

For Release Immediate

Contacts (News Media) Jim Rosensteele, Corporate Communications 317.817.6363
(Investors) Joe Clarke, Investor Relations 317.817.2893

Conseco Reports Third Quarter Results

Carmel, Ind., October 31, 2007 – Conseco, Inc. (NYSE: CNO) today reported results for the third quarter of 2007.

“Third Quarter results reflect a number of significant events, as progress on our program to position Conseco for future profitability and growth is increasingly evident,” CEO Jim Prieur said. “We saw continued strong growth in both our Bankers Life and Colonial Penn businesses, while Conseco Insurance Group, even with a decline in sales during the quarter, produced new business expected to be more profitable. Importantly, continued progress also was evident on the turnaround in our run-off long-term care block, with our claims reserve volatility reduced this quarter following the reserve strengthening of the previous quarter. With only a small loss in the quarter, we are on target for that block to become profitable next year.”

“The majority of our organizational realignment is now complete as well, with all of our customer service calls now being handled in our Carmel, Indiana offices,” Prieur said.

“Our just announced agreement in which we will invest \$63 million to recapture a block of Colonial Penn life insurance business comprising approximately \$50 million annual premium that had been ceded in 2002 to a subsidiary of Swiss Re, is a significant investment in the growth of this high-return core business,” said Chief Financial Officer Ed Bonach. “This transaction is expected to be immediately accretive to earnings and return on equity. Our October 12, 2007, announcement that we completed the 100% coinsurance of an older block of fixed and equity-indexed annuities is another important step in improving Conseco’s performance.”

“Conseco also further executed on its share repurchase program in the third quarter,” Bonach said, “with the purchase of 2.4 million shares at an average price of \$14.22 per share, for a total of \$34.7 million.”

Third quarter 2007 results:

- Net operating income (loss) (1): \$(25.6) million, compared to \$52.8 million in 3Q06
- Net operating income (loss) per diluted share: (14) cents, compared to 35 cents in 3Q06
- Net income (loss) applicable to common stock: \$(53.7) million, compared to \$38.9 million in 3Q06 (including \$28.1 million of net realized investment losses in 3Q07 vs. \$13.9 million of net realized investment losses in 3Q06)
- Net income (loss) per diluted share: (29) cents, compared to 26 cents in 3Q06 (including 15 cents of net realized investment losses in 3Q07 vs. 9 cents of net realized investment losses in 3Q06)
- Income (loss) before net realized investment losses, corporate interest and taxes (“EBIT”) (2): \$(23.4) million, compared to \$110.4 million in 3Q06
- Sales (3): \$86.0 million, down 7% from 3Q06

Nine-month 2007 results:

- Net operating income (loss) (1): \$(65.4) million, compared to \$76.9 million in the first nine months of 2006
- Net operating income (loss) per diluted share: (39) cents, compared to 50 cents in the first nine months of 2006
- Net income (loss) applicable to common stock: \$(117.3) million, compared to \$62.2 million in the first nine months of 2006
- Net income (loss) per diluted share: (69) cents, compared to 41 cents in the first nine months of 2006
- EBIT (2): \$(30.3) million, compared to \$202.3 million in the first nine months of 2006
- Sales (4): \$328.2 million, up 5% over the first nine months of 2006

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Financial strength at September 30, 2007:

- Book value per common share, excluding accumulated other comprehensive income (loss) (4), was \$24.79, compared to \$27.06 at December 31, 2006
- Book value per diluted share, excluding accumulated other comprehensive income (loss) (4), was \$24.77, compared to \$25.64 at December 31, 2006
- Debt-to-total capital ratio, excluding accumulated other comprehensive income (loss) (4), was 20.6%, compared to 17.3% at December 31, 2006

Operating results

Our segments reflect the addition of Colonial Penn as a separate segment. All prior period segment disclosures have been restated to conform to our new presentation. Results by segment for the quarter were as follows (\$ in millions, except per share data):

