products are offered on an individual basis primarily to persons age 50 to 80, principally in face amounts of $350 to $10,000, without medical examination or evidence of insurability. Premiums are paid as frequently as monthly. Benefits paid are less than the face amount of the policy during the first two years, except in cases of accidental death. Simplified issue life products require only limited underwriting. Generally, the application contains some medical history questions, but they are not as extensive as a fully underwritten product. Medical exams and attending physicians statements are generally not required for simplified issue life insurance. Our Bankers Life segment markets graded benefit and simplified issue life policies under the Colonial Penn brand name using direct response marketing techniques. New policyholder leads are generated primarily from television and print advertisements.

Marketing and Distribution

Our insurance subsidiaries develop, market and administer supplemental health insurance, annuity, individual life insurance and other insurance products. We sell these products through three primary distribution channels: career agents, professional independent producers and direct marketing. We had over $1.3 billion of premium and asset accumulation product collections during the four months ended December 31, 2003, $2.9 billion in the eight months ended August 31, 2003, and $4.6 billion during 2002.

Our insurance subsidiaries collectively hold licenses to market our insurance products in all fifty states, the District of Columbia, and certain protectorates of the United States. Sales to residents of the following states accounted for at least 5 percent of our 2003 collected premiums: Florida (8.1 percent), Illinois (6.8 percent), Texas (6.6 percent) and California (6.5 percent).

We believe that people purchase most types of life insurance, accident and health insurance and annuity products only after being contacted and solicited by an insurance agent. Accordingly, we believe the success of our distribution system is largely dependent on our ability to attract and retain agents who are experienced and highly motivated. A description of the primary distribution channels is as follows:

Career Agents. This agency force of approximately 4,000 agents working from 140 branch offices permits one-on-one contact with potential policyholders and promotes strong personal relationships with existing policyholders. The career agents sell primarily Medicare supplement and long-term care insurance policies, senior life insurance and annuities. In 2003, this distribution channel accounted for $2,177.0 million, or 52 percent, of our total collected premiums. These agents sell only Bankers Life and Casualty policies and typically visit the prospective policyholder s home to conduct personalized kitchen-table sales presentations. After the sale of an insurance policy, the agent serves as a contact person for policyholder questions, claims assistance and additional insurance needs.

Professional Independent Producers. This distribution channel consists of a general agency and insurance brokerage distribution system comprised of independent licensed agents doing business in all fifty states, the District of Columbia, and certain protectorates of the United States. In 2003, this distribution channel accounted for $1,301.6 million, or 31 percent, of our total collected premiums, excluding the collected premiums in our other business in run-off segment which were originally sold through professional independent producers. During 2003, premiums collected attributed to that segment were $598.3 million, or 14 percent, of total collected premiums.

Professional independent producers are a diverse network of independent agents, insurance brokers and marketing organizations. Marketing organizations typically recruit agents for the Conseco Insurance Group segment by advertising our products and commission structure through direct mail advertising or through seminars for insurance agents and brokers.

These organizations bear most of the costs incurred in marketing our products. We compensate the marketing organizations by paying them a percentage of the commissions earned on new sales generated by the agents recruited by such organizations. Some of these marketing organizations are specialty organizations that have a marketing expertise or a distribution system relating to a particular product, such as flexible-premium annuities for educators. During 1999 and 2000, the Conseco Insurance Group segment purchased four organizations that specialize in marketing and distributing supplemental health products. One of these organizations was sold in September 2003. In 2003, these organizations accounted for $234.4 million, or 5.6 percent, of our total collected premiums.

During the second quarter of 2003, we decided to emphasize the sale of specified disease and Medicare supplement insurance policies through this distribution channel. We also decided to de-emphasize annuity and life insurance sales and eliminate long-term care insurance sales through this channel of distribution.

Direct Marketing. This distribution channel is engaged primarily in the sale of graded benefit life insurance policies. In 2003, this channel accounted for $104.0 million, or 3 percent, of our total collected premiums.

Insurance Underwriting

Under regulations promulgated by the National Association of Insurance Commissioners (an association of state regulators and their staffs) and adopted as a result of the Omnibus Budget Reconciliation Act of 1990, we are prohibited from underwriting our Medicare supplement policies for certain first-time purchasers. If a person applies for insurance within six months after becoming eligible by reason of age, or disability in certain limited circumstances, the application may not be rejected due to medical conditions. Some states prohibit underwriting of all Medicare supplement policies. For other prospective Medicare supplement policyholders, such as senior citizens who are transferring to our products, the underwriting procedures are relatively limited, except for policies providing prescription drug coverage.

Before issuing long-term care or comprehensive major medical products to individuals and groups, we generally apply detailed underwriting procedures designed to assess and quantify the insurance risks. We require medical examinations of applicants including blood and urine tests, where permitted, for certain health insurance products and for life insurance products which exceed prescribed policy amounts. These requirements vary according to the applicant s age and may vary by type of policy or product. We also rely on medical records and the potential policyholder s written application. In recent years, there have been significant regulatory changes with respect to underwriting certain types of health insurance. An increasing number of states prohibit underwriting and/or charging higher premiums for substandard risks. We monitor changes in state regulation that affect our products, and consider these regulatory developments in determining the products we market and where we market them.

Most of our life insurance policies are underwritten individually, although standardized underwriting procedures have been adopted for certain low face-amount life insurance coverages. After initial processing,

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insurance underwriters review each file and obtain the information needed to make an underwriting decision. This information typically includes medical examinations, doctors statements and special medical tests. After collecting and reviewing the information, the underwriter either:

- approves the policy as applied for, or with an extra premium charge because of unfavorable factors; or
- rejects the application.

We underwrite group insurance policies based on the characteristics of the group and its past claims experience. Graded benefit life insurance policies are issued without medical examination or evidence of insurability. There is minimal underwriting on annuities.

Liabilities for Insurance and Accumulation Products

At December 31, 2003, the total balance of our liabilities for insurance and asset accumulation products was $24.8 billion. These liabilities are often payable over an extended period of time and the profitability of the related products is dependent on the pricing of the products and other factors. Differences between our expectations when we sold these products and our actual experience could result in future losses.

We calculate and maintain reserves for the estimated future payment of claims to our policyholders based on actuarial assumptions. For our supplemental health insurance business, we establish an active life reserve plus a liability for due and unpaid claims, claims in the course of settlement and incurred but not reported claims, as well as a reserve for the present value of amounts not yet due on claims. Many factors can affect these reserves and liabilities, such as economic and social conditions, inflation, hospital and pharmaceutical costs, changes in doctrines of legal liability and extra-contractual damage awards. Therefore, the reserves and liabilities we establish are necessarily based on extensive estimates, assumptions and historical experience. Establishing reserves is an uncertain process, and it is possible that actual claims will materially exceed our reserves and have a material adverse effect on our results of operations and financial condition. Our financial results depend significantly upon the extent to which our actual claims experience is consistent with the assumptions we used in determining our reserves and pricing our products. If our assumptions with respect to future claims are incorrect, and our reserves are insufficient to cover our actual losses and expenses, we would be required to increase our liabilities, which would negatively affect our operating results.

Liabilities for insurance products are calculated using management s best judgments of mortality, morbidity, lapse rates, investment experience and expense levels that are based on our past experience and standard actuarial tables.

Reinsurance

Consistent with the general practice of the life insurance industry, our subsidiaries enter into both facultative and treaty agreements of indemnity reinsurance with other insurance companies in order to reinsure portions of the coverage provided by our insurance products. Indemnity reinsurance agreements are intended to limit a life insurer s maximum loss on a large or unusually hazardous risk or to diversify its risk. Indemnity reinsurance does not discharge the original insurer s primary liability to the insured. Our reinsured business is ceded to numerous reinsurers. We believe the assuming companies are able to honor all contractual commitments, based on our periodic review of their financial statements, insurance industry reports and reports filed with state insurance departments.

As of December 31, 2003, the policy risk retention limit was generally $.8 million or less on the policies of our subsidiaries. Reinsurance ceded by Conseco represented 27 percent of gross combined life

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insurance inforce and reinsurance assumed represented 2.7 percent of net combined life insurance inforce. Our principal reinsurers at December 31, 2003 were as follows (dollars in millions):

Name of Reinsurer	Ceded Life Insurance Inforce	A.M. Best Rating
Swiss Re Life and Health America Inc.	$ 5,627.8	A+
Security Life of Denver Life Insurance Company	5,110.5	A+
Reassure America Life Insurance Company	3,491.4	A+
RGA Reinsurance Company	1,417.0	A+
Munich American Reassurance Company	1,170.6	A+
Lincoln National Life Insurance Company	1,079.6	A+
Revios Reinsurance U.S. Inc.	924.8	A-
All others	4,609.5(1)	
	$23,431.2	

(1) No other single reinsurer assumed greater than 3 percent of the total ceded business inforce.

In the first quarter of 2002, we completed a reinsurance agreement pursuant to which we ceded 80 percent of the inforce traditional life business of Bankers Life and Casualty to Reassure America Life Insurance Company, who is rated A+ by A.M. Best. The total insurance liabilities ceded pursuant to the contract were approximately $400 million.

On June 28, 2002, we completed a reinsurance transaction pursuant to which we ceded 100 percent of the traditional life and interest-sensitive life insurance business of Conseco Variable Insurance Company to Protective Life Insurance Company, who is rated A+ by A.M. Best. The total insurance liabilities ceded pursuant to the contract were approximately $470 million.

During the second quarter of 2002, Colonial Penn ceded a block of graded benefit life insurance policies to an unaffiliated company pursuant to a modified coinsurance agreement.

Investments

40/86 Advisors, Inc., a registered investment adviser and wholly-owned subsidiary of Conseco, Inc., manages the investment portfolios of our insurance subsidiaries. 40/86 Advisors had approximately $28.5 billion of assets under management at fair value at December 31, 2003, of which $24.4 billion were assets of our subsidiaries and $4.1 billion were assets managed by 40/86 Advisors for third parties. Our general account investment philosophy is to maintain a largely investment grade diversified fixed-income portfolio, maximize the spread between the investment income we earn and the yields we pay on investment products within acceptable levels of risk, provide adequate liquidity, construct our asset portfolio with attention to expected liability durations and other requirements and maximize total return through active investment management. In the four months ended December 31, 2003, we recognized net realized investment gains of $11.8 million and in the eight months ended August 31, 2003, we recognized net realized investment losses of $5.4 million. During 2002, we recognized net realized investment losses of $556.3 million, compared to net realized investment losses of $340.0 million during 2001. The net realized investment losses during 2002 included:

$556.8 million of writedowns of fixed maturity investments, equity securities and other invested assets as a result of conditions which caused us to conclude a decline in fair value of the investment was other than temporary; and

$.5 million of net gains from the sales of investments, primarily fixed maturities, which generated proceeds of $19.5 billion.

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During 2002, we recognized other-than-temporary declines in value of several of our investments, including K-Mart Corp., Amerco, Inc., Global Crossing, MCI Communications, Mississippi Chemical, United Airlines and Worldcom, Inc.

Investment activities are an integral part of our business as investment income is a significant component of our total revenues. Profitability of many of our insurance products is significantly affected by spreads between interest yields on investments and rates credited on insurance liabilities. Although substantially all credited rates on single-premium deferred annuities and flexible-premium deferred annuities may be changed annually (subject to minimum guaranteed rates), changes in credited rates may not be sufficient to maintain targeted investment spreads in all economic and market environments. In addition, competition, minimum guaranteed rates and other factors, including the impact of the level of surrenders and withdrawals, may limit our ability to adjust or to maintain crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions. As of December 31, 2003, the average yield, computed on the cost basis of our actively managed fixed maturity portfolio, was 5.6 percent, and the average interest rate credited or accruing to our total insurance liabilities was 4.7 percent. We manage the equity-based risk component of our equity-indexed annuity products by:

purchasing S&P 500 call options in an effort to hedge such risk; and

adjusting the participation rate to reflect the change in the cost of such options as the cost varies based on market conditions.

Accordingly, we are able to focus on managing the interest rate spread component of these products.

We seek to balance the interest rate risk inherent in our invested assets with the interest rate characteristics of our insurance liabilities. We attempt to manage this exposure by measuring the duration of our fixed maturity investments and insurance liabilities. Duration measures the expected change in the fair value of assets and liabilities for a given change in interest rates. For example, if interest rates increase by 1 percent, the fair value of a fixed maturity security with a duration of 5 years is expected to decrease in value by approximately 5 percent. When the estimated durations of assets and liabilities are similar, exposure to interest rate risk is minimized because a change in the value of assets should be largely offset by a change in the value of liabilities.

We calculate duration using our estimates of future asset and liability cash flows. These cash flows are discounted using appropriate interest rates based on the current yield curve and investment type. Duration is determined by calculating the present value of the cash flows using different interest rates, and measuring the change in value. At December 31, 2003, the duration of our fixed maturity investments as modified to reflect prepayments and potential calls was approximately 6.7 years and the duration of our insurance liabilities was approximately 7.2 years. The difference between these durations indicates that our investment portfolio had a shorter duration and, consequently, was less sensitive to interest rate fluctuations than that of our liabilities at that date. We generally seek to minimize the gap between asset and liability durations.

For information regarding the composition and diversification of the investment portfolio of our subsidiaries, see Management s Discussion and Analysis of Consolidated Financial Condition and Results of Operations Investments.

Competition

Each of the markets in which we operate is highly competitive, and our highly leveraged capitalization, our ratings downgrades and our recent bankruptcy proceedings have had a material adverse impact on our ability to compete in these markets. The financial services industry consists of a large number of companies, many of which are larger and have greater capital, technological and marketing resources, access to capital and other sources of liquidity at a lower cost, broader and more diversified product lines and larger staffs than those of Conseco. An expanding number of banks, securities brokerage firms and other financial intermediaries also market insurance products or offer competing products, such as mutual fund products, traditional bank investments and other investment and retirement funding alternatives. We also compete with many of these companies and others in providing services for fees. In most areas, competition is based on a

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number of factors, including pricing, service provided to distributors and policyholders and ratings. Conseco s subsidiaries must also compete with their competitors to attract and retain the allegiance of agents, insurance brokers and marketing companies.

In the individual health insurance business, insurance companies compete primarily on the basis of marketing, service and price. Pursuant to federal regulations, the Medicare supplement products offered by all companies have standardized policy features. This increases the comparability of such policies and has intensified competition based on factors other than product features. See Insurance Underwriting and Governmental Regulation. In addition to competing with the products of other insurance companies, commercial banks, thrifts, mutual funds and broker dealers, our insurance products compete with health maintenance organizations, preferred provider organizations and other health care-related institutions which provide medical benefits based on contractual agreements.

An important competitive factor for life insurance companies is the ratings they receive from nationally recognized rating organizations. Agents, insurance brokers and marketing companies who market our products and prospective purchasers of our products use the ratings of our insurance subsidiaries as one factor in determining which insurer s products to market or purchase. Ratings have the most impact on our annuity and interest-sensitive life insurance products. Insurance financial strength ratings are opinions regarding an insurance company s financial capacity to meet the obligations of its insurance policies in accordance with their terms. They are not directed toward the protection of investors, and such ratings are not recommendations to buy, sell or hold securities.

Ratings

In July 2002, A.M. Best downgraded the financial strength ratings of our primary insurance subsidiaries from A- (Excellent) to B++ (Very good) and placed the ratings under review with negative implications. On August 14, 2002, A.M. Best again lowered the financial strength ratings of our primary insurance subsidiaries from B++ (Very good) to B (Fair) . A.M. Best ratings for the industry currently range from A++ (Superior) to F (In Liquidation) and some companies are not rated. An A++ rating indicates superior overall performance and a superior ability to meet ongoing obligations to policyholders. The B rating is assigned to companies which have, on balance, fair balance sheet strength, operating performance and business profile, when compared to the standards established by A.M. Best, and a fair ability in A.M. Best s opinion to meet their current obligations to policyholders, but are financially vulnerable to adverse changes in underwriting and economic conditions. We believe the B ratings reflected A.M. Best s view of the uncertainty surrounding our restructuring initiatives and the potential adverse financial impact on our subsidiaries. On September 11, 2003, A.M. Best affirmed its financial strength ratings of our primary insurance companies (B (Fair)) and removed the ratings from under review. On October 3, 2003, A.M. Best assigned a positive outlook to all of our ratings. According to A.M. Best s press release, the assignment of a positive outlook to our ratings reflects its favorable view of our bankruptcy reorganization and a number of management initiatives, including the sale of the General Motors building, sale of Conseco Finance, restructuring of our investment portfolios, expense reductions, merging of certain subsidiaries, stabilization of surrenders and a commitment in the near-to-medium-term to focus on selling higher margin products with lower capital requirements.

On August 2, 2002, S&P downgraded the financial strength ratings of our primary insurance companies from BB+ to B+. On November 19, 2003, S&P assigned a BB counterparty credit and financial strength rating to our primary insurance companies, with the exception of Conseco Senior Health Insurance Company (the issuer of most of our long-term care business in our other business in run-off segment), which was assigned a CCC rating. S&P financial strength ratings range from AAA to R and some companies are not rated. Rating categories from BB to CCC are classified as vulnerable , and pluses and minuses show the relative standing within a category. In S&P s view, an insurer rated BB has marginal financial security characteristics and although positive attributes exist, adverse business conditions could lead to an insufficient ability to meet financial commitments. In S&P s view, an insurer rated CCC has very weak financial security characteristics and is dependent on favorable business conditions to meet financial commitments.

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On July 1, 2003, Moody s downgraded the financial strength ratings of our primary insurance companies from Ba3 to B3. On December 4, 2003, Moody s assigned a Ba3 rating to our primary insurance companies, with the exception of Conseco Senior Health Insurance Company, which was assigned a Caa1 rating. Moody s financial strength ratings range from Aaa to C . Rating categories from Ba to C are classified as vulnerable by Moody s, and may be supplemented with numbers 1 , 2 , or 3 to show relative standing within a category. In Moody s view, an insurer rated Ba offers questionable financial security and the ability of the insurer to meet policyholder obligations may be very moderate and thereby not well-safeguarded in the future. In Moody s view, an insurer rated Caa offers very poor financial security and may default on its policyholder obligations, or there may be elements of danger with respect to punctual payment of policyholder obligations and claims.

The ratings downgrades have generally caused sales of our insurance products to decline and policyholder redemptions and lapses to increase. In some cases, the downgrades have also caused defections among our independent agent sales force and increases in the commissions we must pay in order to retain them. These events have had a material adverse effect on our financial results. Further downgrades by A.M. Best, S&P or Moody s would likely have further material and adverse effects on our financial results and liquidity.

A.M. Best, S&P and Moody s each reviews its ratings from time to time. We cannot provide any assurance that the ratings of our insurance subsidiaries will remain at their current levels or predict the impact any downgrades could have on our business.

Employees

At December 31, 2003, we had approximately 4,350 employees, of which 4,200 were full time employees, including 1,900 employees supporting our Bankers Life segment and 2,300 employees supporting both our Conseco Insurance Group segment and our other business in run-off segment. None of our employees are covered by a collective bargaining agreement. We believe that we have good relations with our employees.

