

For Release Immediate

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Conseco Reports Second Quarter Results

Carmel, Ind., August 2, 2006 – Conseco, Inc. (NYSE: CNO) today reported results for the second quarter and six months of 2006. The quarter's results reflect the impact of the previously announced tentative litigation settlement that resulted in after-tax costs of approximately \$100.3 million and finalized tax settlement that resulted in a direct increase to shareholders' equity of approximately \$260 million.

Second quarter 2006 results:

- Net operating income (loss) (1): (\$31.7) million (including after-tax costs related to the tentative litigation settlement of \$100.3 million), compared to \$74.1 million in 2Q05
- Net operating income (loss) per diluted share: (21) cents (including after-tax costs related to the tentative litigation settlement of 66 cents per share), compared to 45 cents in 2Q05
- Net income (loss) applicable to common stock: (\$31.8) million, compared to \$78.6 million in 2Q05 (including \$0.1 million of net realized investment losses in 2Q06 vs. \$4.5 million of net realized investment gains in 2Q05)
- Net income (loss) per diluted share: (21) cents, compared to 48 cents in 2Q05 (including no net realized investment losses in 2Q06 vs. 3 cents of net realized investment gains in 2Q05)
- Earnings (loss) before net realized investment gains (losses), corporate interest and taxes ("EBIT") (2): (\$22.7) million (including pre-tax costs related to the tentative litigation settlement of \$157.0 million), compared to \$146.2 million in 2Q05
- Sales (4): \$89.1 million, up 8% over 2Q05

Six months 2006 results:

- Net operating income (1): \$24.1 million (including after-tax costs related to the tentative litigation settlement of \$111.6 million), down 83% from the first six months of 2005
- Net operating income per diluted share: 16 cents (including after-tax costs related to the tentative litigation settlement of 73 cents per share), down 82% from the first six months of 2005
- Net income applicable to common stock: \$23.3 million, down 85% from the first six months of 2005
- Net income per diluted share: 15 cents, down 84% from the first six months of 2005
- EBIT (2): \$91.9 million (including pre-tax costs related to the tentative litigation settlement of \$174.7 million), down 67% from the first six months of 2005
- Sales (4): \$174.9 million, up 7% over the first six months of 2005

Financial strength at June 30, 2006:

- Book value per share, excluding accumulated other comprehensive income (loss) (3), was \$26.89, compared to \$24.95 at December 31, 2005
- Debt-to-total capital ratio, excluding accumulated other comprehensive income (loss) (3), was 14.5%, compared to 16.1% at December 31, 2005

"This has been an eventful and pivotal quarter for Conseco, as we have now addressed two significant historical issues," interim Chief Executive Officer James Hohmann said. "We finalized the tax settlement, and we reached a tentative settlement in an important litigation issue that had its origin in certain universal life policies. Most of these policies were sold by insurance companies before the companies were acquired by Conseco in the 1990s. Collectively, these two items have resulted in a significant net increase to shareholders' equity. Our strong capital position is more than adequate to absorb the litigation charges; our estimate of the consolidated risk-based capital ratio (a non-GAAP measure) exceeds 330%.

"These events are evidence of our progress as an organization," Hohmann said. "We are making significant strides on many fronts as we establish Conseco as a leading provider of financial security for the life, health and retirement needs of middle market America.

"Notwithstanding this progress, second quarter was a difficult quarter in certain of our health businesses, with incurred claims exceeding expectations in the Bankers' long-term care block, specified disease and in particular, the run-off long-term care block. Although we are responding to these challenges with increased claims management focus and pricing initiatives where appropriate, based on our results in the first half of 2006 and our expectations for the balance of the year, we are lowering our outlook for 2006 operating earnings to between \$1.65 and \$1.75 of operating income per share, excluding the after-tax litigation charges recorded in the first half of 2006."

This outlook is based on numerous assumptions and factors. If they prove incorrect, actual earnings could differ materially from estimates. (See note on forward-looking statements below.)