	<u>Three Months Ended</u> <u>September 30,</u>	
	<u>2007</u>	<u>2006</u>
EBIT (2), excluding costs related to a litigation settlement and loss related to a coinsurance transaction:		
Bankers Life	\$ 66.3	\$ 68.4
Conseco Insurance Group	(4)	58.5
Colonial Penn.....	7.0	4.6
Other Business in Run-off	(2.9)	(13.0)
Corporate Operations, excluding corporate interest expense	<u>(5)</u>	<u>(8.1)</u>
EBIT, excluding costs related to a litigation settlement and loss related to a coinsurance transaction	69.5	110.4
Costs related to a litigation settlement	(16.4)	-
Loss related to a coinsurance transaction.....	<u>(76.5)</u>	<u>-</u>
Total EBIT	(23.4)	110.4
Corporate interest expense.....	<u>(20.2)</u>	<u>(12.5)</u>
Income (loss) before net realized investment losses and taxes	(43.6)	97.9
Tax expense (benefit)	<u>(18.0)</u>	<u>35.6</u>
Net income (loss) before net realized investment losses	(25.6)	62.3
Preferred stock dividends:		
5.50% Class B mandatorily convertible preferred stock.....	<u>-</u>	<u>(9.5)</u>
Net operating income (loss)	(25.6)	52.8
Net realized investment losses, net of related amortization and taxes.....	<u>(28.1)</u>	<u>(13.9)</u>
Net income (loss) applicable to common stock	<u>\$(53.7)</u>	<u>\$ 38.9</u>
Per diluted share:		
Net operating income (loss)	\$ (.14)	\$.35
Net realized investment losses, net of related amortization and taxes.....	<u>(.15)</u>	<u>(.09)</u>
Net income (loss) applicable to common stock	<u>\$(.29)</u>	<u>\$.26</u>

In our Bankers Life segment, pre-tax operating earnings were \$66.3 million in the third quarter of 2007, compared to \$68.4 million in the third quarter of 2006. The slight decrease in earnings is driven by lower margins in our long-term care business, partially offset by improved spreads in our life and annuity business and higher income from our marketing and quota-share agreements with Coventry Health Care.

In our Conseco Insurance Group segment, pre-tax operating loss was \$0.4 million in the third quarter of 2007, compared to earnings of \$58.5 million in the third quarter of 2006. Significant factors affecting the segment's earnings in these periods included:

- An \$11 million reduction in universal life earnings in the third quarter of 2007. This block has experienced adverse mortality and we are projecting break-even earnings in the future.
- An \$18.3 million out-of-period reduction in specified disease earnings identified by our material control weakness remediation procedures.
- An \$11 million reduction in earnings for charges related to operational initiatives and consolidation activities.

Our Colonial Penn segment achieved pre-tax operating earnings of \$7.0 million in the third quarter of 2007, compared to \$4.6 million in the third quarter of 2006.

In our Other Business in Run-off segment, we recognized a pre-tax operating loss of \$2.9 million in the third quarter of 2007, compared to a loss of \$13 million in the third quarter of 2006. Results in the third quarter of 2007 were positively impacted by a net \$6.6 million reserve reduction (reflecting an out-of-period release of active life reserves of \$20.1 million identified by remediation procedures and \$13.5 million reserve increase due to changes to certain actuarial estimates).

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

Net realized losses of \$28.1 million (net of taxes) in the third quarter of 2007 consisted of losses from market value declines on the assets transferred pursuant to our 100% annuity coinsurance transaction, and from sales of mortgage-backed securities collateralized by sub-prime residential mortgage loans. In the third quarter of 2007, we recorded a charge of approximately \$76.5 million related to the coinsurance transaction. The results from the third quarter of 2007 reflect additional pre-tax costs of \$16.4 million related to the litigation settlement we entered into in the second quarter of 2006.

Sales results

In addition to the sales of proprietary products, Bankers Life, through a partnership with Coventry, distributes risk-share Medicare PDP and private-fee-for-service plan (PFFS) through their career agents.