Governmental Regulation

Our insurance businesses are subject to extensive regulation and supervision by the insurance regulatory agencies of the jurisdictions in which they operate. This regulation and supervision is primarily for the benefit and protection of customers, and not for the benefit of investors or creditors. State laws generally establish supervisory agencies with broad regulatory authority, including the power to:

- grant and revoke business licenses;
- regulate and supervise trade practices and market conduct;
- establish guaranty associations;
- license agents;
- approve policy forms;
- approve premium rates for some lines of business;
- establish reserve requirements;
- prescribe the form and content of required financial statements and reports;
- determine the reasonableness and adequacy of statutory capital and surplus;
- perform financial, market conduct and other examinations;
- define acceptable accounting principles;
- regulate the type and amount of permitted investments; and

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- limit the amount of dividend and of surplus debenture principal and interest payments that can be paid without obtaining regulatory approval.

In addition to the limitations imposed by the laws described above, most states have also enacted laws or regulations with respect to the activities of insurance holding company systems, including acquisitions, the payment of ordinary and extraordinary dividends by insurance companies, the terms of surplus debentures, the terms of transactions between insurance companies and their affiliates and other related matters. Various notice and reporting requirements generally apply to transactions between insurance companies and their affiliates within an insurance holding company system, depending on the size and nature of the transactions. These requirements may include prior regulatory approval or prior notice for certain material transactions. Currently, Conseco and its insurance subsidiaries have registered as holding company systems pursuant to such laws and regulations in the domiciliary states of the insurance subsidiaries, and they routinely report to other jurisdictions.

We recently were subject to consent orders with the Commissioner of Insurance for the State of Texas that, among other things, restricted the ability of our insurance subsidiaries to pay any dividends to any non-insurance company parent without prior approval. The Texas Department of Insurance formally released the consent orders on November 19, 2003. We have agreed with the Department of Insurance for the State of Texas to provide prior notice of certain transactions, including up to 30 days prior notice for the payment of dividends to any non-insurance company parent, and periodic reporting of information concerning our financial performance and condition.

Most states have also enacted legislation or adopted administrative regulations that affect the acquisition or sale of control of insurance companies. The nature and extent of such legislation and regulations vary from state to state. Generally, these regulations require an acquirer of control to file detailed information concerning such acquirer and the plan of acquisition, and to obtain administrative approval prior to the acquisition of control. Control is generally defined as the direct or indirect power to direct or cause the direction of the management and policies of a person and is rebuttably presumed to exist if a person or group of affiliated persons directly or indirectly owns or controls 10 percent or more of the voting securities of another person.

On the basis of statutory statements filed with state regulators annually, the National Association of Insurance Commissioners calculates certain financial ratios to assist state regulators in monitoring the financial condition of insurance companies. A usual range of results for each ratio is used as a benchmark. In the past, variances in certain ratios of our insurance subsidiaries have resulted in inquiries from insurance departments, to which we have responded. These inquiries have not led to any restrictions affecting our operations.

In addition, the National Association of Insurance Commissioners issues model laws and regulations, many of which have been adopted by state insurance regulators, relating to:

- reserve requirements;
- company action level risk-based capital ratio standards;
- codification of insurance accounting principles;
- investment restrictions;
- restrictions on an insurance company s ability to pay dividends; and
- product illustrations.

The Model Act provides a tool for insurance regulators to determine the levels of statutory capital and surplus an insurer must maintain in relation to its insurance and investment risks and whether there is a need for possible regulatory attention. The Model Act provides four levels of regulatory attention, varying with the

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ratio of the insurance company s total adjusted capital (defined as the total of its statutory capital and surplus, asset valuation reserve and other adjustments) to its risk-based capital:

- if a company s total adjusted capital is less than 100 percent but greater than or equal to 75 percent of its risk-based capital (the Company Action Level), the company must submit a comprehensive plan to the regulatory authority proposing corrective actions aimed at improving its capital position;

- if a company s total adjusted capital is less than 75 percent but greater than or equal to 50 percent of its risk-based capital, the regulatory authority will perform a special examination of the company and issue an order specifying the corrective actions that must be taken;

- if a company s total adjusted capital is less than 50 percent but greater than or equal to 35 percent of its risk-based capital, the regulatory authority may take any action it deems necessary, including placing the company under regulatory control; and

- if a company s total adjusted capital is less than 35 percent of its risk-based capital, the regulatory authority must place the company under its control.

In addition, the Model Act provides for an annual trend test if a company s total adjusted capital is between 100 percent and 125 percent of its risk-based capital at the end of the year. The trend test calculates the greater of the decrease in the margin of total adjusted capital over risk-based capital:

- between the current year and the prior year; and

- for the average of the last 3 years.

It assumes that such decrease could occur again in the coming year. Any company whose trended total adjusted capital is less than 95 percent of its risk-based capital would trigger a requirement to submit a comprehensive plan as described above for the Company Action Level.

Refer to the section entitled Statutory Information within Management s Discussion and Analysis of Consolidated Financial Condition and Results of Operations for more information on our risk-based capital ratios.

The National Association of Insurance Commissioners has adopted model long-term care policy language providing nonforfeiture benefits and has proposed a rate stabilization standard for long-term care policies. Various bills are proposed from time to time in the U.S. Congress which would provide for the implementation of certain minimum consumer protection standards for inclusion in all long-term care policies, including guaranteed renewability, protection against inflation and limitations on waiting periods for pre-existing conditions. Federal legislation permits premiums paid for qualified long-term care insurance to be treated as tax-deductible medical expenses and for benefits received on such policies to be excluded from taxable income.

Our insurance subsidiaries are required under guaranty fund laws of most states in which we transact business to pay assessments up to prescribed limits to fund policyholder losses or liabilities of insolvent insurance companies. Assessments can be partially recovered through a reduction in future premium taxes in some states.

Most states mandate minimum benefit standards and loss ratios for accident and health insurance policies. We are generally required to maintain, with respect to our individual long-term care policies, minimum anticipated loss ratios over the entire period of coverage of not less than 60 percent. With respect to our Medicare supplement policies, we are generally required to attain and maintain an actual loss ratio of not less than 65 percent. We provide to the insurance departments of all states in which we conduct business annual calculations that demonstrate compliance with required minimum loss ratios for both long-term care and Medicare supplement insurance. These calculations are prepared utilizing statutory lapse and interest rate assumptions. In the event that we fail to maintain minimum mandated loss ratios, our insurance subsidiaries could be required to provide retrospective refunds and/or prospective rate reductions. We believe that our insurance subsidiaries currently comply with all applicable mandated minimum loss ratios.

National Association of Insurance Commissioners model regulations, adopted in substantially all states, created 10 standard Medicare supplement plans (Plans A through J). Plan A provides the least extensive coverage, while Plan J provides the most extensive coverage. Under National Association of Insurance Commissioners regulations, Medicare insurers must offer Plan A, but may offer any of the other plans at their option. Our insurance subsidiaries currently offer nine of the model plans. We have declined to offer Plan J, due in part to its high benefit levels and, consequently, high costs to the consumer.

The federal government does not directly regulate the insurance business. However, federal legislation and administrative policies in several areas, including pension regulation, age and sex discrimination, financial services regulation, securities regulation, privacy laws and federal taxation, do affect the insurance business. Legislation has been introduced from time to time in Congress that could result in the federal government assuming some role in the direct regulation of the insurance industry.

Numerous proposals to reform the current health care system, including Medicare, have been introduced in Congress and in various state legislatures. Proposals have included, among other things, modifications to the existing employer-based insurance system, a quasi-regulated system of managed competition among health plans, and a single-payer, public program. Changes in health care policy could significantly affect our business.

During recent years, the health insurance industry has experienced substantial changes, including those caused by healthcare legislation. Recent federal and state legislation and legislative proposals relating to healthcare reform contain features that could severely limit or eliminate our ability to vary our pricing terms or apply medical underwriting standards with respect to individuals which could have the effect of increasing our loss ratios and adversely affecting our financial results. In particular, Medicare reform could affect our ability to price or sell our products or profitably maintain our blocks in force.

The United States Department of Health and Human Services has issued regulations under the Health Insurance Portability and Accountability Act relating to standardized electronic transaction formats, code sets and the privacy of member health information. These regulations, and any corresponding state legislation, will affect our administration of health insurance.

A number of states have passed or are considering legislation that would limit the differentials in rates that insurers could charge for health care coverages between new business and renewal business for similar demographic groups. State legislation has also been adopted or is being considered that would make health insurance available to all small groups by requiring coverage of all employees and their dependents, by limiting the applicability of pre-existing conditions exclusions, by requiring insurers to offer a basic plan exempt from certain benefits as well as a standard plan, or by establishing a mechanism to spread the risk of high risk employees to all small group insurers. Congress and various state legislators have from time to time proposed changes to the health care system that could affect the relationship between health insurers and their customers, including external review. We cannot predict with certainty the effect that any proposals, if adopted, or legislative developments could have on our insurance businesses and operations.

The asset management activities of 40y86 Advisors are subject to federal and state securities, fiduciary and other laws and regulations, including the Employee Retirement Income Security Act of 1974, as amended. The Securities and Exchange Commission, the National Association of Securities Dealers, state securities commissions and the Department of Labor are the principal regulators of our asset management operations.

Federal Income Taxation

The annuity and life insurance products marketed and issued by our insurance subsidiaries generally provide the policyholder with an income tax advantage, as compared to other savings investments such as certificates of deposit and bonds, in that income taxation on the increase in value of the product is deferred until it is received by the policyholder. With other savings investments, the increase in value is generally taxed as earned. Annuity benefits and life insurance benefits, which accrue prior to the death of the policyholder, are generally not taxable until paid. Life insurance death benefits are generally exempt from income tax. Also, benefits received on immediate annuities, other than structured settlements, are recognized as taxable income ratably, as opposed to the methods used for some other investments which tend to accelerate taxable income into earlier years. The tax advantage for annuities and life insurance is provided in the Internal Revenue Code, and is generally followed in all states and other United States taxing jurisdictions.

Recently, Congress enacted legislation to lower marginal tax rates, reduce the federal estate tax gradually over a ten-year period, with total elimination of the federal estate tax in 2010, and increase contributions that may be made to individual retirement accounts and 401(k) accounts. While these tax law changes will sunset at the beginning of 2011 absent future congressional action, they could in the interim diminish the appeal of our annuity and life insurance products. Additionally, Congress has considered, from time to time, other possible changes to the U.S. tax laws, including elimination of the tax deferral on the accretion of value within certain annuities and life insurance products. It is possible that further tax legislation will be enacted which would contain provisions with possible adverse effects on our annuity and life insurance products.

Our insurance company subsidiaries are taxed under the life insurance company provisions of the Code. Provisions in the Code require a portion of the expenses incurred in selling insurance products to be deducted over a period of years, as opposed to immediate deduction in the year incurred. This provision increases the tax for statutory accounting purposes, which reduces statutory earnings and surplus and, accordingly, decreases the amount of cash dividends that may be paid by the life insurance subsidiaries.

At December 31, 2003, we had net federal income tax loss carryforwards of $3.6 billion available (after taking into account the reduction in tax attributes due to the cancellation of indebtedness in bankruptcy and the loss resulting from the worthlessness of our investment in Conseco Finance, all of which is subject to various statutory restrictions) for use on future tax returns. These carryforwards will expire as follows: $11.2 million in 2004, $4.6 million in 2005; $.2 million in 2006; $5.8 million in 2007; $6.6 million in 2008; $10.5 million in 2009; $4.2 million in 2010; $2.5 million in 2011; $16.0 million in 2012; $43.4 million in 2013; $6.9 million in 2014; $60.4 million in 2016; $41.5 million in 2017; $3,399.5 million in 2018; $.7 million in 2019; $5.5 million in 2020; and $1.0 million in 2022.

Our income tax expense includes deferred income taxes arising from temporary differences between the financial reporting and tax bases of assets and liabilities, capital loss carryforwards and net operating loss carryforwards. In assessing the realization of our deferred income tax assets, we consider whether it is more likely than not that the deferred income tax assets will be realized. The ultimate realization of our deferred income tax assets depends upon generating future taxable income during the periods in which our temporary differences become deductible and before our net operating loss carryforwards expire. In addition, the use of our net operating loss carryforwards is dependent, in part, on whether the IRS ultimately agrees with the tax position we plan to take in our current and future tax returns. With respect to the deferred tax asset, we assess the need for a valuation allowance on a quarterly basis.

A valuation allowance of $2.4 billion has been provided for the entire balance of net deferred income tax assets at December 31, 2003, as we believe the realization of such assets in future periods is uncertain. We reached this conclusion after considering the losses we have realized in recent years, the uncertainties related to the tax treatment for the worthlessness of our investment in Conseco Finance, and the likelihood of future taxable income exclusive of reversing temporary differences and carryforwards.

Properties

Our headquarters and the administrative operations of our Conseco Insurance Group segment are located on a company-owned 146-acre corporate campus in Carmel, Indiana, immediately north of Indianapolis. The ten buildings on the campus contain approximately 854,500 square feet of space and house our executive offices and certain administrative operations of our subsidiaries. Management believes that our offices are adequate for our current needs.

Our Bankers Life segment is primarily administered from two facilities in Chicago. Bankers Life has 177,000 square feet in downtown Chicago, Illinois, leased under an agreement whereby 107,000 square feet are leased until 2018 and 70,000 square feet are leased until 2008. We also lease approximately 130,000 square feet of space in a second Chicago facility. This lease expires in October 2004, at which time the operations of this facility will be moved to a new location in downtown Chicago under a lease for approximately 222,000 square feet with a life of approximately 10 years. We own a 127,000 square foot office building in Philadelphia, Pennsylvania, which serves as the administrative center for the direct marketing operation of our Bankers Life segment. We occupy approximately 60 percent of this space, with the remainder leased to tenants. We also lease 206 sales offices in various states totaling approximately 507,000 square feet. These leases are short-term in length, with remaining lease terms expiring between 2004 and 2009.

Legal Proceedings

We are involved on an ongoing basis in lawsuits, including purported class actions, relating to our operations, including with respect to sales practices, and we and current and former officers and former directors are defendants in a pending class action lawsuit asserting claims under the securities laws. The ultimate outcome of these lawsuits cannot be predicted with certainty and we have estimated the potential exposure for each of the matters and have recorded a liability if a loss is deemed probable.

Securities Litigation

Since we announced our intention to restructure our capital on August 9, 2002, a total of eight purported securities fraud class action lawsuits have been filed in the United States District Court for the Southern District of Indiana. The complaints name us as a defendant, along with certain of our current and former officers. These lawsuits were filed on behalf of persons or entities who purchased our predecessor s common stock on various dates between October 24, 2001 and August 9, 2002. In each case the plaintiffs allege claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and allege material omissions and dissemination of materially misleading statements regarding, among other things, the liquidity of Conseco and alleged problems in Conseco Finance s manufactured housing division, allegedly resulting in the artificial inflation of our predecessor s stock price. On March 13, 2003, all of these cases were consolidated into one case in the United States District Court for the Southern District of Indiana, captioned *Franz Schleicher, et al. v. Conseco, Inc., Gary Wendt, William Shea, Charles Chokel and James Adams, et al.*, *Case No. 02-CV-1332 DFH-TAB.* The lawsuits were stayed as to all defendants by order of the United States Bankruptcy Court for the Northern District of Illinois. The stay was lifted on October 15, 2003. The plaintiffs have filed a consolidated class action complaint with respect to the individual defendants. Our liability with respect to these lawsuits was discharged in the plan of reorganization and our obligation to indemnify individual defendants who were not serving as one of our officers or directors on the effective date of the plan is limited to $3 million in the aggregate under the plan of reorganization. Our liability to indemnify individual defendants who were serving as an officer or director on the effective date, of which there is one such defendant, is not limited by the plan of reorganization. A motion to dismiss was filed on behalf of defendants Shea, Wendt and Chokel on March 30, 2004. We believe these lawsuits are without merit and intend to defend them vigorously. The ultimate outcome of these lawsuits cannot be predicted with certainty.

Other Litigation

Collection efforts by Conseco and its wholly owned subsidiary, Conseco Services, LLC, related to the 1996-1999 director and officer loan programs have been commenced against various past board members and executives with outstanding loan balances. In addition, certain former officers and directors have sued the companies for declaratory relief concerning their liability for the loans. Currently, we are involved in litigation with Stephen C. Hilbert, James D. Massey, Dennis E. Murray, Sr., Rollin M. Dick, James S. Adams, Maxwell E. Bublitz, Ngaire E. Cuneo, David R. Decatur, Donald F. Gongaware and Bruce A. Crittenden. The specific lawsuits include: *Hilbert v. Conseco, Case No. 03A 04283 (Bankr. Northern District, Illinois); Conseco Services v. Hilbert, Case No. 29C01-0310 MF 1296 (Circuit Court, Hamilton County, Indiana); Murray and Massey v. Conseco, Case No. 1:03-CV-1482 LJM-WTL (Southern District, Indiana); Conseco Services v. Adams, et al, Case No. 29DO2-0312-CC-1035(Circuit Court, Hamilton County, Indiana);*

Conseco v. Adams, et al, Case No. 03A 04545, (Bankr. Northern District, Illinois) Dick v. Conseco Services, Case No. 29 D01-0207-PL-549 (Superior Court, Hamilton County, Indiana); Conseco Services v. Dick, et al., Case No. 06C01-0311-CC-356 (Circuit Court, Boone County, Indiana); Stephen C. Hilbert v. Conseco, Inc. and Kroll Inc., Case No. 29D02-0312-PL-1026 (Superior Court, Hamilton County, Indiana); Crittenden v. Conseco, Case No. IP02-1823-C B/S (Southern District, Indiana); and Conseco V. Dick, No. 04L 002811 (Cir. Ct. Cook County, Ill.). Conseco and Conseco Services, LLC believe that all amounts due under the director and officer loan programs, including all applicable interest, are valid obligations owed to the companies. As part of the plan of reorganization, we have agreed to pay 45 percent of any net proceeds recovered in connection with these lawsuits, in an aggregate amount not to exceed $30 million, to former holders of our predecessor s trust preferred securities that did not opt out of a settlement reached with the committee representing holders of these securities. We are required to use the balance of any net proceeds recovered in connection with these lawsuits to pay down our senior credit facility. Any remaining proceeds will be used to contribute capital to our insurance subsidiaries. We intend to prosecute these claims to obtain the maximum recovery possible. Further, with regard to the various claims brought against Conseco and Conseco Services, LLC by certain former directors and officers, we believe that these claims are without merit and intend to defend them vigorously. The ultimate outcome of the lawsuits cannot be predicted with certainty.

In October 2002, Roderick Russell, on behalf of himself and a class of persons similarly situated, and on behalf of the ConsecoSave Plan, filed an action in the United States District Court for the Southern District of Indiana against our predecessor, Conseco Services, LLC and certain of our current and former officers *(Roderick Russell, et al. v Conseco, Inc., et al., Case No. 1:02-CV-1639 LJM).* The purported class action consists of all individuals whose 401(k) accounts held common stock of our predecessor at any time since April 28, 1999. The complaint alleges, among other things, breaches of fiduciary duties under ERISA by continuing to permit employees to invest in our predecessor s common stock without full disclosure of our true financial condition. We filed a motion to dismiss the complaint in December 2002. This lawsuit was stayed as to all defendants by order of the bankruptcy court. The stay was lifted on October 15, 2003. On March 22, 2004, plaintiffs filed an amended complaint (which made our motion to dismiss moot) and added additional former officers as named defendants and dismissed Conseco, Inc. as a party. On February 13, 2004, our fiduciary insurance carrier, RLI Insurance Company, filed a declaratory judgment action asking the court to find no liability under its policy for the claims made in the Russell matter *(RLI Insurance Company v. Conseco, Inc., Stephen Hilbert, et al., Case No. 1:04-CV-0310DFH-TAB (Southern District, Indiana.))* On March 15, 2004, RLI filed an amended complaint adding Conseco Services, LLC as an additional defendant. We believe the lawsuits are without merit and intend to defend them vigorously. The ultimate outcome of the lawsuits cannot be predicted with certainty.