Operating results

Results by segment for the quarter were as follows (\$ in millions):

	Three Months Ended	
	June 30,	
	<u>2006</u>	<u>2005</u>
EBIT (2), excluding the costs related to the tentative litigation settlement:		
Bankers Life (including Colonial Penn)	\$ 70.2	\$ 68.4
Conseco Insurance Group	64.7	68.8
Other Business in Run-off	4.4	21.4
Corporate Operations, excluding corporate interest expense	<u>(5.0)</u>	<u>(7.1)</u>
EBIT, excluding the costs related to the tentative litigation settlement.....	134.3	151.5
Costs related to the tentative litigation settlement.....	<u>(157.0)</u>	<u>(5.3)</u>
Total EBIT	(22.7)	146.2
Corporate interest expense	<u>(12.0)</u>	<u>(13.1)</u>
Income (loss) before net realized investment gains (losses) and taxes	(34.7)	133.1
Tax (expense) benefit	<u>12.5</u>	<u>(49.5)</u>
Net income (loss) before net realized investment gains (losses)	(22.2)	83.6
Preferred stock dividends:		
5.50% Class B mandatorily convertible preferred stock	<u>(9.5)</u>	<u>(9.5)</u>
Net operating income (loss)	(31.7)	74.1
Net realized investment gains (losses), net of related amortization and taxes.....	<u>(.1)</u>	<u>4.5</u>
Net income (loss) applicable to common stock	<u><u>\$(31.8)</u></u>	<u><u>\$ 78.6</u></u>
Per diluted share:		
Net operating income (loss)	\$(.21)	\$.45
Net realized investment gains (losses), net of related amortization and taxes.....	<u>-</u>	<u>.03</u>
Net income (loss) applicable to common stock	<u><u>\$(.21)</u></u>	<u><u>\$.48</u></u>

In our Bankers Life segment, EBIT was \$70.2 million in the second quarter of 2006 compared to \$68.4 million in the second quarter of 2005. The earnings improvement reflects increased investment income, improved margins in our Medicare supplement business and the overall growth of the business; partially offset by higher incurred claims in our long-term care business.

In our Conseco Insurance Group segment, EBIT, excluding the costs related to the tentative litigation settlement, was \$64.7 million in the second quarter of 2006, compared to \$68.8 million in the second quarter of 2005. Earnings in the second quarter of 2006 reflected higher incurred claims in our specified disease business.

In our Other Business in Run-off segment, EBIT was \$4.4 million in the second quarter of 2006, compared to \$21.4 million in the second quarter of 2005. Earnings in the second quarter of 2006 reflected adverse development of prior period claim reserves and an increase in initial claims, partially offset by a release of certain other redundant reserves of \$9.4 million.

The Corporate operations segment includes our investment advisory subsidiary and corporate expenses.

Sales up 8% for the quarter

Total sales (4) rose by 8% over 2Q05, to \$89.1 million.

At Conseco Insurance Group (independent distribution), total 2Q06 sales were \$23.6 million, up 50% over 2Q05. Expanded product offerings, revitalized marketing efforts, increased agent productivity and improved recruiting efforts contributed to the increase.

At Bankers Life (career distribution), total 2Q06 sales were \$56.4 million, down 6% from 2Q05, reflecting lower long-term care sales and in line with our expectations.

At Colonial Penn (direct distribution), total 2Q06 sales were \$9.1 million, up 24% over 2Q05 as we continued the investment in our marketing efforts.

Conference Call

The company will host a conference call to discuss results at 10:00 a.m. Eastern Daylight Time on Thursday, August 3, 2006. The webcast can be accessed through the Investors section of the company's website as follows: <http://investor.conseco.com>. Listeners should go to the website at least 15 minutes before the event to register and download any necessary audio software.

About Conseco

Conseco, Inc.'s insurance companies help protect working American families and seniors from financial adversity: Medicare supplement, long-term care, cancer, heart/stroke and accident policies protect people against major unplanned expenses; annuities and life insurance products help people plan for their financial futures. For more information, visit Conseco's web site at www.conseco.com.