At Bankers Life (career distribution), total sales in 3Q07 were \$56.5 million, down 2% from 3Q06. Bankers' sales were up 11% for the first nine months of 2007.

At Conseco Insurance Group (independent distribution), total sales, including sales of PDP through Coventry, in 3Q07 were \$18.1 million, down 31% from 3Q06, with strong gains in specified disease sales offset by decreases in Medicare supplement and annuities.

At Colonial Penn (direct distribution), total 3Q07 sales were \$11.4 million, up 38% over 3Q06 as we continue to benefit from our investment in marketing.

Conference Call

The company will host a conference call to discuss results at 10:00 a.m. Eastern Daylight Time on November 1, 2007. 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. During the call, we will be referring to a presentation that will be available Thursday morning through the investors section of the company's website.

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 (Loss) 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 8. Additional information concerning this non-GAAP measure is included in our periodic filings with the Securities and Exchange Commission that are available in the "Investor – SEC Filings" section of Conseco's website, www.conseco.com.
 - (2) Management believes that an analysis of earnings or loss 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) corporate interest expense; 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 8.
 - (3) Measured by new annualized premium, which includes 6% of annuity and 10% of single premium whole life deposits and 100% of all other premiums, PDP sales equal \$310 per enrolled policy, PFFS sales equal \$2,100 per enrolled policy.
 - (4) 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 21.7% and \$23.10, respectively, at September 30, 2007, and 17.5% and \$26.58, respectively, at December 31, 2006.

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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 obtain adequate and timely rate increases on our supplemental health products including our long-term care business; (ii) mortality, morbidity, usage of health care services, persistency, the adequacy of our previous reserve estimates and other factors which may affect the profitability of our insurance products; (iii) changes in our assumptions related to the cost of policies produced or the value of policies in force at the Effective Date; (iv) our ability to achieve anticipated expense reductions and levels of operational efficiencies including improvements in claims adjudication and continued automation and rationalization of operating systems; (v) performance of our investments; (vi) our ability to identify products and markets in which we can compete effectively against competitors with greater market share, higher ratings, greater financial resources and stronger brand recognition; (vii) the ultimate outcome of lawsuits filed against us and other legal and regulatory proceedings to which we are subject; (viii) our ability to remediate the material weakness in internal controls over the actuarial reporting process that we identified at year-end 2006 and to maintain effective controls over financial reporting; (ix) our ability to continue to recruit and retain productive agents and distribution partners and customer response to new products, distribution channels and marketing initiatives; (x) our ability to achieve an upgrade of the financial strength ratings of our insurance company subsidiaries as well as the potential impact of rating downgrades on our business; (xi) the risk factors or uncertainties listed from time to time in our filings with the Securities and Exchange Commission; (xii) regulatory changes or actions, including those relating to regulation of the financial affairs of our insurance companies, such as the payment of dividends to us, regulation of financial services affecting (among other things) bank sales and underwriting of insurance products, regulation of the sale, underwriting and pricing of products, and health care regulation affecting health insurance products; (xiii) general economic conditions and other factors, including prevailing interest rate levels, stock and credit market performance and health care inflation, which may affect (among other things) our ability to sell products and access capital on acceptable terms, the returns on and the market value of our investments, and the lapse rate and profitability of policies; and (xiv) changes in the Federal income tax laws and regulations which may affect or eliminate the relative tax advantages of some of our products.*