On June 24, 2002, the heirs of a former officer, Lawrence Inlow, commenced an action against our predecessor, Conseco Services, LLC and two former officers in the Circuit Court of Boone County, Indiana *(Inlow et al. v. Conseco, Inc., et al., Cause No. 06C01-0206-CT-244).* The heirs assert that unvested options to purchase 756,248 shares of our predecessor s common stock should have been vested at Mr. Inlow s death. The heirs further claim that if such options had been vested, they would have been exercised, and that the resulting shares of common stock would have been sold for a gain of approximately $30 million based upon a stock price of $58.125 per share, the highest stock price during the alleged exercise period of the options. We believe the heirs claims are without merit and will defend the action vigorously. The maximum exposure to Conseco for this lawsuit is estimated to be $33 million. The heirs did not file a proof of claim with the bankruptcy court. Subject to dispositive motions which are yet to be filed, the matter will continue to trial against Conseco Services, LLC and the other co-defendants on September 13, 2004. The ultimate outcome cannot be predicted with certainty.

On June 27, 2001, two suits against our subsidiary, Philadelphia Life Insurance Company (now known as Conseco Life Insurance Company), both purported nationwide class actions seeking unspecified damages, were consolidated in the U.S. District Court, Middle District of Florida *(In Re PLI Sales Litigation, Cause No. 01-MDL-1404)*, alleging among other things, fraudulent sales and a vanishing premium scheme. Philadelphia Life filed a motion for summary judgment against both named plaintiffs, which motion was granted in June 2002. Plaintiffs appealed to the 11th Circuit. The 11th Circuit, in July 2003, affirmed in part and reversed in part, allowing two fraud counts with respect to one plaintiff to survive. The plaintiffs request for a rehearing with respect to this decision has been denied. Philadelphia Life has filed a summary judgment motion with respect to the remaining claims. This summary judgment was denied in February 2004. In March 2004 the remaining plaintiff filed a motion to substitute plaintiff, to which Philadelphia Life objected. We expect the court to set a trial date during the June 2005 trial term. Philadelphia Life believes this lawsuit is without merit and intends to defend it vigorously. The ultimate outcome of the lawsuit cannot be predicted with certainty.

On December 1, 2000, our former subsidiary, Manhattan National Life Insurance Company, was named in a purported nationwide class action seeking unspecified damages in the First Judicial District Court of Santa Fe, New Mexico *(Robert Atencio and Theresa Atencio, for themselves and all other similarly situated v. Manhattan National Life Insurance Company, an Ohio corporation, Cause No. D-0101-CV-2000-2817)*, alleging among other things fraud by non-disclosure of additional charges for those policyholders paying via premium modes other than annual. We retained liability for this litigation in connection with the sale of Manhattan National Life in June 2002. We believe this lawsuit is without merit and intend to defend it vigorously. The ultimate outcome of the lawsuit cannot be predicted with certainty.

On December 19, 2001, four of our subsidiaries were named in a purported nationwide class action seeking unspecified damages in the District Court of Adams County, Colorado *(Jose Medina and others similarly situated v. Conseco Annuity Assurance Company, Conseco Life Insurance Company, Bankers National Life Insurance Company and Bankers Life and Casualty Company, Cause No. 01-CV-2465)*, alleging among other things breach of contract regarding alleged non-disclosure of additional charges for those policy holders paying via premium modes other than annual. On July 14 and 15, 2003 the plaintiff s motion for class certification was heard and the court took the matter under advisement. On November 10, 2003, the court denied the motion for class certification. On January 26, 2004, the plaintiff appealed the trial court s ruling denying class certification. All further proceedings have been stayed pending the outcome of the appeal. The defendants believe this lawsuit is without merit and intend to defend it vigorously. The ultimate outcome of the lawsuit cannot be predicted with certainty.

Our subsidiaries, Conseco Life Insurance Company and Bankers Life and Casualty Company, have recently been named in multiple purported class actions and individual lawsuits alleging, among other things, breach of contract with regard to a change made in the way monthly deductions are calculated for insurance coverage. This change was the adjustment of a non-guaranteed element, which was not in the applicable policy form. The specific lawsuits include: *David Barton v. Conseco Life Insurance Company, Case No. 04-20048-CIV-MORENO (Southern District, Florida); Stephen Hook, an individual, on behalf of himself and all others similarly situated v. Conseco Life Insurance Company and Bankers Life and Casualty Company and Does 1 through 10, Case No. CGC-04-428872 (Superior Court, San Francisco County, California); Donald King, as Trustee of the Irrevocable Trust of Arnold L. King v. Conseco Life Insurance Company, Case No. 1: 04CV0163 (Northern District, Ohio); Michael S. Kuhn, on behalf of himself and all others similarly situated v. Conseco Life Insurance Company and Does 1 through 100, Case No. 03-416786 (Superior Court, San Francisco County, California); Sidney H. Levine and Judith A. Levine v. Conseco Life Insurance Company, Mark F. Peters Insurance Services, Inc. Hon. John Garamendi (in his capacity as Insurance Commissioner for the State of California) and Does 1 through 10, Case No. 04 CV 125 LAB (BLM) (Southern District, California); Edwin Jacob Jake Garn et al. v. Conseco Life Insurance Company, Case No. 29D02-0312-PL-1034 (Superior Court, Hamilton County, Indiana); Edward M. Medvene, an Individual, and Sherwin Samuels and Miles Rubin, as Trustees of the Edward Medvene 2984 Insurance Trust v. Conseco Life Insurance Company, Case No. CV04-846-AHM (MCX) (Central District, California); Edwin Jacob Jake Garn, on Behalf of Himself and All Others Similarly Situated v. Conseco Life Insurance Company, Case No. 1:04-CV-0514SEB-VSS (Southern District, Indiana); Steven Rose, on Behalf of Himself and All Others Similarly Situated, and on Behalf of the General Public for the State of California vs. Conseco Life Insurance Company, Case No. GIC 827178 (Superior Court, San Diego County, California); Murray Gomer, Murray Gomer Irrevocable Trust, individually, and on behalf of the class of all others similarly situated, and on behalf of the General Public v. Conseco Life Insurance Company, successor to Philadelphia*

Life Insurance Company and formerly known as Massachusetts General Life Insurance Company, Case No. CV04-1409-SJO (RNDX) (Central District, California) and James S. Farley and Judy B. Farley, individually and on behalf of all others similarly situated, and on behalf of the general public v. Conseco Life Insurance Company, Case No. C-041563 ED (Northern District, California). In those cases pending in Federal court, motions to stay and to consolidate have been filed pursuant to Federal multidistrict litigation rules. We believe these lawsuits are without merit and intend to defend them vigorously. The ultimate outcome of the lawsuits cannot be predicted with certainty.

On February 7, 2003, our subsidiary, Conseco Life Insurance Company, was named in a purported Texas statewide class action seeking unspecified damages in the County Court of Cameron County, Texas. On February 12, 2004, the complaint was amended to allege a purported nationwide class and to name Conseco Services, LLC as an additional defendant *(Lawrence Onderdonk and Yolanda Carrizales v. Conseco Life Insurance Company, Conseco Services, LLC, and Pete Ramirez, III, Cause No. 2003-CCL-102-C)*. The purported class consists of all former Massachusetts General Flexible Premium Adjustable Life Insurance Policy policyholders who were converted to Conseco Life Flexible Premium Adjustable Life Insurance Policies and whose accumulated values in the Massachusetts General policies were applied to first year premiums on the Conseco Life policies. The complaint alleges, among other things, civil conspiracy to convert the accumulated cash values of the plaintiffs and the class, and the violation of insurance laws nationwide. We believe this lawsuit is without merit and intend to defend it vigorously. The ultimate outcome of the lawsuit cannot be predicted with certainty.

On December 30, 2002 and December 31, 2002, five suits were filed in various Mississippi counties against Conseco Life Insurance Company *(Kathie Allen, et al. v. Conseco Life Insurance Company, et al., Circuit Court of Jones County, Mississippi, Cause No. 2002-448-CV12; Malcolm Bailey, et al. v. Conseco Life Insurance Company, et al., Circuit Court of Claiborne County, Mississippi, Cause No. CV-2002-371; Anthony Cascio, et al. v. Conseco Life Insurance Company, et al, Circuit Court of LeFlore County, Mississippi, Cause No. CV-2002-0242-CICI; William Garrard, et al. v. Conseco Life insurance Company, et al., Circuit Court of Sunflower County, Mississippi, Cause No. CV-2002-0753-CRL; and William Weaver, et al. v. Conseco Life Insurance Company, et al., Circuit Court of LeFlore County, Mississippi, Cause No. CV-2002-0238-CICI)* alleging, among other things, a vanishing premium scheme. Conseco Life removed all of the cases to the U.S. District Courts in Mississippi. In September 2003, plaintiffs motion to remand was denied in the Garrard and Weaver matters, but granted in the Cascio matter. In November 2003, Conseco Life filed motions for summary judgment in the Garrard and Weaver matters. No ruling has been made on those motions. In November 2003, Conseco Life again removed the Cascio matter to U.S. District Court. In April 2004 the Cascio matter was remanded to state court. Conseco Life awaits the court s ruling on plaintiff s motion to remand in the Allen matter. In Bailey the parties have agreed to stay in Federal court and the plaintiffs amended their complaint on January 15, 2004 to allege purported nationwide class action allegations regarding alleged wrongful collection of charges under the policy. On January 30, 2004, we filed a motion to dismiss, or in the alternative, motion for summary judgment. Conseco Life believes the lawsuits are without merit and intends to defend them vigorously. The ultimate outcome of the lawsuits cannot be predicted with certainty.

In addition, we and our subsidiaries are involved on an ongoing basis in other arbitrations and lawsuits, including purported class actions, related to our operations. The ultimate outcome of all of these other legal matters pending against us or our subsidiaries cannot be predicted, and, although such lawsuits are not expected individually to have a material adverse effect on us, such lawsuits could have, in the aggregate, a material adverse effect on our consolidated financial condition, cash flows or results of operations.

Other Proceedings

On September 18, 2003, we received a grand jury subpoena from the U.S. District Court for the Southern District of Indiana in connection with a Department of Justice investigation requiring production of documents relating to the valuation of interest-only securities held by Conseco Finance, our predecessor s former finance subsidiary, contemporaneous earnings estimates for the predecessor, certain personnel records and other accounting and financial disclosure records for the period June 1, 1998 to June 30, 2000. We have

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subsequently received follow-up grand jury document subpoenas concerning other matters. All of these follow-up requests have been limited to the time period prior to the December 17, 2002 bankruptcy filing. We have been advised by the Department of Justice that neither we nor any of our current directors or employees are subjects or targets of this investigation. We are cooperating fully with the Department of Justice investigation.

On March 10, 2004, we entered into a settlement with the SEC in connection with the SEC s investigation of events in and before the spring of 2000, including Conseco Finance s accounting for its interest-only securities and servicing rights. These issues were among those addressed in our predecessor s writedown and restatement in the spring of 2000, and were the subject of shareholder class action litigation, which we settled in the second quarter of 2003. Without admitting or denying the SEC s findings, we consented to the entry of a cease-and-desist order requiring future compliance with periodic reporting, record keeping, internal control and other provisions of the securities laws. The settlement did not impose any fine or monetary penalty, or require us to restate any of our historical financial statements.

On October 29, 2003, the New York Attorney General served Conseco Life Insurance Company of Texas with a document subpoena concerning customer transfers between mutual fund subaccounts offered by Conseco Variable Insurance Company, a former wholly-owned subsidiary of Conseco Life of Texas, that occurred prior to the sale of Conseco Variable Insurance Company to an unrelated third party in October 2002. The SEC served Conseco with a similar subpoena shortly after we received the Attorney General s subpoena. Certain of our employees have also received subpoenas regarding duties they previously performed in respect of annuity sales by Conseco Variable Insurance Company. The purchase agreement pursuant to which Conseco Variable Insurance Company was sold contains indemnification provisions with respect to certain liabilities relating to Conseco Life s period of ownership, including provisions concerning certain business activities, including marketing activities, of Conseco Variable Insurance Company. Conseco Life of Texas and Conseco have cooperated with the Attorney General and the SEC in producing documents responsive to their subpoenas. In January 2004, the company received telephonic notification of a potential enforcement action by the Attorney General and a Wells notification from the SEC regarding alleged market timing on the part of holders of variable annuity policies issued by Conseco Variable Insurance Company. Neither we nor our affiliates have issued any variable annuity policies since the sale of Conseco Variable Insurance Company. We believe, based on the information obtained and supplied to the investigators to date, that Conseco Variable Insurance Company violated no federal or state law prior to the October 2002 sale. The investigations are continuing and their outcome cannot be predicted with certainty. In other cases involving the investigation of market timing allegedly permitted by mutual fund managers, the SEC and state regulators have sought to impose penalties far in excess of the alleged losses to the investing public, and we cannot assure you that they would not seek to do so with us. We are cooperating fully with the Attorney General and the SEC in these investigations.

The deadline to file administrative claims in the bankruptcy proceeding was October 9, 2003. The plan of reorganization provides that all such claims must be paid in full, in cash. We are reviewing all timely filed administrative claims and may resolve disputes regarding allowance of such claims in the bankruptcy court. The amount of known disputed administrative claims as of April 27, 2004 was approximately $141,000.

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MANAGEMENT

Executive Officers

Our executive officers are as follows:

Name	Age	Position with Conseco
Eugene M. Bullis	58	Executive Vice President and Chief Financial Officer
Eric R. Johnson	43	President, 40|86 Advisors, Inc.
William S. Kirsch	47	Executive Vice President, General Counsel and Secretary
John R. Kline	46	Senior Vice President and Chief Accounting Officer
William J. Shea	56	Director, President and Chief Executive Officer

Eugene M. Bullis has been executive vice president and chief financial officer since November 2002. From 2000 until 2002, Mr. Bullis served as chief financial officer of Managed Ops.Com, Inc. From 1999 until 2000, he was executive vice president and chief financial officer of Manufacturers Services, Ltd. and from 1998 to 1999, he served as senior vice president and chief financial officer of Physicians Quality Care.

Eric R. Johnson has been president and chief executive officer of 40|86 Advisors, Inc. (formerly Conseco Capital Management, Inc.), Conseco s wholly-owned registered investment advisor, since September 2003 and has held various positions since joining Conseco Capital Management, Inc. in 1997.

William S. Kirsch has been executive vice president, general counsel and secretary since September 2003. His professional corporation, William S. Kirsch, P.C., is a partner in the law firm Kirkland & Ellis LLP. Mr. Kirsch has been with Kirkland & Ellis LLP since 1981.

John R. Kline has been senior vice president and chief accounting officer since July 2002. Mr. Kline has served in various accounting and finance capacities with Conseco since 1990.

William J. Shea has served as a director of Conseco and its predecessor since September 2002. He has served as president and chief executive officer of Conseco since October 2002 and was president and chief operating officer from September 2001 until October 2002. Before joining Conseco, Mr. Shea served as chief executive officer of View Tech, Inc. (integrated video-conferencing solutions) from 1998 until 2000. From 1994 to 1998, he was vice chairman and from 1992 to 1998 chief financial officer of Bank Boston Corporation.

Messrs. Shea, Bullis and Kline served as officers, and Mr. Shea served as a director, of our predecessor company, which filed a bankruptcy petition on December 17, 2002. Mr. Shea and Mr. Bullis also served as directors and/or officers of several subsidiaries of our predecessor that also filed bankruptcy petitions on December 17, 2002.

Directors

Our directors are as follows:

Name	Age	Position with Conseco
R. Glenn Hilliard(2)(3)(5)	61	Non-Executive Chairman
Philip R. Roberts(1)(4)	62	Director
Neal Schneider(1)(4)	59	Director
Michael S. Shannon(2)(3)	45	Director
William J. Shea(4)(5)	56	Director, President and Chief Executive Officer
Michael T. Tokarz(2)(3)	54	Director
John G. Turner(1)(4)(5)	64	Director

(1) Member of the Audit and Enterprise Risk Committee

(2) Member of the Governance and Strategy Committee

(3) Member of the Human Resources and Compensation Committee

(4) Member of the Investment Committee

(5) Member of the Executive Committee

R. Glenn Hilliard became the non-executive chairman of our board of directors in September 2003. Mr. Hilliard has been chairman and chief executive officer of Hilliard Group, LLC, an investment and consulting firm, since June 2003. From 1999 until his retirement in April 2003, Mr. Hilliard served as chairman and chief executive officer of ING Americas. From 1994 to 1999, he was chairman and chief executive officer of ING North America.

Philip R. Roberts joined our board of directors in September 2003. Since 2000, Mr. Roberts has been principal of Roberts Ventures L.L.C., consultant for mergers and acquisitions and product development for investment management firms. From 1996 until 2000, Mr. Roberts served as chief investment officer of trust business for Mellon Financial Corporation and headed its institutional asset management businesses from 1990 to 1996.

Neal Schneider joined our board of directors in September 2003. Since June 2002, Mr. Schneider has been a partner of Smart and Associates, LLP, a business advisory and accounting firm. Between August 2000 and June 2002, he was an independent consultant. Until his retirement in August 2000, Mr. Schneider spent 34 years with Arthur Andersen & Co., including service as partner in charge of the Worldwide Insurance Industry Practice and the North American Financial Service Practice. Mr. Schneider is Chairman of the Board of PMA Capital Corporation.

Michael S. Shannon joined our board of directors in September 2003. Mr. Shannon is co-founder and has been president and chief executive officer since 1992 of KSL Recreation Corporation (owner and operator of golf courses and destination resorts in the U.S.). Mr. Shannon was lead director of ING Americas before joining our board. Mr. Shannon is a director of Startek, Inc.

Michael T. Tokarz joined our board of directors in September 2003. Mr. Tokarz has been a managing member of the Tokarz Group, LLC (venture capital investments) since 2002. He was a general partner with Kohlberg Kravis Roberts & Co. from 1985 until he retired in 2002. Mr. Tokarz is also a director of Walter Industries, Inc, Idex Corp. and MEVC Draper Fisher Jurvetson Fund I Inc.

John G. Turner joined our board of directors in September 2003. Mr. Turner has been chairman of Hillcrest Capital Partners, a private equity investment firm, since 2002. Mr. Turner served as chairman and chief executive officer of ReliaStar Financial Corp. from 1991 until it was acquired by ING in 2000. After the acquisition, he became vice chairman and a member of the executive committee for ING Americas until his retirement in 2002. Mr. Turner is a director of Hormel Foods Corporation, Shopko Stores, Inc. and ING Funds.