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- (1) Management believes that an analysis of Net Income applicable to common stock before net realized investment gains or losses, net of related amortization and income taxes, ("Net Operating Income," a non-GAAP financial measure) is important to evaluate the financial performance of the company, and is a key measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because realized investment gains or losses can be affected by events that are unrelated to the company's underlying fundamentals. A reconciliation of Net Operating Income to Net Income applicable to common stock is provided in the tables on page 2 and 7.
 - (2) Management believes that an analysis of earnings before net realized investment gains (losses), corporate interest and taxes ("EBIT", a non-GAAP financial measure) provides a clearer comparison of the operating results of the company quarter-over-quarter because it excludes: (i) the effects of the 2005 issuance of convertible debentures and amendment of our credit facility; and (ii) net realized investment gains (losses) that are unrelated to the company's underlying fundamentals. A reconciliation of EBIT to Net Income applicable to common stock is provided in the tables on page 2 and 7.
 - (3) The calculation of this non-GAAP measure differs from the corresponding GAAP measure because accumulated other comprehensive income (loss) has been excluded from the value of capital used to determine this measure. Management believes this non-GAAP measure is useful because it removes the volatility that arises from changes in the unrealized appreciation (depreciation) of our investments. The corresponding GAAP measures for debt-to-total capital and book value per common share were 15.8% and \$23.95, respectively, at June 30, 2006, and 15.9% and \$25.42, respectively, at December 31, 2005.
 - (4) Measured by new annualized premium, which Includes 6% of annuity and 10% of single premium whole life deposits.

Cautionary Statement Regarding Forward-Looking Statements. *Our statements, trend analyses and other information contained in this press release relative to markets for Conseco's products and trends in Conseco's operations or financial results, as well as other statements, contain forward-looking statements within the meaning of the federal securities laws and the Private Securities Litigation Reform Act of 1995. Forward-looking statements typically are identified by the use of terms such as "anticipate," "believe," "plan," "estimate," "expect," "project," "intend," "may," "will," "would," "contemplate," "possible," "attempt," "seek," "should," "could," "goal," "target," "on track," "comfortable with," "optimistic" and similar words, although some forward-looking statements are expressed differently. You should consider statements that contain these words carefully because they describe our expectations, plans, strategies and goals and our beliefs concerning future business conditions, our results of operations, financial position, and our business outlook or they state other "forward-looking" information based on currently available information. Assumptions and other important factors that could cause our actual results to differ materially from those anticipated in our forward-looking statements include, among other things: (i) our ability to achieve an upgrade of the financial strength ratings of our insurance company subsidiaries and the impact of prior rating downgrades on our business; (ii) the ultimate outcome of lawsuits filed against us and other legal and regulatory proceedings to which we are subject; (iii) our ability to obtain adequate and timely rate increases on our supplemental health products including our long-term care business; (iv) mortality, morbidity, usage of health care services, persistency and other factors which may affect the profitability of our insurance products; (v) our ability to achieve anticipated expense reductions and levels of operational efficiencies; (vi) the adverse impact of our Predecessor's bankruptcy proceedings on our business operations, and relationships with our customers, employees, regulators, distributors and agents; (vii) performance of our investments; (viii) our ability to continue to recruit and retain productive agents and distribution partners and customer response to new products, distribution channels and marketing initiatives; (ix) the risk factors or uncertainties listed from time to time in our filings with the Securities and Exchange Commission; (x) general economic conditions and other factors, including prevailing interest rate levels, stock and credit market performance and health care inflation, which may affect (among other things) our ability to sell products and access capital on acceptable terms, the returns on and the market value of our investments, and the lapse rate and profitability of policies; (xi) changes in the Federal income tax laws and regulations which may affect or eliminate the relative tax advantages of some of our products; and (xii) regulatory changes or actions, including those relating to regulation of the financial affairs of our insurance companies, such as the payment of dividends to us, regulation of financial services affecting (among other things) bank sales and underwriting of insurance products, regulation of the sale, underwriting and pricing of products, and health care regulation affecting health insurance products.*

Other factors and assumptions not identified above are also relevant to the forward-looking statements, and if they prove incorrect, could also cause actual results to differ materially from those projected. All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by the foregoing cautionary statement. Our forward-looking statements speak only as of the date made. We assume no obligation to update or to publicly announce the results of any revisions to any of the forward-looking statements to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements.

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CONSECO, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Dollars in millions)