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

- Tables Follow -

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

	September 30, <u>2007</u> (unaudited)	December 31, <u>2006</u>
ASSETS		
Investments:		
Actively managed fixed maturities at fair value (amortized cost: September 30, 2007 - \$21,073.6; December 31, 2006 - \$22,946.9)	\$20,511.7	\$22,802.9
Investments to be transferred pursuant to annuity coinsurance transaction	2,585.1	-
Equity securities at fair value (cost: September 30, 2007 - \$34.3; December 31, 2006 - \$23.9)	35.5	24.8
Mortgage loans	1,914.3	1,642.2
Policy loans	368.5	412.5
Trading securities	691.2	675.2
Other invested assets	<u>180.5</u>	<u>178.8</u>
Total investments	26,286.8	25,736.4
Cash and cash equivalents:		
Unrestricted	392.3	385.9
Restricted	25.8	24.0
Accrued investment income	346.3	344.5
Value of policies inforce at the Effective Date	1,740.2	2,137.2
Cost of policies produced	1,359.4	1,106.7
Reinsurance receivables	3,666.2	850.8
Income tax assets, net	1,992.3	1,786.9
Assets held in separate accounts	28.3	28.9
Other assets	<u>324.0</u>	<u>316.0</u>
Total assets	<u>\$36,161.6</u>	<u>\$32,717.3</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Liabilities for insurance products:		
Interest-sensitive products	\$13,214.0	\$13,018.0
Traditional products	12,445.1	12,094.1
Claims payable and other policyholder funds	901.4	832.3
Liabilities related to separate accounts	28.3	28.9
Liability for assets to be transferred pursuant to annuity coinsurance transaction	2,594.1	-
Other liabilities	565.6	611.8
Investment borrowings	913.7	418.3
Notes payable – direct corporate obligations	<u>1,195.7</u>	<u>1,000.8</u>
Total liabilities	<u>31,857.9</u>	<u>28,004.2</u>
Commitments and Contingencies		
Shareholders' equity:		
Preferred stock	-	667.8
Common stock (\$0.01 par value, 8,000,000,000 shares authorized, shares issued and outstanding: September 30, 2007 – 186,345,515; December 31, 2006 – 152,165,108)	1.9	1.5
Additional paid-in capital	4,094.6	3,473.2
Accumulated other comprehensive loss	(316.0)	(72.6)
Retained earnings	<u>523.2</u>	<u>643.2</u>
Total shareholders' equity	<u>4,303.7</u>	<u>4,713.1</u>
Total liabilities and shareholders' equity	<u>\$36,161.6</u>	<u>\$32,717.3</u>

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

	Three months ended September 30,		Nine months ended September 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:				
Insurance policy income	\$ 822.0	\$ 748.5	\$2,352.6	\$2,242.9
Net investment income:				
General account assets	392.6	360.6	1,152.7	1,069.2
Policyholder and reinsurer accounts and other special-purpose portfolios	3.2	26.2	50.4	26.6
Net realized investment losses	(51.1)	(21.8)	(114.3)	(28.6)
Fee revenue and other income	<u>8.5</u>	<u>4.8</u>	<u>17.5</u>	<u>14.0</u>
Total revenues	<u>1,175.2</u>	<u>1,118.3</u>	<u>3,458.9</u>	<u>3,324.1</u>
Benefits and expenses:				
Insurance policy benefits	888.8	772.6	2,621.0	2,204.6
Interest expense	33.3	17.8	84.8	51.3
Amortization	93.3	104.2	325.8	320.4
Costs related to a litigation settlement	16.4	-	64.4	174.7
Loss related to coinsurance transaction	76.5	-	76.5	-
Other operating costs and expenses	<u>153.7</u>	<u>147.0</u>	<u>449.7</u>	<u>430.2</u>
Total benefits and expenses	<u>1,262.0</u>	<u>1,041.6</u>	<u>3,622.2</u>	<u>3,181.2</u>
Income (loss) before income taxes	(86.8)	76.7	(163.3)	142.9
Income tax expense (benefit) on period income	<u>(33.1)</u>	<u>28.3</u>	<u>(60.1)</u>	<u>52.2</u>
Net income (loss)	(53.7)	48.4	(103.2)	90.7
Preferred stock dividends	<u>-</u>	<u>9.5</u>	<u>14.1</u>	<u>28.5</u>
Net income (loss) applicable to common stock	<u>\$ (53.7)</u>	<u>\$ 38.9</u>	<u>\$ (117.3)</u>	<u>\$ 62.2</u>
Earnings per common share:				
Basic:				
Weighted average shares outstanding	<u>187,733,000</u>	<u>151,663,000</u>	<u>169,270,000</u>	<u>151,566,000</u>
Net income (loss)	<u>\$ (.29)</u>	<u>\$.26</u>	<u>\$ (.69)</u>	<u>\$.41</u>
Diluted:				
Weighted average shares outstanding	<u>187,733,000</u>	<u>152,529,000</u>	<u>169,270,000</u>	<u>152,547,000</u>
Net income (loss)	<u>\$ (.29)</u>	<u>\$.26</u>	<u>\$ (.69)</u>	<u>\$.41</u>