Board of Directors

Our board of directors is currently comprised of seven members, divided into two classes as follows: Messrs. Shea, Roberts and Tokarz are Class I directors, and Messrs. Hilliard, Schneider, Shannon and Turner are Class II directors. The term of office of the Class I directors expires at our 2004 annual meeting of stockholders and the term of office of the initial Class II directors expires at our 2005 annual meeting of stockholders. Other than the term of office of the initial Class II directors, the term of office of each Class of directors will expire at the next succeeding annual meeting of stockholders. Accordingly, the term of office of the Class I directors expires at the 2004 annual meeting of stockholders, at which time three new directors will be elected for a one year term, and the term of office of the Class II directors, as well as the Class I directors elected at the 2004 annual meeting of stockholders, will expire at the 2005 annual meeting of stockholders, at which time seven new directors will be elected.

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The initial Class I and Class II directors are those directors elected in connection with the adoption of our certificate of incorporation on September 10, 2003. At each annual meeting of stockholders, directors to replace those of a class or classes whose terms expire at such annual meeting will be elected to hold office until the next succeeding annual meeting and until their respective successors have been duly elected and qualified. If the number of directors is changed, any newly created directorships or decrease in directorships will be so apportioned among the classes as to make all classes as nearly equal in number as practicable.

With the exception of Mr. Shea, our president and chief executive officer, our board of directors has determined that all of our directors meet the independence requirements of the New York Stock Exchange.

Board Committees

Audit and Enterprise Risk Committee. The Audit and Enterprise Risk Committee s functions, among others, are to recommend the appointment of independent accountants; review the arrangements for and scope of the audit by independent accountants; review the independence of the independent accountants; consider the adequacy of the system of internal accounting controls and review any proposed corrective actions; review and monitor our compliance with legal and regulatory requirements; and discuss with management and the independent accountants our draft annual and quarterly financial statements and key accounting and/or reporting matters. The audit committee currently consists of Messrs. Schneider, Roberts and Turner, with Mr. Schneider serving as chairman of the committee and as audit committee financial expert, as defined under SEC rules promulgated under the Sarbanes-Oxley Act. All current members of the Audit and Enterprise Risk Committee are independent within the meaning of the new regulations adopted by the SEC and the listing requirements adopted by the New York Stock Exchange regarding audit committee membership. A copy of the Audit and Enterprise Risk Committee s charter is available on our website at *www.conseco.com*.

Governance and Strategy Committee. The Governance and Strategy Committee is responsible for, among other things, establishing criteria for board membership; considering, recommending and recruiting candidates to fill new positions on the board; reviewing candidates recommended by stockholders; considering questions of possible conflicts of interest involving board members, executive officers and key employees. It is also responsible for developing principles of corporate governance and recommending them to the board for its approval and adoption, reviewing periodically these principles of corporate governance to insure that they remain relevant and are being complied with. The Governance and Strategy Committee currently consists of Messrs. Hilliard, Tokarz and Shannon, with Mr. Tokarz serving as chairman of the committee. All current members of the Governance and Strategy Committee are independent within the meaning of the new listing requirements adopted by the New York Stock Exchange regarding nominating committee membership. A copy of the Governance and Strategy Committee s charter is available on our website at *www.conseco.com*.

Human Resources and Compensation Committee. The Human Resources and Compensation Committee is responsible for, among other things, approving overall compensation policy; recommending to the board the compensation of the chief executive officer and other senior officers; and reviewing and administering our incentive compensation and equity award plans. The Human Resources and Compensation Committee currently consists of Messrs. Hilliard, Tokarz and Shannon, with Mr. Shannon serving as chairman of the committee. All current members of the Human Resources and Compensation Committee are independent within the meaning of the new listing requirements adopted by the New York Stock Exchange regarding compensation committee membership. A copy of the Human Resources and Compensation Committee s charter is available on our website at *www.conseco.com*.

Investment Committee. The Investment Committee is responsible for, among other things, reviewing investment policies, strategies and programs; overseeing the investment of funds in accordance with policies and limits approved by it; and reviewing the quality and performance of our investment portfolios and the alignment of asset duration to liabilities. The Investment Committee currently consists of Messrs. Shea, Schneider, Roberts and Turner, with Mr. Roberts serving as chairman of the committee. A copy of the Investment Committee s charter is available on our website at *www.conseco.com*.

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Executive Committee. Subject to the requirements of applicable law, including our certificate of incorporation and bylaws, the Executive Committee is responsible for exercising, as necessary, the authority of the board of directors in the management of our business affairs during intervals between board meetings. The Executive Committee currently consists of Messrs. Hilliard, Shea and Turner, with Mr. Turner serving as chairman of the committee. A copy of the Executive Committee s charter is available on our website at *www.conseco.com*.

Compensation Committee Interlocks

None of the members of the Human Resources and Compensation Committee is or has been one of our officers or employees. None of our executive officers serves, or served during 2003, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or Human Resources and Compensation Committee.

Director Compensation

Our non-employee directors, other than our non-executive chairman, receive an annual cash retainer of $70,000. The chairman of the Audit and Enterprise Risk Committee receives an additional annual cash fee of $30,000, and directors who serve as chairman of one of our other board committees receive an additional annual cash fee of $15,000. Each member of the Audit and Enterprise Risk Committee also receives an annual cash retainer of $30,000. Our non-employee directors, other than our non-executive chairman, are also entitled to receive $70,000 in annual equity awards under the Conseco, Inc. 2003 Long-Term Equity Incentive Plan. Directors are reimbursed for out-of-pocket expenses incurred in connection with the performance of their responsibilities as directors.

Executive Compensation

Summary Compensation Table

The following Summary Compensation Table sets forth the cash compensation and certain other compensation paid to each person who served as chief executive officer and the other five most highly compensated individuals who served as executive officers of Conseco in 2003 for services rendered during 2003.

					Long-Term Compensation Awards		
		Annual Compensation			Restricted Stock	Number of Securities Underlying Options/SARs	All Other
Name and Principal Position	**Year**	**Salary**	**Bonus(1)**	**Other(2)**	**Awards(3)**	**(In shares)(4)**	**Compensation(5)**
William J. Shea	2003	$1,026,122	$2,000,000		$13,569,000	500,000	$ 68,379
President and	2002	774,038	1,100,000	$87,625			3,677
Chief Executive Officer	2001	147,756	250,000		340,000	450,000	92
Edward M. Berube(6)	2003	660,000	660,000				774
Former President,	2002	660,000	660,000				5,500
Bankers Life and Casualty	2001	660,000	693,000			100,000	269,778
Maxwell E. Bublitz(7)	2003	497,372	312,375				703,031
Former Senior Vice President,	2002	700,000	450,000				6,790
Investments	2001	625,000	450,000			25,000	6,750
Eugene M. Bullis(8)(9)	2003	609,135	2,400,000		5,467,500		162,090
Executive Vice President and	2002	243,590	600,000				
Chief Financial Officer							

Eric R. Johnson(8)(10) President, 40/86 Advisors, Inc.	2003	505,961	1,600,000	1,640,250	180
John R. Kline(8)(11) Senior Vice President and Chief Accounting Officer	2003 2002	275,000 214,571	171,875 1,052,500	1,093,500	270 6,310

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(1) Bonus amounts shown for 2003 include payments approved by the bankruptcy court.

(2) Includes for Mr. Shea $68,541 relating to his personal use of company aircraft in 2002.

(3) The amounts shown in this column represent the value of the awards of shares of restricted stock based on the closing price of the common stock on the dates of grant.

(4) No stock appreciation rights have been granted.

(5) For 2003, the amounts reported in this column represent the following amounts paid for the named executive officers: (i) severance payment (Mr. Bublitz, $650,000); (ii) accrued vacation payment (Mr. Bublitz, $51,538); (iii) amounts imputed as income for accommodation and business commuting expenses (Mr. Shea, $65,170 and Mr. Bullis, $130,337); (iv) relocation expenses (Mr. Bullis, $30,979); (v) individual life insurance premiums (Mr. Shea, $2,435 and Mr. Bublitz, $1,290); and (vi) group life insurance premiums (Mr. Shea, $774, Mr. Berube, $774, Mr. Bublitz, $203, Mr. Bullis, $774, Mr. Johnson, $180 and Mr. Kline, $270).

(6) Mr. Berube s employment was terminated in February 2004.

(7) Mr. Bublitz employment was terminated in September 2003.

(8) No compensation information is reported for years prior to the year in which the named executive officer became an executive officer.

(9) Mr. Bullis employment commenced in July 2002.

(10) Mr. Johnson became an executive officer in September 2003.

(11) Mr. Kline became an executive officer in July 2002.

Stock Options

The following table sets forth information concerning the exercise in 2003 of options to purchase common stock by the executive officers named in the summary compensation table and the unexercised options to purchase common stock held by these individuals as of December 31, 2003.

Aggregated Option Exercises in 2003 and Year-End Option Values

Name	Number of Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options (In shares) at December 31, 2003		Value of Unexercised In-the-Money Options at December 31, 2003(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
William J. Shea				500,000		$2,700,000
Edward M. Berube						
Maxwell E. Bublitz						
Eugene M. Bullis						
Eric R. Johnson						
John R. Kline						

(1) The value is calculated based on the aggregate amount of the excess of $21.80, the last sale price of the common stock as reported by the New York Stock Exchange for the last business day of 2003, over the relevant exercise prices.

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The following table sets forth certain information concerning options to purchase common stock granted in 2003 to the executive officers named in the summary compensation table.

Option Grants in 2003

	Individual Grants					
					Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Options Term	
Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in 2003	Per Share Exercise Price	Expiration Date	5%	10%
William J. Shea(1)	500,000	100%	$16.40	9/29/13	$6,777,686	$15,649,462
Edward M. Berube						
Maxwell E. Bublitz						
Eugene M. Bullis						
Eric R. Johnson						
John R. Kline						

(1) The options reported are non-qualified stock options which vest in four equal annual installments beginning September 29, 2004.

Equity Compensation Plan Information

The following table sets forth information about our common stock that may be issued under the Conseco Inc. 2003 Long-Term Equity Incentive Plan as of December 31, 2003:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants or Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants or Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column)
Equity compensation plans approved by security holders	1,000,000	$18.01	7,982,370
Equity compensation plans not approved by security holders			
Total	1,000,000	$18.01	7,982,370

As described immediately below under Non-Executive Chairman Agreement, we granted Mr. Hilliard a signing bonus of 98,119 shares of common stock. These shares were not issued under the Conseco, Inc. 2003 Long-Term Equity Incentive Plan.

Non-Executive Chairman Agreement

On June 18, 2003, our predecessor entered into an agreement with R. Glenn Hilliard pursuant to which Mr. Hilliard provided consulting services to our predecessor during the pendency of the chapter 11 cases and agreed to serve as our non-executive chairman for an initial term of four years following our emergence from bankruptcy. This agreement, which became effective upon our emergence from bankruptcy, was negotiated with our predecessor s creditors committee and was approved by the bankruptcy court in connection with the approval of the plan of reorganization. The agreement provides for an annual director s fee of $1,000,000 for the first two years of the term, and director s fees similar to those paid to similarly situated non-executive chairmen for the latter two years of the term; a signing bonus of 98,119 shares of common stock, which were issued shortly after our emergence from bankruptcy; and a retention bonus of $1,500,000, payable as soon as practicable following the first anniversary of our emergence from bankruptcy, and a retention bonus of $750,000, payable as soon as practicable following the second anniversary of our emergence from bankruptcy. Under the agreement, we also issued Mr. Hilliard options to purchase 500,000 shares of common stock and 500,000 shares of restricted stock, all of which are subject to vesting, pursuant to the Conseco, Inc. 2003 Long-Term Equity Incentive Plan. The agreement also provides that Mr. Hilliard will receive a grant of options to purchase 0.25% of our then-outstanding common stock and a restricted stock grant of 0.25% of our then-outstanding common stock, all of which will be subject to vesting, as soon as practicable following the first anniversary of our emergence from bankruptcy. After the second anniversary of our emergence from bankruptcy, the agreement provides that Mr. Hilliard will receive the same equity-based compensation as other non-employee members of our board of directors. Under the agreement, Mr. Hilliard is entitled to a gross-up for excise tax payments under Section 280G of the Internal Revenue Code. Mr. Hilliard also receives a monthly allowance of $3,000 per month for office space and related expenses in connection with the maintenance of an office in Atlanta, Georgia. If Mr. Hilliard s service as non-executive chairman ends as a result of his death, disability or removal other than for cause or failure to be re-elected (each a qualifying termination) before the first anniversary of our emergence from bankruptcy, he is entitled to receive the prorated portion of his first-year retention bonus. If Mr. Hilliard s service as non-executive chairman ends as a result of a qualifying termination after the first anniversary but before the second anniversary of our emergence from bankruptcy, he is entitled to receive the prorated portion of his second-year retention bonus. In addition, upon a qualifying termination, vesting of previously granted options and restricted stock will occur as if Mr. Hilliard continued to serve through the next anniversary of our emergence from bankruptcy following his separation. Mr. Hilliard has agreed not to commence full-time employment with any other company during the 18-month period following our emergence from bankruptcy, and Mr. Hilliard is subject to a non-competition clause under the agreement in the event his service with us terminates prior to the end of the term. On December 30, 2003, Mr. Hilliard, who serves as one of our independent directors, agreed to irrevocably waive his right to receive compensation with respect to services rendered by him to our predecessor prior to our emergence from bankruptcy.

Employment Agreements

Chief Executive Officer. On May 27, 2003, our predecessor entered into an employment agreement with William J. Shea pursuant to which he would serve as our president and chief executive officer for an initial term of three years. This agreement, which became effective upon our emergence from bankruptcy, was negotiated with our predecessor s creditors committee and was approved by the bankruptcy court in connection with the approval of the plan of reorganization. The agreement provides for an annual base salary of $1,000,000, an annual performance-based bonus with a target of 100% of base salary, and an emergence bonus of $1,000,000, which was paid shortly after our emergence from bankruptcy. Under the agreement, we issued Mr. Shea options to purchase 500,000 shares of common stock and 500,000 shares of restricted stock, all of which are subject to vesting, pursuant to the Conseco, Inc. 2003 Long-Term Equity Incentive Plan. The agreement also provides that Mr. Shea will receive a retirement benefit of $500,000 per year and term life insurance with a face amount of $1,500,000. Mr. Shea s retirement benefit is guaranteed by our subsidiaries, Conseco Services LLC and Conseco Life Insurance Company of Texas. Mr. Shea is also entitled to a gross-up for excise tax payments under Section 280G of the Internal Revenue Code. If Mr. Shea is terminated by Conseco without just cause or resigns for good reason, he will be entitled to a payment of $6,250,000 and a pro rata portion of the greater of his annual bonus for the year in which the separation occurs or $500,000. In addition, vesting of previously granted options and restricted stock will occur as if Mr. Shea were employed through the next anniversary of our emergence from bankruptcy following his separation. Mr. Shea is subject to a non-competition clause under the agreement in the event his service with Conseco terminates prior to the end of the term.

Chief Financial Officer. We have entered into an employment agreement, effective September 10, 2003, with Eugene M. Bullis pursuant to which he would serve as our executive vice president and chief

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financial officer for a term of three years. The agreement provides for an annual base salary of $600,000, an annual performance-based bonus with a target of 100% of base salary and an emergence bonus of $1,200,000, which was paid shortly after our emergence from bankruptcy. Mr. Bullis is also entitled to a future success bonus of $1,200,000 to be paid on the third anniversary of the agreement, subject to acceleration triggers under which one-third of the $1,200,000 future success bonus would be paid upon the occurrence of each of: the first refinancing of our class A preferred stock and senior credit facility, our obtaining a financial strength rating from A.M. Best of A- or higher, and achievement of agreed upon expense reductions. Under the agreement, we will provide Mr. Bullis with an initial equity award comprised of options to purchase 250,000 shares of common stock with an exercise price equal to fair market value on the date of grant and 250,000 shares of restricted stock, all of which will be subject to vesting, pursuant to the Conseco, Inc. 2003 Long-Term Equity Incentive Plan. The agreement also provides that Mr. Bullis will receive a supplemental retirement benefit of $250,000 per year, one-third of which will vest each anniversary of the agreement. We will provide Mr. Bullis a life insurance policy with a face value of $600,000 and cover the cost of certain relocation expenses. If Mr. Bullis is terminated by Conseco without just cause, the unpaid amount of his supplemental retirement benefit will vest and any unpaid portion of the $1,200,000 future success bonus will become due and payable. In addition, vesting of previously granted options and restricted stock will occur as if Mr. Bullis were employed through the next anniversary of our emergence from bankruptcy following his separation. In the event of a change of control of Conseco, all previously granted options and restricted stock will vest. In the event that Mr. Bullis employment is terminated 6 months prior to or within 2 years after a change of control, the unvested amount of his supplemental retirement benefit will vest and any unpaid portion of the $1,200,000 future success bonus will become due and payable. In addition, if Mr. Bullis employment is terminated 6 months prior to a change of control, all of his unvested options and restricted stock will vest, retroactive to the date of termination, upon the occurrence of the change of control. Mr. Bullis is subject to a non-competition clause under the agreement in the event his service with Conseco terminates prior to the end of the term.

Chief Accounting Officer. Effective July 15, 2002, our predecessor entered into an employment agreement with John R. Kline pursuant to which he would serve as our senior vice president and chief accounting officer for an initial term of two years. The agreement provides for an annual salary of at least $275,000, bonuses at the discretion of Conseco, a signing bonus of $865,000 subject to repayment to Conseco in a pro rata amount in the event Mr. Kline voluntarily leaves Conseco during the two-year period, a severance allowance upon termination of employment and other fringe benefits.

President, 40y86 Advisors, Inc. 40y86 Advisors, Inc., a wholly-owned investment management subsidiary of Conseco, Inc. that manages the investment portfolios of our insurance subsidiaries, has entered into an employment agreement, effective September 10, 2003, with Eric R. Johnson pursuant to which he agreed to serve as 40y86 Advisors president for a term of three years. The agreement provides for an annual base salary of $500,000, an annual performance-based bonus with a target of 100% of base salary and a bonus of $950,000 that was paid in January 2004. Mr. Johnson is also entitled to a future success bonus of $950,000 to be paid on the third anniversary of the agreement, subject to acceleration triggers under which one-third of the $950,000 future success bonus would be paid upon the occurrence of each of: the first refinancing of our class A preferred stock and senior credit facility, our obtaining a financial strength rating from A.M. Best of A- or higher, and the achievement of mutually agreed-upon improvements in investment return and quality. Under the agreement, we will provide Mr. Johnson with an initial equity award comprised of options to purchase 150,000 shares of common stock with an exercise price equal to fair market value on the date of grant and 75,000 shares of restricted stock, all of which will be subject to vesting, pursuant to the Conseco, Inc. 2003 Long-Term Equity Incentive Plan. We will provide Mr. Johnson a life insurance policy with a face value of $500,000. If Mr. Johnson is terminated by 40y86 Advisors without just cause, any unvested portion of the $950,000 future success bonus will become due and payable. In the event of a change of control of Conseco, all previously granted options and restricted stock will vest. In the event that Mr. Johnson s employment is terminated 6 months prior to or within 2 years after a change of control, any unvested portion of the $950,000 future success bonus will become due and payable. In addition, if Mr. Johnson s employment is terminated 6 months prior to a change of control, all of his unvested options and restricted stock will vest, retroactive to the date of termination, upon the occurrence of the change of

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control. Mr. Johnson is subject to a non-competition clause under the agreement in the event his service with 40y86 Advisors terminates prior to the end of the term.