	June 30, <u>2006</u> (unaudited)	December 31, <u>2005</u>
ASSETS		
Investments:		
Actively managed fixed maturities at fair value (amortized cost: June 30, 2006 - \$22,568.4; December 31, 2005 - \$22,380.2)	\$21,690.8	\$22,494.2
Equity securities at fair value (cost: June 30, 2006 - \$31.2; December 31, 2005 - \$25.6)	33.4	27.1
Mortgage loans	1,452.9	1,264.2
Policy loans	418.4	429.8
Trading securities	668.3	716.3
Other invested assets	<u>97.9</u>	<u>109.6</u>
Total investments	24,361.7	25,041.2
Cash and cash equivalents:		
Unrestricted	206.2	237.8
Restricted	39.2	35.2
Accrued investment income	317.8	315.4
Value of policies inforce at the Effective Date	2,403.2	2,414.0
Cost of policies produced	967.5	758.8
Reinsurance receivables	862.7	887.5
Income tax assets, net	2,022.7	1,496.6
Assets held in separate accounts	28.8	29.8
Other assets	<u>341.4</u>	<u>341.0</u>
Total assets	<u>\$31,551.2</u>	<u>\$31,557.3</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Liabilities for insurance products:		
Interest-sensitive products	\$12,678.7	\$12,686.8
Traditional products	11,937.6	11,872.2
Claims payable and other policyholder funds	822.9	842.1
Liabilities related to separate accounts	28.8	29.8
Other liabilities	630.7	440.0
Investment borrowings	350.4	315.1
Notes payable – direct corporate obligations	<u>805.5</u>	<u>851.5</u>
Total liabilities	<u>27,254.6</u>	<u>27,037.5</u>
Commitments and Contingencies		
Shareholders' equity:		
Preferred stock	667.8	667.8
Common stock (\$0.01 par value, 8,000,000,000 shares authorized, shares issued and outstanding: June 30, 2006 – 151,518,505; December 31, 2005 – 151,513,434)	1.5	1.5
Additional paid-in capital	3,464.9	3,194.1
Accumulated other comprehensive income (loss)	(445.6)	71.7
Retained earnings	<u>608.0</u>	<u>584.7</u>
Total shareholders' equity	<u>4,296.6</u>	<u>4,519.8</u>
Total liabilities and shareholders' equity	<u>\$31,551.2</u>	<u>\$31,557.3</u>

CONSECO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(Dollars in millions, except per share data)
(unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:				
Insurance policy income	\$ 739.7	\$ 728.5	\$1,494.4	\$1,456.2
Net investment income (loss):				
General account assets	357.3	348.0	708.6	685.8
Policyholder and reinsurer accounts	(13.7)	(1.6)	.4	(24.9)
Net realized investment gains (loss)	(3.7)	7.9	(6.8)	9.5
Fee revenue and other income	<u>4.5</u>	<u>3.9</u>	<u>9.2</u>	<u>8.1</u>
Total revenues	<u>1,084.1</u>	<u>1,086.7</u>	<u>2,205.8</u>	<u>2,134.7</u>
Benefits and expenses:				
Insurance policy benefits	705.2	703.4	1,432.0	1,374.4
Interest expense	17.1	16.1	33.5	30.8
Amortization	97.6	88.0	216.2	182.7
Costs related to the tentative litigation settlement	157.0	5.3	174.7	5.9
Other operating costs and expenses	<u>142.1</u>	<u>134.0</u>	<u>283.2</u>	<u>273.8</u>
Total benefits and expenses	<u>1,119.0</u>	<u>946.8</u>	<u>2,139.6</u>	<u>1,867.6</u>
Income (loss) before income taxes	(34.9)	139.9	66.2	267.1
Income tax expense (benefit) on period income	<u>(12.6)</u>	<u>51.8</u>	<u>23.9</u>	<u>97.2</u>
Net income (loss)	(22.3)	88.1	42.3	169.9
Preferred stock dividends	<u>9.5</u>	<u>9.5</u>	<u>19.0</u>	<u>19.0</u>
Net income (loss) applicable to common stock	<u>\$ (31.8)</u>	<u>\$ 78.6</u>	<u>\$ 23.3</u>	<u>\$ 150.9</u>
Earnings per common share:				
Basic:				
Weighted average shares outstanding	<u>151,514,000</u>	<u>151,058,000</u>	<u>151,518,000</u>	<u>151,058,000</u>
Net income (loss)	<u>\$(.21)</u>	<u>\$.52</u>	<u>\$.15</u>	<u>\$1.00</u>
Diluted:				
Weighted average shares outstanding	<u>151,514,000</u>	<u>185,002,000</u>	<u>152,556,000</u>	<u>185,883,000</u>
Net income (loss)	<u>\$(.21)</u>	<u>\$.48</u>	<u>\$.15</u>	<u>\$.91</u>

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CONSECO, INC. AND SUBSIDIARIES
OPERATING RESULTS

Results by segment for the six months ended June 30 were as follows (\$ in millions):

