CONSECO INC
Form S-1/A
March 23, 2004

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 23, 2004

NO. 333-112312

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

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	
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I. Ident

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
KIRKLAND & ELLIS LLP
200 EAST RANDOLPH DRIVE
CHICAGO, ILLINOIS 60601
(312) 861-2000

VINCENT J. PISANO
KIRKLAND & ELLIS LLP
CITIGROUP CENTER
153 EAST 53RD STREET
NEW YORK, NEW YORK 10022
(212) 446-4800

WILLIA
AND
CRAVATH,
WOR
825
NEW YOR
(2

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. [ ]

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, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

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. [ ]

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. [ ]

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

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.

EXPLANATORY NOTES

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.

THE INFORMATION IN THIS PRELIMINARY PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THESE SECURITIES MAY NOT BE SOLD UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PRELIMINARY PROSPECTUS IS NOT AN OFFER TO SELL NOR DOES IT SEEK AN OFFER TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED.

[C] Subject to Completion, Dated March 23, 2004

(CONSECO LOGO)

Shares

CONSECO, INC.

Common Stock

We are offering shares of our common stock. Concurrently with this offering, we are offering 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 March 22, 2004 was $22.32 per share.

INVESTING IN OUR SECURITIES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 14 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 shares of common stock, the underwriters have the option to purchase up to an additional 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

Prospectus dated , 2004.

THE INFORMATION IN THIS PRELIMINARY PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THESE SECURITIES MAY NOT BE SOLD UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PRELIMINARY PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES NOR DOES IT SEEK AN OFFER TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED.

[P] Subject to Completion, Dated March 23, 2004

(CONSECO LOGO)

Shares

CONSECO, INC.

% Mandatorily Convertible Preferred Stock, Class B
(liquidation preference $ per share)

We are offering shares of our % mandatorily convertible preferred stock, class B. Concurrently with this offering, we are offering 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 , 2004 and will be payable , , and

of each year, commencing on , 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 March 22, 2004 was $22.32 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 14 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 shares of class B preferred stock, the underwriters have the option to purchase up to an additional 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.

TABLE OF CONTENTS

	PAGE
PROSPECTUS SUMMARY....................	1
RISK FACTORS..........................	14
OUR RECENT EMERGENCE FROM BANKRUPTCY...	36
[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......	38
USE OF PROCEEDS.......................	40
PRICE RANGE OF OUR COMMON STOCK........	40
DIVIDEND POLICY.......................	41
CAPITALIZATION........................	42
SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA......................	43
MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS...............	45

	PAGE
BUSINESS..............................	98
MANAGEMENT............................	124
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS........................	133
PRINCIPAL STOCKHOLDERS................	134
[P] DESCRIPTION OF THE MANDATORILY CONVERTIBLE PREFERRED STOCK..........	135
[P] U.S. FEDERAL INCOME TAX CONSIDERATIONS......................	147
DESCRIPTION OF CAPITAL STOCK...........	153
SHARES ELIGIBLE FOR FUTURE SALE........	161
[C] UNDERWRITING......................	164
[P] UNDERWRITING......................	167
LEGAL MATTERS.........................	170
EXPERTS...............................	170
WHERE YOU CAN FIND MORE INFORMATION....	170
INDEX TO FINANCIAL STATEMENTS.........	F-1

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 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. See "Business -- Products -- Life -- Traditional Life" for an explanation of graded benefit and simplified issue insurance.

- 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.

1

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

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 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 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.

3

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 that arose in the context of our bankruptcy 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.

4

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 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

5

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."

6

[C] THE OFFERING

Issuer........................	Conseco, Inc.
Common stock offered..........	shares
Common stock to be outstanding after this offering...........	shares if the underwriters do not exercise the option to purchase additional shares.
Over-allotment option.........	shares
Initial price.................	$ per share
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 March 9, 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.

Issuer........................	Conseco, Inc.
Securities offered...........	shares of % class B mandatorily convertible preferred stock, which we call the class B preferred stock.
Initial price.................	$ for each share of class B preferred stock.
Option to purchase additional class B preferred stock.......	The underwriters have the option to purchase up to 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 million 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........	, , and of each year, commencing on , 2004.
Redemption....................	The class B preferred stock will not be redeemable.
Mandatory conversion date.....	, , 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.

8

The applicable market value of our common stock is the arithmetic 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.

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 , 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 , 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 , , 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 be delivered upon an early conversion event may be adjusted in some circumstances.

Liquidation preference........	$ 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 135 of this prospectus.

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 Financial Condition and Results of Operations" and our consolidated financial statements and related notes included in this prospectus.

Our predecessor and certain of its subsidiaries emerged from Chapter 11 bankruptcy proceedings on September 10, 2003. However, for accounting convenience, the effective date of the plan 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 Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto included in this prospectus.

	SUCCESSOR	PREDECES	
	AS OF OR FOR THE FOUR MONTHS ENDED DECEMBER 31, 2003	FOR THE EIGHT MONTHS ENDED AUGUST 31, 2003	D 20
		(AMOUNTS IN M EXCEPT PER SHA	
STATEMENT OF OPERATIONS DATA(a)			
Insurance policy income	$ 1,005.8	$ 2,204.3	$ 3,
Net investment income	474.6	969.0	1,
Net realized investment gains (losses)	11.8	(5.4)	(
Total revenues	1,505.5	3,202.2	4,
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	
Total benefits and expenses	1,356.0	1,030.0	6,
Income (loss) before income taxes, minority interest,			

discontinued operations and cumulative effect of accounting change	149.5	2,172.2	(1,
Cumulative effect of accounting change, net of income tax	--	--	(2,
Net income (loss)	96.3	2,201.7	(7,
Preferred stock dividends	27.8	--	
Net income (loss) applicable to common stock	68.5	2,201.7	(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		

(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.

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 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 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.

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. Moreover, we may be subject to fines or other penalties, as well as potential indemnity claims with respect to the activities of our former indirect subsidiary, Conseco Variable Insurance Company, and we are presently unable to quantify what our exposure, if any, may ultimately be. 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 possible 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 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   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;
- 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 claim 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 claim 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. We are currently aggressively seeking rate increases and pursuing other actions on many of these long-term care policies. Some of the states in which we have issued these policies have regulatory provisions that may allow non-renewal of

guaranteed renewable policies in cases of extreme financial distress of the insurer. To date, we have not received any regulatory relief under any of these provisions relating to our troubled long-term care business.

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.

20

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 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 potential 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 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. 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 a