Conseco, Inc. 2003 Long-Term Equity Incentive Plan

Overview. As of the effective date of the plan, the bankruptcy court, pursuant to the confirmation order approving the plan of reorganization, approved, and our board of directors adopted, the Conseco, Inc. 2003 Long-Term Equity Incentive Plan. The purpose of the plan is to promote our long-term growth and profitability by providing selected directors, officers and employees of Conseco and its subsidiaries, as well as other persons who provide services to us, with incentives to maximize stockholder value and otherwise contribute to our success, and enable us to attract, retain and reward the best available persons for positions of responsibility.

Types of awards. The plan provides for the grant of stock options and restricted stock to eligible participants.

Eligibility. Directors, officers and employees of Conseco and its subsidiaries, as well as other individuals performing significant services for us, or to whom we have extended an offer of employment, will be eligible to receive awards under the plan. In each case, the Human Resources and Compensation Committee of the board of directors will select the actual participants and determine the amounts and terms of their awards.

Share reserve/limitations. 10,000,000 shares of our common stock are available for issuance under the plan. Of these 10,000,000 shares, only 3,333,333 may be granted in the form of restricted stock.

Administration. The Human Resources and Compensation Committee of our board of directors administers the plan. Our board of directors also has the authority to administer the plan and to take all actions that the Human Resources and Compensation Committee is otherwise authorized to take under the plan.

Terms of Awards. The exercise price of an option issued under the plan may not be less than 100% of the fair market value of our common stock on the date the option is granted. The Human Resources and Compensation Committee determines, in connection with each grant under the plan, when options become exercisable and when they expire. The Human Resources and Compensation Committee also determines the vesting periods of restricted stock granted under the plan.

Change in Control. The Human Resources and Compensation Committee may provide, in award agreements, for appropriate adjustments to option and restricted stock awards, including the acceleration of vesting, if a change in control of Conseco occurs.

Amendment and Termination. The Human Resources and Compensation Committee or our board of directors may amend or terminate the plan at any time, as long as the amendment or termination does not negatively affect any options or restricted stock that have been previously granted under the plan without the consent of the holders, but cannot increase the number of shares available for issuance under the plan, materially modify the requirements for eligibility under the plan, or materially increase the benefits to participants under the plan without the approval of stockholders. Unless earlier terminated, the plan will terminate on September 10, 2013.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Beginning in 1996, our predecessor adopted stock purchase plans to encourage direct, long-term ownership of its common stock by directors, executive officers and certain key employees. Purchases of common stock under the purchase plans were financed by personal loans made to the participants from banks. These loans were collateralized by the common stock purchased. Approximately 170 directors, officers and key employees of our predecessor and its subsidiaries participated in the purchase plans and purchased an aggregate of approximately 19.0 million shares of our predecessor s common stock offered under the purchase plans. Our predecessor guaranteed the loans but had recourse to the participants if it incurred a loss under the guarantees. As a result of the reorganization, Conseco acquired the right to collect these loans from the participants. The only current director or executive officer that had an outstanding purchase plan loan during 2003 was Mr. Johnson, who had borrowed $205,903 relating to his purchase of 5,000 shares under the purchase plans. Mr. Johnson repaid this loan in full in 2003.

In addition, our predecessor provided loans to the participants for the interest payments payable on the guaranteed bank loans. The largest amount owed during 2003 by Mr. Johnson on the loan to cover interest was $58,912. Mr. Johnson repaid his interest payment loan in full in January 2004. The interest payment loans bore interest at a variable annual rate equal to the lowest annual rate our predecessor paid under its most recent senior credit facility.

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PRINCIPAL STOCKHOLDERS

The following table sets forth certain information concerning the beneficial ownership of our common stock as of March 1, 2004 by each person known to us who beneficially owns more than 5% of the outstanding shares of our common stock, each of our directors, each of our named executive officers and all of our directors and executive officers as a group.

	Shares Beneficially Owned Prior to the Offering		Shares Beneficially Owned After the Offering	
Name and Address	**Number**	**Percentage**	**Number**	**Percentage**
FMR Corp(1)	7,040,780	7.0%	7,040,780	4.9%
Angelo, Gordon & Co., L.P.(2)	5,716,487	5.7	5,716,487	4.0
R. Glenn Hilliard(3)	598,119	*	598,119	*
William J. Shea	700,000	*	700,000	*
Neal Schneider	5,526	*	5,526	*
Philip R. Roberts	5,526	*	5,526	*
John G. Turner	5,526	*	5,526	*
Michael T. Tokarz	5,526	*	5,526	*
Michael S. Shannon	5,526	*	5,526	*
Eugene M. Bullis	250,000	*	250,000	*
Eric R. Johnson	75,000	*	75,000	*
John R. Kline	50,000	*	50,000	*
All directors and executive officers as a group (11 persons)(4)	1,700,749	1.7	1,700,749	1.2

* Less than 1%.

(1) Based solely on the Schedule 13G filed with the SEC on February 17, 2004 by FMR Corp. The business address of FMR Corp. is 82 Devonshire Street, Boston, Massachusetts 02019.

(2) Based solely on the Schedule 13G filed with the SEC on September 22, 2003 by Angelo, Gordon & Co., L.P.; John M. Angelo, in his capacities as general partner of AG Partners, L.P., the sole general partner of Angelo, Gordon & Co., and as the chief executive officer of Angelo, Gordon & Co.; and Michael L. Gordon, in his capacities as the other general partner of AG Partners, L.P., the sole general partner of Angelo, Gordon & Co., and as the chief operating officer of Angelo, Gordon & Co. The business address of each of Angelo, Gordon & Co., Mr. Angelo and Mr. Gordon is 245 Park Avenue, New York, New York 10167.

(3) Includes 98,119 shares held by a charitable foundation of which Mr. Hilliard is a trustee. He disclaims beneficial ownership of such shares.

(4) Includes 1,585,000 shares of restricted stock held by directors and executive officers which have not yet vested.

[P] DESCRIPTION OF THE MANDATORILY CONVERTIBLE PREFERRED STOCK

The description in this prospectus of the terms of the class B mandatorily convertible preferred stock is only a summary. The terms of the class B preferred stock are contained in a certificate of designations that will amend our amended and restated certificate of incorporation. We have previously filed with the SEC copies of our amended and restated certificate of incorporation. See Where You Can Find More Information. The form of certificate of designations is filed as an exhibit to the registration statement of which this prospectus is a part.

General

Our amended and restated certificate of incorporation authorizes the issuance of 265,000,000 shares of preferred stock, par value $.01 per share, of which 34,386,740 shares of class A preferred stock were issued and outstanding as of December 31, 2003. The class A preferred stock will be redeemed in full with a portion of the combined net proceeds of this offering of class B preferred stock and the concurrent offering of common stock. The class B preferred stock constitutes a new series of our preferred stock. See Description of Capital Stock in this prospectus for a description of our other classes of capital stock, as well as the series A warrants referred to below.

The class B preferred stock is a single series consisting of 20,000,000 shares of class B preferred stock, or 23,000,000 shares of class B preferred stock if the underwriters exercise their option to purchase additional shares of class B preferred stock in full in accordance with the procedures set forth in Underwriting . The holders of the shares of class B preferred stock will have no preemptive rights. Upon issuance, all of the shares of class B preferred stock will be fully paid and non-assessable.

The class B preferred stock will rank:

- junior to all of our and our subsidiaries existing and future debt obligations;
- junior to any class or series of our capital stock the terms of which provide that such class or series will rank senior to the class B preferred stock, which we call senior stock;
- senior to any class or series of our capital stock the terms of which provide that such class or series will rank junior to the class B preferred stock;
- senior in right of payment to all of our class A preferred stock and common stock now outstanding or to be issued in the future; and
- on a parity with any other class or series of our capital stock ranking pari passu with the class B preferred stock as to the payment of dividends or the distribution of assets upon dissolution, liquidation or winding up, which we call parity stock.

We will not be entitled to issue any class or series of our capital stock the terms of which provide that such class or series will rank senior to the class B preferred stock without the consent of the holders of at least two-thirds of the shares of the class B preferred stock. See Voting Rights.

As of the date of this prospectus, we are authorized to issue up to 8,000,000,000 shares of common stock, $.01 par value per share. As of December 31, 2003, 100,115,772 shares of common stock were issued and outstanding. In addition, as of such date, there were outstanding series A warrants exercisable for an aggregate of 5,999,977 shares of our common stock at an exercise price of $27.60 per share, subject to certain anti-dilution provisions. As of December 31, 2003, there were 34,386,740 shares of our class A preferred stock outstanding, with an aggregate liquidation preference amount of approximately $887.5 million.

Under Delaware law, we may declare or pay dividends on the class B preferred stock solely out of legally available assets for the payment of dividends. Under Delaware law, legally available assets means the amount of our surplus. If there is no surplus, legally available assets also means, in the case of a dividend,

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the amount of our net profits for the fiscal year in which the payment occurs and/or the preceding fiscal year. Our surplus is the amount by which our total assets exceeds the sum of

our total liabilities, including our contingent liabilities, and

the amount of our capital.

When the need to make a determination of legally available assets arises, the amount of our total assets and total liabilities and the amount of our capital will be determined by our board of directors in accordance with Delaware law.

Dividends

General

Dividends on the shares of class B preferred stock will be payable quarterly in cash on February 15, May 15, August 15 and November 15 of each year, or the following business day if such day is not a business day, at the annual rate of $ per share. The initial dividend on the class B preferred stock, for the first dividend period, assuming the issue date is , 2004, will be $ per share of class B preferred stock, and will be payable on August 15, 2004. Each subsequent quarterly dividend on the shares of class B preferred stock will be $ per share of class B preferred stock.

The amount of dividends payable on each share of class B preferred stock for each full quarterly period will be computed by dividing the annual dividend rate by four. The amount of dividends payable for any other period that is shorter or longer than a full quarterly dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months.

A dividend period is the period ending on the day before a dividend payment date and beginning on the preceding dividend payment date or, if none, the date of issue. Dividends payable on a dividend payment date will be payable to holders of record on the February 1, May 1, August 1 or November 1, as the case may be, immediately preceding the relevant dividend payment date, as fixed for the purpose by our board of directors in advance of payment of the relevant dividend. The shares of class B preferred stock are entitled to receive payment of dividends on a parity with any class or series of our capital stock the terms of which provide that such class or series will rank on a parity with the class B preferred stock.

We will pay dividends in cash on the class B preferred stock on each dividend payment date unless the board determines that we do not have legally available assets for such payment or such dividend payment would result in a default under our senior credit agreement or in the class B preferred stock failing to qualify as Permitted Refinancing Preferred Stock , as defined on the issue date of the class B preferred stock, for purposes of the senior credit agreement. Senior credit agreement means the credit agreement dated as of September 10, 2003, among Conseco, Inc., Bank of America, N.A. and the other financial institutions party thereto, as in effect on the issue date of the class B preferred stock, as the same may be amended, modified or replaced following the issue date. The definition of Permitted Refinancing Preferred Stock in the senior credit agreement requires, among other things, that the preferred stock not require the payment of cash dividends in excess of the amount that we could have paid in compliance with the coverage ratio under the senior credit agreement for the four most recent fiscal quarters ending prior to the payment of any such dividend, determined on a pro forma basis giving effect to such dividend. Notwithstanding the foregoing, the right of holders of the class B preferred stock to receive payments of dividends on the class B preferred stock is subject to the rights of any senior stock and parity stock issued in accordance with the terms of the class B preferred stock. For the quarter ended December 31, 2003, we would have been able to pay dividends of up to $18.3 million in accordance with the terms of our senior credit agreement on an as adjusted basis to give effect to the concurrent offerings of our common stock and class B preferred stock and the use of proceeds thereof as described under Use of Proceeds.

Dividends on the class B preferred stock will be cumulative, whether or not there are assets legally available for the payment of such dividends. This means that, if our board of directors does not declare a dividend for any reason, the dividend will accumulate until declared and paid. Accumulated unpaid dividends

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will cumulate dividends at the annual rate of % and are payable in the manner provided above. We will undertake to disclose in our quarterly and annual reports filed with the SEC the amount of any accumulated and unpaid dividends on the shares of the class B preferred stock as of the date of such reports, including any dividends cumulated thereon.

We are not obligated to pay holders of class B preferred stock any dividend in excess of the full dividends on the shares of class B preferred stock that are payable as described above.

Payment Restrictions

Unless all dividends on the class B preferred stock for all past quarterly dividend periods shall have been paid in full, we will not:

- declare or pay any dividend or make any distribution of assets on any of our capital stock now or hereafter authorized that ranks junior to the class B preferred stock as to the payment of dividends or the distribution of assets upon our liquidation, dissolution or winding up, including our common stock, which we call junior stock, other than dividends or distributions in the form of junior stock;

- redeem, purchase or otherwise acquire any junior stock other than class A preferred stock, except upon conversion or exchange for other junior stock, or

- redeem, purchase or otherwise acquire any of our capital stock now or hereafter authorized that ranks equally with the class B preferred stock as to the payment of dividends or the distribution of assets upon our liquidation, dissolution or winding up, except upon conversion or exchange for junior stock.

Redemption

The class B preferred stock will not be redeemable.

Mandatory Conversion

Each of the shares of class B preferred stock, unless previously converted, will automatically convert on May 15, 2007, which we call the mandatory conversion date, into a number of newly issued shares of our common stock equal to the conversion rate described below.

The conversion rate, which is the number of newly issued shares of our common stock issuable upon conversion of each share of class B preferred stock on the applicable conversion date, will, subject to adjustment under certain circumstances as described under Anti-Dilution Adjustments below, be as follows:

- If the applicable market value of our common stock is equal to or greater than $, which we call the threshold appreciation price, then the conversion rate will be shares of our common stock per share of class B preferred stock (the minimum conversion rate).

- If the applicable market value of our common stock is less than the threshold appreciation price but greater than $, which we call the initial price, the conversion rate will be equal to $25 divided by the applicable market value of our common stock per share of class B preferred stock.

- If the applicable market value of our common stock is less than or equal to the initial price, the conversion rate will be shares of our common stock per share of class B preferred stock (the maximum conversion rate).

We refer to the minimum conversion rate and the maximum conversion rate collectively as the fixed conversion rates.

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Accordingly, assuming that the market price of our common stock on the mandatory conversion date is the same as the applicable market value, the aggregate market value of the shares you receive upon conversion will be:

greater than the liquidation preference of the shares of class B preferred stock if the applicable market value is greater than the threshold appreciation price,

equal to the liquidation preference if the applicable market value is less than or equal to the threshold appreciation price and greater than or equal to the initial price, and

less than the liquidation preference if the applicable market value is less than the initial price.

In addition to the number of newly issued shares of our common stock issuable upon conversion of each share of class B preferred stock on the mandatory conversion date determined as provided above, holders will receive on the mandatory conversion date an amount in cash equal to any accrued and unpaid dividends on the shares of class B preferred stock due on the mandatory conversion date, whether or not declared prior to that date, provided that we have legally available assets at such time sufficient to pay such dividends and paying such dividends in cash would not result in a default under our senior credit agreement or in the class B preferred stock failing to qualify as Permitted Refinancing Preferred Stock , as defined on the issue date of the class B preferred stock, for purposes of the senior credit agreement. If on the mandatory conversion date we do not have adequate legally available assets to pay in cash all or any portion of the accrued and unpaid dividends payable in cash on such date as provided in this paragraph, or if such payment would result in a default under our senior credit agreement or result in the class B preferred stock failing to qualify as Permitted Refinancing Preferred Stock for purposes of the senior credit agreement, then, in either such case, with respect to the portion of such dividends which we are unable to pay in cash, we shall deliver to the holders a number of common shares per share of class B preferred stock equal to:

the aggregate amount of such portion per share of class B preferred stock divided by

the greater of (A) the applicable market value of our common stock and (B) $0.15.

We will use our reasonable best efforts to cause any such shares of common stock delivered in respect of dividends on the mandatory conversion date to be freely transferable by the recipients thereof, including, if necessary, the filing of a registration statement in respect of such common shares.

Applicable market value means the average of the closing price per share of our common stock on each of the twenty consecutive trading days ending on the third trading day immediately preceding the mandatory conversion date. The initial price is the closing price of our common stock on the New York Stock Exchange on , 2004. The threshold appreciation price represents an approximately % appreciation over the initial price.

The closing price of our common stock on any date of determination means the closing sale price or, if no closing sale price is reported, the last reported sale price of our common stock on the New York Stock Exchange on that date. If our common stock is not listed on the New York Stock Exchange on any date of determination, the closing price of our common stock on such date means the closing sales price as reported in the composite transactions for the principal U.S. securities exchange on which our common stock is so listed or quoted, or, if our common stock is not so listed or quoted on a U.S. national or regional securities exchange but is quoted on the Nasdaq National Market, as reported by the Nasdaq National Market, or, if our common stock is not so reported, the last quoted bid price for our common stock in the over-the-counter market as reported by the National Quotation Bureau or similar organization, or, if that bid price is not available, the market price of our common stock on that date as determined by a nationally recognized independent investment banking firm retained by us for this purpose.

A trading day is a day on which our common stock:

is not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business; and has traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of our common stock.

Conversion

Conversion into common stock will occur on the mandatory conversion date, unless:

- we have caused the conversion of the shares of class B preferred stock prior to the mandatory conversion date in the manner described in Provisional Conversion at Our Option ;
- you have converted your shares of class B preferred stock prior to the mandatory conversion date in the manner described in Conversion at the Option of the Holder ; or
- we are involved in a merger prior to the mandatory conversion date in which at least 30% of the consideration for our common stock consists of cash or cash equivalents, and you have converted your shares of class B preferred stock through an exercise of the merger early conversion right as described in Early Conversion upon Cash Merger.

On the applicable conversion date, or as soon as practicable thereafter, certificates representing our common stock will be issued and delivered to you or your designee, or direct registered through the Direct Registration System of the Depository Trust Company in your name or the name of your designee, upon presentation and surrender of the certificate evidencing the shares of class B preferred stock, if the shares of class B preferred stock are held in certificated form.

Prior to the date on which shares of common stock are issued upon conversion, our common stock underlying the shares of class B preferred stock will not be deemed to be outstanding for any purpose and you will have no rights with respect to our common stock, including voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on our common stock, by virtue of holding the class B preferred stock.

Provisional Conversion at Our Option

Prior to the mandatory conversion date and on or after the first day immediately following the issue date of the class B preferred stock, we may at our option cause the conversion of all, but not less than all, of the shares of class B preferred stock then outstanding into shares of our common stock at the minimum conversion rate of shares of our common stock for each share of class B preferred stock, subject to adjustment under certain circumstances as described under Anti-Dilution Adjustments below; provided that the closing price per share of our common stock has exceeded 150% of the threshold appreciation price, initially $, subject to anti-dilution adjustments, for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day prior to the date that we notify you of the optional conversion. We will provide each holder of class B preferred stock notice of the option by mail and issue a press release and publish such information on our website on the World Wide Web. The date specified in such notice for the optional conversion shall be at least 30 days but no more than 60 days from the date of such notice. We will be able to cause this conversion only if, in addition to issuing you shares of our common stock as described above, we pay you in cash:

- an amount equal to any accrued and unpaid dividends on your shares of class B preferred stock, whether or not declared, and
- the present value of all remaining dividend payments on your shares of class B preferred stock through and including May 15, 2007, in each case, out of legally available assets.