	Six Months Ended June 30,	
	<u>2006</u>	<u>2005</u>
EBIT (2), excluding the costs related to the tentative litigation settlement:		
Bankers Life (including Colonial Penn)	\$132.5	\$127.2
Conseco Insurance Group	115.4	133.5
Other Business in Run-off	28.4	42.9
Corporate Operations, excluding corporate interest expense	<u>(9.7)</u>	<u>(15.4)</u>
EBIT, excluding the costs related to the tentative litigation settlement	266.6	288.2
Costs related to the tentative litigation settlement	<u>(174.7)</u>	<u>(5.9)</u>
Total EBIT	91.9	282.3
Corporate interest expense	<u>(24.4)</u>	<u>(25.1)</u>
Income before net realized investment gains (losses) and taxes	67.5	257.2
Tax expense	<u>(24.4)</u>	<u>(93.8)</u>
Net income before net realized investment gains (losses)	43.1	163.4
Preferred stock dividends:		
5.50% Class B mandatorily convertible preferred stock	<u>(19.0)</u>	<u>(19.0)</u>
Net operating income	24.1	144.4
Net realized investment gains (losses), net of related amortization and taxes	<u>(.8)</u>	<u>6.5</u>
Net income applicable to common stock	<u>\$ 23.3</u>	<u>\$150.9</u>
Per diluted share:		
Net operating income	\$.16	\$.88
Net realized investment gains, net of related amortization and taxes	<u>(.01)</u>	<u>.03</u>
Net income applicable to common stock	<u>\$.15</u>	<u>\$.91</u>

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CONSECO, INC. AND SUBSIDIARIES
COLLECTED PREMIUMS
(Dollars in millions)

	Three Months Ended	
	June 30,	
	2006	2005
Bankers Life segment:		
Annuity	\$238.3	\$238.6
Supplemental health	345.7	304.5
Life	68.2	55.7
Total collected premiums	<u>\$652.2</u>	<u>\$598.8</u>
Conseco Insurance Group segment:		
Annuity	\$ 92.4	\$ 28.1
Supplemental health	153.3	166.0
Life	78.3	83.0
Total collected premiums	<u>\$324.0</u>	<u>\$277.1</u>
Other Business in Run-off segment:		
Long-term care	\$80.2	\$87.7
Major medical	2.2	0.6
Total collected premiums	<u>\$82.4</u>	<u>\$88.3</u>

BENEFIT RATIOS ON MAJOR SUPPLEMENTAL HEALTH LINES OF BUSINESS

	Three Months Ended	
	June 30,	
	2006	2005
Bankers Life segment:		
Medicare Supplement:		
Earned premium	\$164 million	\$164 million
Benefit ratio ^(a)	67.4%	72.4%
Long-Term Care:		
Earned premium	\$148 million	\$140 million
Benefit ratio ^(a)	96.2%	92.6%
Interest-adjusted benefit ratio (a non-GAAP measure) ^(b)	66.8%	64.3%
Conseco Insurance Group (CIG) segment:		
Medicare Supplement:		
Earned premium	\$64 million	\$74 million
Benefit ratio ^(a)	56.9%	63.2%
Specified Disease:		
Earned premium	\$89 million	\$90 million
Benefit ratio ^(a)	79.9%	74.0%
Interest-adjusted benefit ratio (a non-GAAP measure) ^(b)	48.2%	43.0%
Other Business in Run-off segment:		
Earned premium	\$82 million	\$90 million
Benefit ratio ^(a)	118.0%	97.6%
Interest-adjusted benefit ratio (a non-GAAP measure) ^(b)	64.4%	48.6%

(a) The benefit ratio is calculated by dividing the related product's insurance policy benefits by insurance policy income.

(b) The interest-adjusted benefit ratio (a non-GAAP measure) is calculated by dividing the product's insurance policy benefits less interest income on the accumulated assets backing the insurance liabilities by insurance policy income. Interest income is an important factor in measuring the performance of longer duration health products. The net cash flows generally cause an accumulation of amounts in the early years of a policy (accounted for as reserve increases), which will be paid out as benefits in later policy years (accounted for as reserve decreases). Accordingly, as the policies age, the benefit ratio will typically increase, but the increase in the change in reserve will be partially offset by interest income earned on the accumulated assets. The interest-adjusted benefit ratio reflects the interest income offset. Since interest income is an important factor in measuring the performance of these products, management believes a benefit ratio, which includes the effect of interest income, is useful in analyzing product performance.