The present value of the remaining dividend payments will be computed using a discount rate equal to the Treasury Yield. Treasury Yield means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity, as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the date fixed for conversion or, if such Statistical Release is no longer published, any publicly available source for similar market data, most nearly equal to the then remaining term to May 15, 2007, provided, however, that if

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the then remaining term to May 15, 2007 is not equal to the constant maturity of a U.S. Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation, calculated to the nearest one-twelfth of a year, from the weekly average yields of U.S. Treasury securities for which such yields are given, except that if the then remaining term to May 15, 2007 is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year shall be used.

Conversion at the Option of the Holder

The holders of shares of class B preferred stock have the right to convert them, in whole or in part, at any time prior to the mandatory conversion date and on or after the first day immediately following the issue date of the class B preferred stock, into shares of our common stock at the minimum conversion rate of shares of our common stock for each share of class B preferred stock, subject to adjustment under certain circumstances as described under Anti-Dilution Adjustments below.

Assuming a dividend is declared, holders of shares of class B preferred stock at the close of business on the record date for the payment of such dividend will be entitled to receive such dividend on the corresponding dividend payment date even if optional conversion of the shares of class B preferred stock occurs between that record date and the corresponding dividend payment date.

Except as described above, upon any optional conversion of shares of class B preferred stock, we will make no payment or allowance for unpaid dividends, whether or not in arrears, on the shares of class B preferred stock, or for prior dividends or distributions on the shares of our common stock issued upon conversion.

Early Conversion upon Cash Merger

Prior to the mandatory conversion date, if we are involved in a merger in which at least 30% of the consideration for our common stock consists of cash or cash equivalents, which we refer to as a cash merger, then on or after the date of the cash merger, each holder of shares of class B preferred stock will have the right to convert their shares of class B preferred stock at the conversion rate determined as set forth under Mandatory Conversion , calculated by assuming that the trading day immediately before the cash merger is the mandatory conversion date. We refer to this right as the merger early conversion right. We will provide each of the holders with a notice of the completion of a cash merger within five business days thereof. The notice will specify the conversion date, which shall be not less than 20 nor more than 35 days after the date of the notice, on which the merger early conversion will occur and a date by which each holder s merger early conversion right must be exercised. The notice will set forth, among other things, the applicable conversion rate and the amount of the cash, securities and other consideration receivable by the holder upon conversion. To exercise the merger early conversion right, a holder must deliver to us, on or before the date specified in the notice, the certificate evidencing such holder s shares of class B preferred stock, if the shares of class B preferred stock are held in certificated form. If a holder exercises the merger early conversion right, we will deliver to such holder on the merger early conversion date the kind and amount of securities, cash or other property that such holder would have been entitled to receive if it had converted its shares of class B preferred stock immediately before the cash merger at the conversion rate (determined as set forth under Mandatory Conversion) in effect at such time. If a holder does not elect to exercise the merger early conversion right, such holder s shares of class B preferred stock will remain outstanding and subject to mandatory conversion on the mandatory conversion date.

Anti-Dilution Adjustments

Each fixed conversion rate and the number of shares of common stock to be delivered as a result of the conversion described under Mandatory Conversion , Provisional Conversion at Our Option ,

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Conversion at the Option of the Holder and Early Conversion upon Cash Merger will be adjusted if the following events occur:

(1) We pay dividends and other distributions on our common stock in shares of our common stock.

(2) We issue to all holders of our common stock rights or warrants entitling them, for a period of up to 45 days, to subscribe for or purchase our common stock at less than the current market price, as defined below, of our common stock.

(3) We subdivide, split or combine our common stock.

(4) We distribute to all holders of our common stock evidences of our indebtedness, shares of capital stock, securities, cash or property (excluding any dividend or distribution covered by clauses (1) or (2) above and, with respect to any dividend or distribution paid exclusively in cash, excluding any dividend or distribution in connection with our liquidation, dissolution or termination), in which event each fixed conversion rate will be multiplied by a fraction,

the numerator of which is the current market price of our common stock, and

the denominator of which is the current market price of our common stock minus the fair market value, as determined by our board of directors, except as described in the following paragraph, of the portion of the assets or evidences of indebtedness, shares, securities, cash or property so distributed applicable to one share of common stock.

In the event that we make a distribution to all holders of our common stock consisting of capital stock of, or similar equity interests in, a subsidiary or other business unit of ours, each fixed conversion rate will be adjusted based on the market value of the securities being distributed relative to the market value of our common stock, in each case based on the average of the closing sale prices of those securities for the 10 trading days commencing on and including the fifth trading day after the ex-date for such distribution.

(5) We or any of our subsidiaries successfully completes a tender or exchange offer for our common stock to the extent that the cash and the value of any other consideration included in the payment per share of our common stock exceeds the closing price of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer, in which event each fixed conversion rate will be divided by a fraction,

the numerator of which shall be equal to (A) the product of (I) the closing price per share of our common stock on the first trading day after the date of expiration of the tender or exchange offer multiplied by (II) the number of shares of common stock outstanding, including any purchased shares, at such time less (B) the amount of cash plus the fair market value, as determined by our board of directors, of the aggregate consideration payable for all the shares of our common stock we purchased in such tender or exchange offer; and

the denominator of which will be the product of the number of shares of our common stock outstanding less any such purchased shares and the closing price of our common stock on the first trading day after the date of expiration of the tender or exchange offer.

(6) Someone other than us or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer in which, as of the closing date of the offer, our board of directors is not recommending rejection of the offer, in which event each fixed conversion rate will be multiplied by a fraction,

the numerator of which will be the sum of (x) the fair market value, as determined by our board of directors, of the aggregate consideration payable to our stockholders based on the acceptance, up to any maximum specified in the terms of the tender or exchange offer, of all shares validly tendered or exchanged and not withdrawn as of the expiration of the offer and (y) the product of the number of shares of our common stock outstanding less any such purchased shares and the

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closing price of our common stock on the trading day next succeeding the expiration of the tender or exchange offer; and

the denominator of which will be the product of the number of shares of our common stock outstanding, including any such purchased shares, and the closing price of our common stock on the trading day next succeeding the expiration of the tender or exchange offer.

The adjustment referred to in this clause (6) will only be made if:

the tender offer or exchange offer is for an amount that increases the offeror s ownership of common stock to more than 25% of the total shares of common stock outstanding; and

the cash and value of any other consideration included in the payment per share of common stock exceeds the closing sale price per share of common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to the tender or exchange offer.

However, the adjustment referred to in this clause will generally not be made if as of the closing of the offer, the offering documents disclose a plan or an intention to cause us to engage in a consolidation or merger or a sale of all or substantially all of our assets.

The current market price is the average of the daily closing prices for the five consecutive trading days preceding the earlier of the day preceding the day in question and the day before the ex-date with respect to the issuance or distribution requiring such computation. For purposes of this paragraph, the term ex-date, when used with respect to any such issuance or distribution, means the first date on which our common stock trades on the applicable exchange or in the applicable market, regular way, without the right to receive such issuance or distribution.

To the extent that we have a rights plan in effect with respect to our common stock, upon conversion of any share of class B preferred stock, you will receive, in addition to the common stock, the rights under the rights plan, unless, prior to such conversion, the rights have separated from the common stock, in which case each fixed conversion rate will be adjusted at the time of separation as if we made a distribution to all holders of our common stock as described in clause (4) above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

In the case of certain reclassifications, consolidations, mergers, sales or transfers of assets or other transactions that cause our common stock to be converted into the right to receive other securities, cash or property, each share of class B preferred stock that thereafter remains outstanding would, without the consent of the holders of the class B preferred stock, become convertible into such other securities, cash or property instead of our common stock. In such event, on the applicable conversion date, the conversion rate then in effect will be applied to the value on the applicable conversion date of the securities, cash or property a holder of one share of our common stock would have received in such transaction. Holders have the right to convert their shares of class B preferred stock early in the event of certain cash mergers as described under Early Conversion upon Cash Merger.

In addition, we may make such increases in each fixed conversion rate as we deem advisable for any reason. We may only make such a discretionary adjustment if we make the same proportionate adjustment to each fixed conversion rate.

In the event of a taxable distribution to holders of shares of our common stock that results in an adjustment of each fixed conversion rate or an increase in each fixed conversion rate in our discretion, holders of shares of class B preferred stock may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal income tax as a dividend. In addition, non-U.S. holders of class B preferred stock may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal withholding tax requirements. See U.S. Federal Income Tax Considerations Adjustment of Conversion Rate in this prospectus.

Adjustments to each fixed conversion rate will be calculated to the nearest 1/10,000th of a share. We will be required, as soon as practicable following the occurrence of an event that requires or permits an adjustment in each fixed conversion rate, to provide written notice to the holders of class B preferred stock of the occurrence of that event. We will also be required to deliver a statement setting forth in reasonable detail the method by which the adjustment to each fixed conversion rate was determined and setting forth each revised fixed conversion rate.

If an adjustment is made to the fixed conversion rates, a corresponding adjustment also will be made to the threshold appreciation price and the initial price.

Fractional Shares

No fractional shares of our common stock will be issued to holders of class B preferred stock. In lieu of any fractional share otherwise issuable in respect of the aggregate number of shares of class B preferred stock of any holder that are converted upon mandatory conversion or any optional conversion, that holder will be entitled to receive an amount in cash equal to the same fraction of:

- in the case of mandatory conversion, an early conversion at our option or a merger early conversion, the current market price of a share of common stock; or
- in the case of an optional conversion by a holder, the closing price per share of our common stock determined as of the trading day immediately preceding the effective date of conversion.

Common Stock Rights

Reference is made to the Description of Capital Stock for a description of the rights of holders of common stock to be delivered upon conversion of class B preferred stock.

Liquidation Rights

In the event of our liquidation, dissolution or winding up, the holders of class B preferred stock will be entitled to receive out of our assets available for distribution to shareholders, before any distribution or payment is made on any junior stock as to the distribution of assets upon our voluntary or involuntary liquidation, our dissolution or the winding up of our affairs, a liquidating distribution in the amount of $25 per share, plus an amount equal to the sum of all accrued and unpaid dividends, whether or not declared, for the then-current dividend period and all prior dividend periods.

For the purposes of the class B preferred stock, none of the following will constitute a voluntary or involuntary liquidation, dissolution or winding up of our affairs:

- the sale, lease or conveyance of all or substantially all of our property or business;
- the consolidation or merger of Conseco, Inc. with or into any other corporation; or
- the consolidation or merger of any other corporation with or into Conseco, Inc.

If, upon any voluntary or involuntary liquidation, dissolution or winding up, the amounts payable with respect to the shares of class B preferred stock then outstanding are not paid in full as provided above, no distribution may be made on account of any parity stock unless a pro rata distribution is made on the class B preferred stock. The holders of the class B preferred stock then outstanding and the holders of any parity stock then outstanding will share ratably in any distribution of assets upon such liquidation, dissolution or winding up. The amount allocable to the class B preferred stock and each series of parity stock then outstanding will be based on the proportion of their full respective liquidation preference (including any accrued and unpaid dividends, to the extent not included in the liquidation preference attributable to any such stock) to the aggregate liquidation preference of the outstanding shares of each such series.

After the payment to the holders of class B preferred stock of the full preferential amounts provided above, the holders of class B preferred stock will have no right or claim to any of our remaining assets.

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Voting Rights

The holders of the shares of class B preferred stock are not entitled to any voting rights, except as required by applicable state law, our amended and restated certificate of incorporation and as described below.

Unless the approval of a greater number of shares of class B preferred stock is required by law, we will not, without the approval of the holders of at least two-thirds of the shares of class B preferred stock then outstanding, voting together as a single class:

- amend, alter or repeal any provisions of our amended and restated certificate of incorporation or by-laws by way of merger, consolidation or otherwise, that would affect adversely any right, preference, privilege or voting power of the class B preferred stock;
- reclassify any of our authorized stock into any stock of any class, or any obligation or security convertible into or evidencing a right to purchase such stock, ranking senior to the class B preferred stock;
- issue, authorize or increase the authorized amount of, or issue or authorize any obligation or security convertible into or evidencing a right to purchase, stock ranking senior to the class B preferred stock; provided, that we may issue, authorize or increase the authorized amount of, or issue or authorize any obligation or security convertible into or evidencing a right to purchase, stock ranking on a parity with or junior to the class B preferred stock without the vote of the holders of the class B preferred stock; or
- voluntarily liquidate, dissolve or wind up our affairs, or sell, lease or convey, other than by mortgage, all or substantially all of our property or business, or consolidate or merge with or into any other corporation, except any such consolidation or merger wherein none of the rights, preferences, privileges or voting powers of the class B preferred stock or the holders thereof are adversely affected.

In addition, we will not, without the approval of each holder of shares of class B preferred stock affected thereby, amend our amended and restated certificate of incorporation in a manner that:

- adversely changes the dividends payable on the class B preferred stock;
- adversely changes the liquidation preference of the class B preferred stock; or
- adversely affects the conversion provisions of the class B preferred stock.

If and whenever six full quarterly dividends, whether or not consecutive, payable on the class B preferred stock or any parity stock are not paid, the number of directors constituting our board of directors will be increased by two and the holders of the class B preferred stock and any parity stock, voting together as a single class, with such vote being in proportion to the relative liquidation values of the voting shares, will be entitled to elect those additional directors. In the event of such a non-payment, any holder of such preferred stock, including the class B preferred stock, may request that we call a special meeting of the holders of such preferred stock for the purpose of electing the additional directors and we must call such meeting within 30 days of such request. If we fail to call such a meeting within 30 days of such request, then holders of 10% of such outstanding preferred stock, determined by liquidation value, including the class B preferred stock, taken as a single class, can call a meeting. If all accumulated dividends on such preferred stock, including the class B preferred stock, have been paid in full or set apart for payment and dividends for the current quarterly dividend period shall have been paid or set apart for payment, the holders of the class B preferred stock and such other preferred stock will no longer have the right to vote on directors and the term of office of each director so elected will terminate and the number of our directors will, without further action, be reduced by two.

In addition to the requirements set forth above, under Delaware law any amendment of our amended and restated certificate of incorporation, including any amendment related solely to the terms of the class B preferred stock, must be approved by a majority of all of our capital stock, including our common stock.

Miscellaneous

We will at all times on and after the first business day immediately following the issue date of the class B preferred stock reserve and keep available out of our authorized and unissued common stock, solely for issuance upon the conversion of the shares of class B preferred stock, that number of shares of common stock as shall from time to time be issuable upon the conversion of all the shares of class B preferred stock then outstanding. Any shares of class B preferred stock converted into our common stock or otherwise reacquired by us shall resume the status of authorized and unissued shares of our preferred stock, undesignated as to series, and shall be available for subsequent issuance.

Transfer Agent, Registrar and Paying Agent

Wachovia Bank, N.A. will act as transfer agent, registrar, and paying agent for the payment of dividends for the class B preferred stock.

Title

We, the transfer agent, registrar and paying agent may treat the registered holder of shares of class B preferred stock as the absolute owner of such shares of class B preferred stock for the purpose of making payment and settling the related conversions and for all other purposes.

Book-Entry, Delivery and Form

The Depository Trust Company, or DTC, will act as securities depositary for the class B preferred stock. The shares of class B preferred stock will be issued only as fully-registered securities registered in the name of Cede & Co., the depositary s nominee. One or more fully-registered global security certificates, representing the total aggregate number of shares of class B preferred stock, will be issued and deposited with the depositary and will bear a legend regarding the restrictions on exchanges and registration of transfer referred to below.

The laws of some jurisdictions require that some purchasers of securities take physical delivery of securities in definitive form. Those laws may impair the ability to transfer beneficial interests in shares of class B preferred stock so long as shares of class B preferred stock are represented by global security certificates.

The depositary is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934.

The depositary holds securities that its participants deposit with the depositary. The depositary also facilitates the settlement among participants of securities transactions, including transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants accounts, thus eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. The depositary is owned by a number of its direct participants and by the New York Stock Exchange, the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc., collectively referred to as participants. Access to the depositary system is also available to others, including securities brokers and dealers, bank and trust companies that clear transactions through or maintain a direct or indirect custodial relationship with a direct participant, collectively referred to as indirect participants. The rules applicable to the depositary and its participants are on file with the SEC.

Except as otherwise required by applicable law, no shares of class B preferred stock represented by global security certificates may be exchanged in whole or in part for shares of class B preferred stock registered, and no transfer of global security certificates will be made in whole or in part for shares of class B preferred stock registered, and no transfer of global security certificates in whole or in part may be

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registered, in the name of any person other than the depositary or any nominee of the depositary, unless, however, the depositary has notified us that it is unwilling or unable to continue as depositary for the global security certificates, has ceased to be qualified to act or we decide to discontinue the use of book-entry transfer through the depositary. All of the shares of class B preferred stock represented by one or more global security certificates or any portion of them will be registered in those names as the depositary may direct.

As long as the depositary or its nominee is the registered owner of the global security certificates, the depositary or that nominee will be considered the sole owner and holder of the global security certificates and all of the shares of class B preferred stock represented by those certificates for all purposes under the class B preferred stock. Except in the limited circumstances referred to above or as otherwise required by applicable law, owners of beneficial interests in global security certificates will not be entitled to have the global security certificates or the shares of class B preferred stock represented by those certificates registered in their names, will not receive or be entitled to receive physical delivery of certificates representing the shares of class B preferred stock in exchange and will not be considered to be owners or holders of the global security certificates or any of the shares of class B preferred stock represented by those certificates for any purpose under the class B preferred stock. All payments on the shares of class B preferred stock represented by the global security certificates and all related transfers and deliveries of common stock will be made to the depositary or its nominee as their holder.

Ownership of beneficial interests in the global security certificates will be limited to participants or persons that may hold beneficial interests through institutions that have accounts with the depositary or its nominee. Ownership of beneficial interests in global security certificates will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by the depositary or its nominee with respect to participants interests or by the participant with respect to interests of persons held by the participants on their behalf.

Procedures for conversion on the conversion date or upon early conversion will be governed by arrangements among the depositary, participants and persons that may hold beneficial interests through participants designed to permit the settlement without the physical movement of certificates. Payments, transfers, deliveries, exchanges and other matters relating to beneficial interests in global security certificates may be subject to various policies and procedures adopted by the depositary from time to time.

Neither we nor any of our agents will have any responsibility or liability for any aspect of the depositary s or any participant s records relating to, or for payments made on account of, beneficial interests in global security certificates, or for maintaining, supervising or reviewing any of the depositary s records or any participant s records relating to those beneficial ownership interests.

The information in this section concerning the depositary and its book-entry system has been obtained from sources that we believe to be reliable, but we do not take responsibility for its accuracy.

Replacement of Class B Preferred Stock Certificates

If physical certificates are issued, we will replace any mutilated certificate at your expense upon surrender of that certificate to the transfer agent. We will replace certificates that become destroyed or lost at your expense upon delivery to us and the transfer agent of satisfactory evidence that the certificate has been destroyed or lost, together with any indemnity that may be required by the transfer agent and us.

We, however, are not required to issue any certificates representing shares of class B preferred stock on or after the applicable conversion date. In place of the delivery of a replacement certificate following the applicable conversion date, the transfer agent, upon delivery of the evidence and indemnity described above, will deliver the shares of our common stock issuable pursuant to the terms of the class B preferred stock formerly evidenced by the certificate.

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[P] U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of U.S. federal income tax considerations relating to the purchase, ownership and disposition of our class B preferred stock and the common stock acquired upon the conversion thereof, but does not purport to be a complete analysis of all the potential tax considerations. This summary is based on the provisions of the Internal Revenue Code of 1986, as amended, the Treasury regulations promulgated or proposed thereunder, judicial authority, published administrative positions of the Internal Revenue Service and other applicable authorities, all as in effect on the date of this prospectus. These authorities may be changed, possibly on a retroactive basis, so as to result in U.S. federal income tax consequences different from those set forth below. We have not sought any ruling from the IRS with respect to the statements made and the conclusions reached in the following summary. This summary deals only with holders that will hold our class B preferred stock or any of our common stock received upon conversion thereof as a capital asset within the meaning of Section 1221 of the Code. This summary does not purport to deal with all aspects of U.S. federal income taxation that might be relevant to particular holders in light of their personal investment circumstances or status, nor does it address tax considerations applicable to investors that may be subject to special tax rules, such as banks, certain financial institutions, tax-exempt organizations, S corporations, partnerships or other pass-through entities, insurance companies, broker-dealers, dealers or traders in securities or currencies, expatriates subject to Code Section 877 and taxpayers subject to the alternative minimum tax. This summary also does not discuss our class B preferred stock held as part of a hedge, straddle, synthetic security or conversion transaction, or situations in which the functional currency of a U.S. holder is not the U.S. dollar. Moreover, the effect of any applicable estate, state, local or non-U.S. tax laws is not discussed.

Investors considering the purchase of our class B preferred stock are urged to consult their own tax advisors with respect to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the estate tax laws or the laws of any state, local or non-U.S. taxing jurisdiction or under any applicable tax treaty.

The term U.S. holder means a holder of our class B preferred stock or common stock received upon conversion thereof that is, for U.S. federal income tax purposes:

(1) a citizen or resident of the United States;

(2) a corporation or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States or of any political subdivision thereof;

(3) an estate, the income of which is subject to U.S. federal income taxation regardless of source; or

(4) a trust, if (i) a court within the United States is able to exercise primary jurisdiction over its administration and one or more U.S. persons has the authority to control all of its substantial decisions, or (ii) in the case of a trust that was treated as a domestic trust under the law in effect before 1997, a valid election is in place under applicable Treasury regulations to treat such trust as a domestic trust.

The term non-U.S. holder means a holder of our class B preferred stock or common stock received upon conversion thereof that is neither a U.S. holder nor a partnership for U.S. federal income tax purposes.

A holder of our class B preferred stock or common stock received upon conversion thereof that is a partnership for U.S. federal income tax purposes is not subject to income tax on income or gain derived from our class B preferred stock or common stock received upon conversion thereof. A partner of the partnership may be subject to tax on such income under rules similar to the rules for U.S. holders or non-U.S. holders depending on whether (i) the partner is a U.S. or a non-U.S. person, and (ii) the partnership is or is not engaged in a U.S. trade or business to which the income or gain is effectively connected. If you are a partner of a partnership holding our class B preferred stock, you should consult your tax advisor regarding the tax consequences of the ownership and disposition of our class B preferred stock or common stock received upon conversion thereof.

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U.S. Holders

Distributions. Distributions of cash on our class B preferred stock or common stock received upon conversion thereof will be taxed as dividends to the extent they are paid out of our current or accumulated earnings and profits as calculated for U.S. federal income tax purposes. To the extent that the amount of any distribution paid on our class B preferred stock or common stock received upon conversion thereof exceeds our current and accumulated earnings and profits, it will be treated first as a tax-free return of the U.S. holder s adjusted tax basis in the class B preferred stock or common stock received upon conversion thereof and thereafter as capital gain, which will be long-term capital gain if the holder has held such stock for more than one year.

Dividends received by non-corporate U.S. holders on or before December 31, 2008 will be qualified dividends, taxed at the rates applicable to long-term capital gains if (i) the holder has held the stock for more than 60 days during the 120-day period beginning 60 days before the ex-dividend date and ending 60 days after the ex-dividend date and (ii) the holder is not obligated to make related payments with respect to those positions in substantially similar or related property. Non-corporate U.S. holders should consult their own tax advisors regarding their eligibility for such lower tax rates.

Corporate U.S. holders of our class B preferred stock or common stock received upon conversion thereof generally should be eligible for the 70% dividends received deduction with respect to the portion of any distribution which is taxed as a dividend for U.S. federal income tax purposes. However, corporate U.S. holders should consider the possible effect on them of:

Section 1059 of the Code, which reduces a corporate shareholder s basis in stock and may result in the recognition of gain by the nontaxed portion of an extraordinary dividend where such holder has not held the stock for more than two years before the dividend announcement date,

Section 246A of the Code, which reduces the dividends received deduction allowed to a corporate shareholder that has incurred indebtedness that is directly attributable to an investment in portfolio stock,

Section 246(b) of the Code, which limits the amount of the dividends received deduction to a percentage of the shareholder s taxable income, and

Section 246(c) of the Code, which, among other things, disallows the dividends received deduction in respect of any dividend on a share of stock that has been held for 45 days or less during the 90-day period beginning on the date which is 45 days before the ex-dividend date with respect to such dividend, or held 90 days or less during a 180-day period, in the case of certain preferred dividends attributable to periods aggregating in excess of 366 days. For this purpose, any period in which a holder of our class B preferred stock or common stock received upon conversion thereof has an option to sell, is under a contractual obligation to sell, has made and not closed a short sale of, or has granted certain options to buy substantially identical stock or securities, or holds one or more other positions with respect to substantially similar or related property that diminish the risk of loss of holding such stock, will not be counted toward the 45-day (or 90-day) holding period.

Corporate U.S. holders should also consider the effect of the corporate alternative minimum tax, which imposes a maximum tax rate of 20% on a corporation s alternative minimum taxable income for the tax year and which is calculated without regard to the dividends received deduction. Corporate U.S. holders should consult their own tax advisors regarding the availability of, and limitations on, the dividends received deduction.

Sale or Exchange. A U.S. holder generally will recognize gain or loss on the sale or other taxable disposition of our class B preferred stock or common stock received upon conversion thereof equal to the difference between the amount of cash and the fair market value of property received and the U.S. Holder s adjusted tax basis in the stock sold or exchanged. This gain or loss will be capital gain or loss and will be long-term capital gain or loss if the stock was held for a period exceeding one year. The deductibility of

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capital losses is subject to limitations; U.S. holders should consult their tax advisors regarding these limitations.

Conversion. A U.S. holder generally will not recognize gain or loss upon the conversion of our class B preferred stock into shares of our common stock except with respect to any cash the U.S. holder receives in lieu of fractional shares of our common stock. However, a U.S. holder may recognize dividend income to the extent that it receives cash or common stock in respect of dividends in arrears on the class B preferred stock at the time of its conversion into common stock.

A U.S. holder that receives cash in lieu of fractional shares will be treated as receiving a dividend subject to tax in accordance with the principles described above in Distributions if that receipt of cash has the effect of the distribution of a dividend for U.S. federal income tax purposes. In that case, the portion of the U.S. holder s tax basis, reduced for amounts, if any, treated as a return of capital, in the class B preferred stock allocable to the fractional share will be transferred to the common stock received upon conversion, subject, in the case of a corporate holder, to reduction or possible gain recognition under Section 1059 of the Code. If the receipt of cash in lieu of fractional shares does not have the effect of the distribution of a dividend, a U.S. holder that receives cash in lieu of fractional shares will recognize gain or loss in an amount equal to the difference between the portion of that holder s tax basis in our class B preferred stock allocable to the fractional share and the cash payment received in lieu thereof. That gain or loss would be capital gain and would be long-term capital gain if the holding period for that stock exceeded one year.

If there is a Provisional Conversion, the income tax consequences regarding the receipt of the additional cash amount equal to the present value of all remaining dividend payments are unclear. The additional cash amount could be treated as a distribution, subject to tax as a dividend to the extent of our current and accumulated earnings and profits, as described above under Distributions. Alternatively, the additional cash amount could be treated as an additional payment received in connection with the conversion of our class B preferred stock into common stock, in which case any gain realized by a holder on that conversion, that is the excess, if any, of the amount of cash and the fair market value of common stock received over the adjusted tax basis of class B preferred stock relinquished, would be recognized to the extent of the additional cash amount. This recognized gain would be subject to tax as a dividend, to the extent of our current and accumulated earnings and profits, if the receipt of the additional cash amount is treated as the distribution of a dividend under section 302(a) of the Code. Gain recognized in excess of a holder s ratable share of our current and accumulated earnings and profits would be capital gain. If the receipt of the additional cash amount is not treated as the distribution of a dividend under section 302(a) of the Code, the gain recognized by a U.S. holder would be capital gain and would be long-term capital gain if the holding period exceeded one year.

To determine if the receipt of the cash paid in lieu of fractional shares or of the additional cash amount is treated as the distribution of a dividend for U.S. federal income tax purposes, a U.S. holder would be treated as if it received solely our common stock upon conversion of our class B preferred stock and then exchanged the extra shares of common stock for the cash received. The receipt of the additional cash will be treated as the distribution of a dividend under section 302(a) of the Code unless the deemed redemption of the common stock meets one of the tests set forth in section 302(b) of the Code. Under one of these tests, the deemed purchase of the extra shares by us for cash will be treated as not essentially equivalent to a dividend if the reduction in the U.S. holder s proportionate interest in Conseco as a result of the purchase constitutes a meaningful reduction given the U.S. holder s particular circumstances. The IRS has indicated in a published revenue ruling that even a small reduction in the percentage interest of a stockholder whose relative stock interest in a publicly held corporation is minimal (for example, an interest of less than 1%) and who exercises no control over corporate affairs should constitute a meaningful reduction. Prospective investors are advised to consult their tax advisors to determine the tax treatment of the receipt of cash paid in lieu of fractional shares or of the additional cash.

The tax basis of the common stock received upon conversion of shares of our class B preferred stock will generally be equal to the tax basis of the shares of class B preferred stock so converted and the holding

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period of the common stock will generally include the holding period of the shares of class B preferred stock converted. The tax basis of any common stock received on conversion and treated as a dividend will be equal to its fair market value on the date of the distribution and the holding period of that common stock will commence on the day after its receipt.

Holders of our class B preferred stock may not receive fewer shares of common stock upon conversion than the number they would receive by application of the minimum conversion rate nor more shares than the number they would receive by application of the maximum conversion rate, depending on when the shares are converted and, if converted on the mandatory conversion date, the market value of our common stock on that date. A holder s right to receive a greater number of shares of our common stock at the mandatory conversion date than they would receive by application of the minimum conversion rate could be viewed as a constructive distribution of stock to such holder under section 305 of the Code, which, if so treated, would be subject to tax as a dividend to the extent of our current and accumulated earnings and profits. While the matter is not free from doubt due to a lack of authority directly on point, such a right on the part of a holder of our class B preferred stock should not result in a constructive distribution of stock. Accordingly, absent a change of law or a differing interpretation by the IRS after the date hereof, Conseco will consistently treat the receipt of shares in a number greater than the number the shareholder would receive using the minimum conversion rate as other than a dividend. Prospective investors are urged to consult their tax advisors to determine the tax treatment of the additional common stock.

Adjustment of Conversion Rate. U.S. holders of our class B preferred stock may be deemed to have received a constructive distribution of stock that is subject to tax as a dividend when the conversion rate is adjusted as a result of anti-dilution adjustments. An adjustment to the conversion rate made pursuant to a bona fide reasonable adjustment formula that has the effect of preventing the dilution of the interest of the U.S. holders generally will not be considered to result in a constructive distribution of stock. Some of the possible adjustments provided for in our class B preferred stock, such as to take account of distributions of cash or property with respect to other classes of stock, will not qualify as being pursuant to a bona fide reasonable adjustment formula. If such a non-qualifying adjustment were made or if adjustments were not made in some cases, U.S. holders of our class B preferred stock would be deemed to have received a taxable stock distribution. In that case, the amount of the taxable stock distribution to be included in income would be the fair market value of the additional common stock to which U.S. holders of our class B preferred stock would be entitled by reason of the increase in such holders proportionate equity interest in Conseco to the extent of our current and accumulated earnings and profits. The taxable stock distribution would be taxable in the same manner as a cash distribution of an equal amount would be taxed as explained above in Dividends . U.S. holders of our class B preferred stock would be required to include their allocable share of that constructive dividend in gross income but would not receive any cash related to it.

Information Reporting and Backup Withholding. In general, a payor must report information to the IRS with respect to payments of dividends on, and payments of the proceeds of the sale or redemption of, our class B preferred stock to non-corporate U.S. holders. The payor, which may be us or an intermediate payor, will be required to withhold backup withholding tax, currently at a rate of 28%, if:

- the payee fails to furnish a taxpayer identification number to the payor or establish an exemption from backup withholding,
- the IRS notifies the payor that the taxpayer identification number furnished by the payee is incorrect,
- there has been a notified payee underreporting described in Section 3406(c) of the Code or
- the payee has not certified under penalties of perjury that it has furnished a correct taxpayer identification number and that the IRS has not notified the payee that it is subject to backup withholding under the Code.

Any amounts withheld under the backup withholding rules from a payment to a U.S. holder will be allowed as a credit against that holder s U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information is furnished to the IRS on a timely basis.

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Non-U.S. Holders

Dividends. In general, distributions treated as dividends, possibly including certain constructive distributions described above in Adjustment of Conversion Rate received by non-U.S. holders on our class B preferred stock or common stock received upon conversion thereof will be subject to a 30% U.S. federal withholding tax, subject to reduction if the holder is eligible for the benefits of an applicable income tax treaty. Dividends that are effectively connected with such non-U.S. holder s conduct of a trade or business within the United States, or if a tax treaty applies, dividends that are attributable to a U.S. permanent establishment of such holder are generally subject to U.S. federal income tax on a net income basis and are exempt from the 30% withholding tax, assuming compliance with the certification requirements described below). Any such effectively connected dividends received by a non-U.S. holder that is a corporation may also, in some cases, be subject to an additional branch profits tax at a 30% rate or such lower rate as may be applicable under an income tax treaty.

For purposes of obtaining a reduced rate of withholding under an income tax treaty or to establish an exemption from withholding on effectively connected dividends, a non-U.S. holder should provide a properly executed Form W-8BEN, if the holder is claiming the benefits of an income tax treaty, or Form W-8ECI, if the dividends are effectively connected with a trade or business in the United States, or suitable substitute form to us or our paying agent.

Sale or Other Taxable Disposition. Non-U.S. holders will generally not be subject to U.S. federal income taxes, including withholding taxes, on gain recognized on a disposition of our class B preferred stock or common stock received upon conversion thereof as long as:

the gain is not effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States (or if a tax treaty applies, attributable to a U.S. permanent establishment maintained by such non-U.S. holder);

in the case of a non-U.S. holder who is an individual, such non-U.S. holder is not present in the United States for 183 days or more in the taxable year of disposition and certain other requirements are met; and

we are not and have not been a United States real property holding corporation, within the meaning of section 897 of the Code for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding such disposition or such non-U.S. holder s holding period. We do not believe that we are currently, nor do we anticipate becoming, a United States real property holding corporation.

Conversion. Non-U.S. holders generally will not recognize any gain or loss for United States federal income tax purposes upon the conversion of our class B preferred stock into our common stock. However, a non-U.S. holder receiving cash in lieu of fractional shares, receiving additional cash amounts pursuant to a Provisional Conversion or receiving dividends in arrears in the form of cash or additional common stock on conversion will be treated as described in the discussion above pertaining to U.S. holders with respect to those distributions. If any of those distributions are treated as dividends for U.S. federal income tax purposes, we must withhold 30% of such distribution as described above in Non-U.S. Holders Dividends unless we receive the forms and certifications described in that section. If we withhold tax from any payment of such amounts and such payment were determined not to be subject to tax in the United States, a non-U.S. holder would be entitled to a refund of any tax withheld.

Backup Withholding and Information Reporting. United States information reporting requirements and backup withholding tax generally will not apply to payments made on, and payments of the proceeds of the sale or redemption of, our class B preferred stock or common stock received upon conversion thereof to a non-U.S. holder if the statement described in Non-U.S. holders Dividends is duly provided by that holder, provided that the payor does not have actual knowledge or reason to know that the holder is a U.S. person. If a non-U.S. holder holds our class B preferred stock through a financial institution or other agent acting on the holder s behalf, the holder may be required to provide appropriate certifications to the agent. The holder s agent will then generally be required to provide appropriate certifications to us.

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DESCRIPTION OF CAPITAL STOCK

General

The following description of our capital stock is a summary. It summarizes only those aspects of our capital stock that we believe will be most important to your decision to invest in our capital stock. You should keep in mind, however, that it is our certificate of incorporation, including any certificates of designations that are a part of our certificate of incorporation, and our bylaws and Delaware law, and not this summary, which define your rights as a securityholder. There may be other provisions in these documents that are also important to you. You should read these documents for a full description of the terms of our capital stock. Our certificate of incorporation, including any certificates of designations, and our bylaws are filed as exhibits to the registration statement of which this prospectus forms a part.

Our certificate of incorporation authorizes us to issue 8,000,000,000 shares of common stock, par value $0.01 per share, and 265,000,000 shares of preferred stock, par value $0.01 per share. As of December 31, 2003 there were 100,115,772 shares of our common stock outstanding and 34,386,740 shares of our class A preferred stock outstanding. We have also issued series A warrants to purchase shares of our common stock. The series A warrants are exercisable for an aggregate of 6,000,000 shares of our common stock at an exercise price of $27.60 per share, subject to certain anti-dilution provisions, and expire on September 10, 2008.

Class A Preferred Stock

In connection with our predecessor s plan of reorganization, we issued 34,386,740 shares of class A preferred stock to holders of our predecessor s senior bank debt.

Ranking. The shares of class A preferred stock have preference over the shares of common stock with respect to payment of dividends and the distribution of assets in the event of our liquidation, winding up or dissolution.

Liquidation. Upon our liquidation, dissolution or winding up, no distribution shall be made:

- to the holders of stock ranking junior to the class A preferred stock unless, prior thereto, the holders of class A preferred stock shall have received a liquidation preference of $25.00 per share, plus an amount equal to accrued but unpaid dividends thereon, whether or not declared, through the date of such payment, or

- to the holders of stock ranking on a parity with the class A preferred stock, except distributions made ratably on the class A preferred stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up.

Dividends. Holders of shares of class A preferred stock are initially entitled to receive dividends at a rate per annum equal to 10.5% of the liquidation preference per share. The dividend rate per annum increases to 11% on September 10, 2005, the second anniversary of the issue date. These dividends are cumulative and are payable semi-annually in additional shares of class A preferred stock until the later of:

- September 10, 2005, the second anniversary of the issue date; and

- the next fiscal quarter after the date that our principal insurance subsidiaries achieve at least an A- category financial strength rating by A.M. Best.

Thereafter, such dividends are payable semi-annually in cash out of funds legally available for the payment of dividends or, at our option, in additional shares of class A preferred stock.

We may not declare, pay or set apart for payment any dividends or other distributions on parity securities or junior securities or make any payment on account of, or set apart for payment money for a sinking or other similar fund for, the purchase, redemption or other retirement of any parity securities or junior securities, and will not permit any corporation or other entity we directly or indirectly control to purchase or redeem any parity securities or junior securities, unless full cumulative dividends have been paid on the class A preferred stock.

Voting. Holders of class A preferred stock vote as a class on each of the following events or transactions, unless all of the class A preferred stock is redeemed concurrently with such event or transaction:

sale of all or substantially all of our assets;

our merger or consolidation;

our liquidation or dissolution;

issuances of subsidiary preferred stock to a third party;

issuances of debt, subject to exceptions, or senior equity securities unless the proceeds are used to pay down debt under our senior credit facility;

issuances of pari passu securities unless the proceeds are used to pay down debt under our senior credit facility or to redeem class A preferred stock, subject to limitations;

amendments to our certificate of incorporation or class A preferred stock certificate of designations that adversely change the rights or preferences of the class A preferred stock; and

redemptions of and payment of cash dividends on pari passu and junior securities, subject to an exception for any bona fide plan for the benefit of our directors, officers or employees.

Following the occurrence of a trigger event, the holders of class A preferred stock will have the right to vote on an as-converted basis on all corporate matters on which holders of common stock have the right to vote and will have the right to call a shareholders meeting for the election of directors and nominate directors to serve on the board of directors, subject to our right to cure certain trigger events until September 10, 2004, the first anniversary of the issue date. For purposes of the preceding sentence, a trigger event is defined to include:

reduction in certain A.M. Best ratings;

any payment default under our senior credit facility;

any material adverse regulatory event affecting any material insurance subsidiary;

conversion rights under the class A preferred stock becoming exercisable;

failure to comply with the minimum EBITDA requirements as set forth on Schedule A to the class A preferred stock certificate of designations; and

failure to maintain certain minimum risk-based capital ratios as set forth on Schedules B and C to the class A preferred stock certificate of designations.

Redemption. Subject to the limitations contained in our senior credit facility, the availability of cash, and the limitations under applicable insurance laws, if any, we may, in our sole discretion, redeem any or all of the shares of class A preferred stock, at a redemption price equal to the liquidation preference, plus all accrued but unpaid dividends, whether or not declared, for each share as of the redemption date. In the event of a redemption of only a portion of the then outstanding shares of class A preferred stock, we will effect such redemption on a pro rata basis according to the number of shares held by each holder of class A preferred stock, provided that we may redeem any or all such shares held by any holder of fewer than 100 shares or shares held by any holder who would hold less than 100 shares as a result of such redemption, as we may determine.

Conversion. Shares of class A preferred stock are convertible by holders at any time on or after September 30, 2005 into shares of common stock at a conversion price of $20.35 per share, subject to adjustment upon the occurrence of certain events.

Exchange. On and after September 10, 2013, the tenth anniversary of the effective date of our predecessor s plan of reorganization, shares of class A preferred stock are exchangeable, at the holder s option, into shares of common stock having a fair market value on the exchange date equal to the liquidation preference, plus accrued and unpaid dividends, whether declared or not, subject to a maximum number of shares of common stock issuable upon exchange. At our option, we may pay cash in an amount equal to the liquidation preference, plus accrued and unpaid dividends, whether declared or not, in lieu of delivering shares of common stock upon exchange.

Other. Our class A preferred stock currently is quoted on the Over-the-Counter Bulletin Board under the symbol CNSJP. Wachovia Bank, N.A. is the transfer agent and registrar for our class A preferred stock.

[C] Class B Preferred Stock

Concurrently with this offering of common stock, we plan to issue 20,000,000 shares of class B preferred stock.

Ranking. The shares of class B preferred stock have preference over the shares of common stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation, winding up or dissolution.

Liquidation. Upon our liquidation, dissolution or winding up, no distribution shall be made:

to the holders of stock ranking junior to the class B preferred stock unless, prior thereto, the holders of class B preferred stock shall have received a liquidation preference of $25 per share, plus an amount equal to accrued but unpaid dividends thereon, whether or not declared, through the date of such payment, or

to the holders of stock ranking on a parity with the class B preferred stock, unless such distributions are made ratably on the class B preferred stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up.

Dividends. Holders of shares of class B preferred stock are entitled to receive dividends in cash at a rate per annum equal to $ per share. The initial dividend on the class B preferred stock, for the first dividend period, assuming the issue date is , 2004, will be $ per share of class B preferred stock. Each subsequent quarterly dividend on the shares of class B preferred stock will be $ per share of class B preferred stock. Accumulated unpaid dividends will cumulate dividends at the annual rate of %.

We are obligated to pay each dividend on the class B preferred stock in cash unless prohibited by the terms of our senior credit facility or applicable law. The shares of class B preferred stock are entitled to receive payment of dividends pro rata with any other class or series of our capital stock the terms of which provide that such class or series will rank on a parity with the class B preferred stock.

Payment Restrictions. Unless all dividends on the class B preferred stock have been paid in cash, we may not declare or pay any dividend or make any distribution of assets on any of our junior securities now or hereafter authorized, including our common stock, which we call junior stock, other than dividends or distributions in the form of junior stock. We may not redeem, purchase or otherwise acquire any junior stock, other than the class A preferred stock, except upon conversion or exchange for other junior stock, or redeem, purchase or otherwise acquire any parity securities now or hereafter authorized, except upon conversion or exchange for junior stock.

Voting. Unless the approval of a greater number of shares of class B preferred stock is required by law, we will not, without the approval of the holders of at least two-thirds of the shares of class B preferred stock then outstanding, voting together as a single class:

- sell, lease or convey all or substantially all of our assets;
- merge or consolidate with or into any other corporation, except any such consolidation or merger wherein none of the rights, preferences, privileges or voting powers of the class B preferred stock or the holders thereof are adversely affected;
- voluntarily liquidate, dissolve or wind up our affairs;
- amend, alter or repeal any provisions of our amended and restated certificate of incorporation or by-laws by way of merger, consolidation or otherwise, that would affect adversely any right, preference, privilege or voting power of the class B preferred stock;
- reclassify any of our authorized stock into any stock of any class, or any obligation or security convertible into or evidencing a right to purchase such stock, ranking senior to the class B preferred stock; or
- issue, authorize or increase the authorized amount of, or issue or authorize any obligation or security convertible into or evidencing a right to purchase, stock ranking senior to the class B preferred stock; provided, that we may issue, authorize or increase the authorized amount of, or issue or authorize any obligation or security convertible into or evidencing a right to purchase, stock ranking on a parity with or junior to the class B preferred stock without the vote of the holders of the class B preferred stock.

In addition, we will not, without the approval of each holder of shares of class B preferred stock affected thereby, amend our amended and restated certificate of incorporation in a manner that:

- adversely changes the dividends payable on the class B preferred stock;
- adversely changes the liquidation preference of the class B preferred stock; or
- adversely affects the conversion provisions of the class B preferred stock.

If and whenever six full quarterly dividends, whether or not consecutive, payable on the class B preferred stock or any parity stock are not paid, the number of directors constituting our board of directors will be increased by two and the holders of our class B preferred stock and any parity stock, voting together as a single class, will be entitled to elect those additional directors. In the event of such a non-payment, any holder of such preferred stock, including the class B preferred stock, may request that we call a special meeting of the holders of such preferred stock for the purpose of electing the additional directors and we must call such meeting within 30 days of such request. If we fail to call such a meeting within 30 days of such request, then holders of 10% of such outstanding preferred stock, including the class B preferred stock, taken as a single class, can call a meeting. If all accumulated dividends on such preferred stock, including the class B preferred stock, have been paid in full or set apart for payment and dividends for the current quarterly dividend period shall have been paid or set apart for payment, the holders of the class B preferred stock and such other preferred stock will no longer have the right to vote on directors and the term of office of each director so elected will terminate and the number of our directors will, without further action, be reduced by two.

Redemption. The class B preferred stock is not redeemable.

Mandatory Conversion. Each of the shares of class B preferred stock, unless previously converted, will automatically convert on May 15, 2007, which we call the mandatory conversion date, into a number of newly issued shares of our common stock at the conversion rate described below:

- If the applicable market value of our common stock is equal to or greater than $, which we call the threshold appreciation price, then the conversion rate will be shares of our common stock per share of class B preferred stock (the minimum conversion rate).

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- If the applicable market value of our common stock is less than the threshold appreciation price but greater than $, which we call the initial price, the conversion rate will be equal to $25 divided by the applicable market value of our common stock per share of class B preferred stock.

- If the applicable market value of our common stock is less than or equal to the initial price, the conversion rate will be shares of our common stock per share of class B preferred stock (the maximum conversion rate).

In addition to the number of newly issued shares of our common stock issuable upon conversion of each share of class B preferred stock on the mandatory conversion date as provided above, holders will receive on the mandatory conversion date a payment in cash equal to all accumulated and unpaid dividends on the class B preferred stock, to the extent not prohibited by the terms of our senior credit facility or applicable law. In the event that applicable law or our senior credit facility prohibit us from paying such accumulated and unpaid dividends in cash on the mandatory conversion date, we are obligated to deliver shares of our common stock in respect of such unpaid dividends.

Provisional Conversion. Prior to the mandatory conversion date and on or after the day following the issue date of the class B preferred stock, we may at our option cause the conversion of all, but not less than all, of the shares of class B preferred stock then outstanding into shares of our common stock at the minimum conversion rate of shares of our common stock for each share of class B preferred stock; provided that the closing price per share of our common stock has exceeded 150% of the threshold appreciation price, initially $, for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day prior to the date that we give notice of the optional conversion. We will be able to cause this conversion only if, in addition to issuing holders shares of our common stock as described above, we pay in cash (1) an amount equal to any accrued and unpaid dividends on the shares of class B preferred stock, whether or not declared, and (2) the present value of all remaining dividend payments on the shares of class B preferred stock through and including May 15, 2007, in each case, out of legally available assets.

Conversion at the Option of the Holder. The holders of shares of class B preferred stock have the right to convert them, in whole or in part, at any time prior to the mandatory conversion date and on or after the day following the issue date of the class B preferred stock, into shares of our common stock at the minimum conversion rate of shares of our common stock for each share of class B preferred stock.

Mandatory Conversion Upon Cash Merger. Prior to the mandatory conversion date, if we are involved in a merger in which at least 30% of the consideration for our common stock consists of cash or cash equivalents, which we refer to as a cash merger, then on or after the date of the cash merger, each holder of shares of class B preferred stock will have the right to convert their shares of class B preferred stock at the applicable mandatory conversion rate assuming that the trading day immediately before the cash merger is the mandatory conversion date.

Anti-Dilution Adjustments. The formula for determining the conversion rate on the mandatory conversion date and the number of shares of our common stock to be delivered upon an early conversion event may be adjusted if certain events occur, including if:

- we pay dividends and other distributions on our common stock in shares of our common stock;

- we issue to all holders of our common stock rights or warrants entitling them, for a period of up to 45 days, to subscribe for or purchase our common stock at less than the current market price of our common stock;

- we subdivide, split or combine our common stock;

- we distribute to all holders of our common stock evidences of our indebtedness, shares of capital stock, securities, cash or property;

- we or any of our subsidiaries successfully completes a tender or exchange offer for our common stock to the extent that the cash and the value of any other consideration included in the payment per share of our common stock exceeds the closing price of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer; or

someone other than us or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer in which, as of the closing date of the offer, our board of directors is not recommending rejection of the offer, the tender offer or exchange offer is for an amount that increases the offeror s ownership of common stock to more than 25% of the total shares of common stock outstanding, and the cash and value of any other consideration included in the payment per share of common stock exceeds the closing sale price per share of common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to the tender or exchange offer.

Other. On or after the day immediately following the issue date of the class B preferred stock, we will at all times reserve and keep available out of our authorized and unissued common stock, solely for issuance upon the conversion of the shares of class B preferred stock, that number of shares of common stock as shall from time to time be issuable upon the conversion of all the shares of class B preferred stock then outstanding.

Common Stock

Our common stock is listed on the New York Stock Exchange under the symbol CNO. Wachovia Bank, N.A. is the transfer agent and registrar for our common stock. All outstanding shares of common stock are, and the shares of common stock issued under this prospectus will be, fully paid and non-assessable.

Dividends. Except as otherwise provided by Delaware law or our certificate of incorporation, and subject to all rights and preferences of holders of any outstanding shares of preferred stock, holders of common stock share ratably in all dividends and distributions, whether upon liquidation or dissolution or otherwise.

Voting. Except as otherwise provided by Delaware law or our certificate of incorporation and subject to the rights of holders of any outstanding shares of preferred stock, all of the voting power of our stockholders is vested in the holders of our common stock, and each holder of common stock has one vote for each share held by such holder on all matters voted upon by our stockholders.

Notwithstanding the voting rights granted to holders of common stock and preferred stock in our certificate of incorporation or in any certificate of designations relating to any preferred stock, the voting rights of any common stock or preferred stock held by any holder as of September 10, 2003, the effective date of our predecessor s plan of reorganization, is automatically reduced with respect to any particular stockholder vote or action by written consent to the extent, if any, required to avoid a presumption of control arising from the beneficial ownership of voting securities under the insurance statutes or regulations applicable to any of our direct or indirect insurance company subsidiaries, provided that no such reduction reduces such voting rights, without such holder s written consent:

by more than the minimum amount required to reduce such voting rights to less than 10% of the aggregate voting rights of all stock entitled to vote or consent with respect to such vote or action, or

to the extent that such holder s acquisition of control or deemed acquisition of control of our direct and indirect insurance company subsidiaries has been approved under, or is exempt from the approval requirements of, all insurance statutes and regulations applicable to our direct and indirect insurance company subsidiaries.

Board of Directors; Classification of Directors. Except as otherwise provided in our certificate of incorporation or any duly authorized certificate of designations of any series of preferred stock, directors are elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting of the stockholders at which directors are elected and entitled to vote in the election of directors or pursuant to a valid written consent in lieu of a meeting.

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At each annual meeting of stockholders, directors are elected to hold office until the expiration of the term for which they are elected, and until their successors have been duly elected and qualified; except that if any such election is not so held, such election will take place at a stockholders meeting called and held in accordance with Delaware law. Our directors are initially divided into two classes as nearly equal in size as is practicable, designated Class I and Class II. The term of office of the initial Class I directors expires at the next succeeding annual meeting of stockholders and the term of office of the initial Class II directors expires at the second succeeding annual meeting of stockholders. Other than the term of office of the initial Class II directors, the term of office of each class of directors expires at the next succeeding annual meeting of stockholders. The initial Class I and Class II directors are those directors elected in connection with the adoption of our certificate of incorporation on September 10, 2003. At each annual meeting of stockholders, directors to replace those of a class or classes whose terms expire at such annual meeting will be elected to hold office until the next succeeding annual meeting and until their respective successors have been duly elected and qualified. If the number of directors is changed, any newly created directorships or decrease in directorships will be so apportioned among the classes so as to make all classes as nearly equal in number as practicable.

Other. Our common stock is not convertible into, or exchangeable for, any other class or series of our capital stock. Holders of common stock have no preemptive or other rights to subscribe for or purchase additional securities of Conseco. Shares of common stock are not subject to calls or assessments.

Series A Warrants

In connection with our predecessor s plan of reorganization, we issued series A warrants to purchase shares of our common stock to holders of our predecessor s trust preferred securities.

General. Each series A warrant entitles its holder to purchase one share of common stock at a price of $27.60 per share. The series A warrants are exercisable for an aggregate of 6,000,000 shares of common stock and expire on September 10, 2008.

Antidilution Provisions. If we:

pay a dividend or make a distribution on our common stock in shares of common stock,

subdivide the outstanding shares of common stock into a greater number of shares,

combine the outstanding shares of our common stock into a smaller number of shares, or

issue by reclassification of our common stock any shares of our capital stock,

then the exercise price of the series A warrants in effect immediately prior to such action will be proportionately adjusted so that the holder of any series A warrant thereafter exercised may receive the aggregate number and kind of shares of our capital stock that such holder would have owned immediately following such action if such series A warrant had been exercised immediately prior to such action.

The exercise price of the series A warrants will be adjusted if we issue any rights, options, warrants or other securities exercisable for, or convertible into, shares of our common stock to all holders of our common stock entitling them to purchase shares of common stock at a price per share less than the market price per share on the record date applicable to such distribution.

No adjustment in the exercise price will be made unless the adjustment would require an increase or decrease of at least 1% in the exercise price. Any adjustments that are not made will be carried forward and taken into account in any subsequent adjustment.

Upon each adjustment of the exercise price, each series A warrant outstanding prior to the making of the adjustment in the exercise price will thereafter evidence the right to receive upon payment of the adjusted exercise price a number of shares of common stock proportionately adjusted to reflect the adjustment in the exercise price.

Reorganization, Merger or Sale. If we consolidate or merge with or into, or transfer or lease all or substantially all our assets to, any person, upon consummation of such transaction the series A warrants shall automatically become exercisable for the kind and amount of securities, cash or other assets which the holder of a series A warrant would have owned immediately after the consolidation, merger, transfer or lease if the holder had exercised the series A warrant immediately before the effective date of the transaction.

Anti-Takeover Provisions of our Certificate of Incorporation and Bylaws

Our certificate of incorporation and bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board of directors and which may have the effect of delaying, deferring or preventing our future takeover or change of control unless the takeover or change of control is approved by our board of directors. These provisions may also render the removal of the current board of directors and of management more difficult. These provisions include:

a classified board of directors, which could prevent a stockholder, or group of stockholders, having majority voting power, from obtaining control of our board of directors until the second annual meeting of stockholders following September 10, 2003, the effective date of our predecessor s plan of reorganization;

advance notice requirements for stockholder proposals and nominations;

removal of directors only for cause prior to the second annual meeting of stockholders following September 10, 2003, the effective date of our predecessor s plan of reorganization; and

the authority of our board of directors to issue, without stockholder approval, certain series of preferred stock with such terms as the board of directors may determine.

Anti-Takeover Effects of Certain Insurance Laws

The insurance laws and regulations of the jurisdictions in which we or our insurance subsidiaries do business may impede or delay a business combination involving us. State insurance holding company laws and regulations applicable to us generally provide that no person may acquire control of a company, and thus indirect control of its insurance subsidiaries, unless the person has provided required information to, and the acquisition is approved or not disapproved by, the appropriate insurance regulatory authorities. Generally, any person acquiring beneficial ownership of 10% or more of the voting power of our capital stock would be presumed to have acquired control, unless the appropriate insurance regulatory authorities upon advance application determine otherwise.

Registration Rights Agreements

In connection with the plan of reorganization, we entered into registration rights agreements with certain of our predecessor s creditors who, upon our emergence from bankruptcy:

would be holders of 5% or more of a class of our equity securities,

notified us in writing that they are members of a group , as defined under the Exchange Act, owning 5% or more of a class of our equity securities, or

notified us in writing that they are underwriters within the meaning of Section 1145 of the Bankruptcy Code.

The registration rights agreements cover our common stock and class A preferred stock, and contain similar material terms and conditions. The following summary of our registration rights agreements describes some of their more important provisions. The complete agreements, which contain precise legal terms and conditions and other information summarized here, are filed as exhibits to the registration statement of which this prospectus forms a part.

Shelf Registration. As soon as practicable after our emergence from bankruptcy, but in no event later than December 9, 2003, we were required to file a shelf registration statement covering the resale of registrable securities of the holders, and use reasonable best efforts to cause the registration statement to be declared effective by the SEC as soon as practicable. Subject to customary blackouts referred to below, we are required to use reasonable best efforts to keep the shelf registration statement continuously effective until the earliest of:

- the date the registrable securities could be