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CONSECO, INC. AND SUBSIDIARIES
OPERATING RESULTS

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

	Nine Months Ended September 30,	
	2007	2006
EBIT (2), excluding costs related to a litigation settlement and loss related to a coinsurance transaction:		
Bankers Life	\$ 174.6	\$ 189.3
Conseco Insurance Group	101.4	173.9
Colonial Penn	18.3	16.2
Other Business in Run-off	(167.0)	15.4
Corporate Operations, excluding corporate interest expense	<u>(16.7)</u>	<u>(17.8)</u>
EBIT, excluding costs related to a litigation settlement and a loss related to a coinsurance transaction	110.6	377.0
Costs related to the proposed litigation settlement	(64.4)	(174.7)
Loss related to a coinsurance transaction	<u>(76.5)</u>	<u>-</u>
Total EBIT	(30.3)	202.3
Corporate interest expense	<u>(53.2)</u>	<u>(36.9)</u>
Income (loss) before net realized investment losses and taxes	(83.5)	165.4
Tax expense (benefit)	<u>(32.2)</u>	<u>60.0</u>
Net income (loss) before net realized investment losses	(51.3)	105.4
Preferred stock dividends:		
5.50% Class B mandatorily convertible preferred stock	<u>(14.1)</u>	<u>(28.5)</u>
Net operating income (loss)	(65.4)	76.9
Net realized investment losses, net of related amortization and taxes	<u>(51.9)</u>	<u>(14.7)</u>
Net income (loss) applicable to common stock	<u>\$(117.3)</u>	<u>\$ 62.2</u>
Per diluted share:		
Net operating income (loss)	\$ (.39)	\$.50
Net realized investment losses, net of related amortization and taxes	<u>(.30)</u>	<u>(.09)</u>
Net income (loss) applicable to common stock	<u>\$ (.69)</u>	<u>\$.41</u>

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

	Three months ended September 30,	
	2007	2006
Bankers Life segment:		
Annuity	\$250.9	\$278.2
Supplemental health	402.8	315.1
Life	49.1	47.8
Total collected premiums	<u>\$702.8</u>	<u>\$641.1</u>
Conseco Insurance Group segment:		
Annuity	\$ 77.5	\$182.8
Supplemental health	145.6	145.5
Life	71.3	78.3
Total collected premiums	<u>\$294.4</u>	<u>\$406.6</u>
Colonial Penn segment:		
Life	\$ 29.3	\$ 25.4
Supplemental health	2.6	3.0
Total collected premiums	<u>\$ 31.9</u>	<u>\$ 28.4</u>
Other Business in Run-off segment:		
Long-term care	\$ 75.2	\$ 79.6
Major medical	5	8
Total collected premiums	<u>\$ 75.7</u>	<u>\$ 80.4</u>

BENEFIT RATIOS ON MAJOR SUPPLEMENTAL HEALTH LINES OF BUSINESS

	Three Months Ended September 30,	
	2007	2006
Bankers Life segment:		
Medicare Supplement:		
Earned premium	\$160 million	\$162 million
Benefit ratio ^(a)	69.4%	65.6%
PDP and PFFS:		
Earned premium	\$97 million	\$22 million
Benefit ratio ^(a)	85.4%	82.1%
Long-Term Care:		
Earned premium	\$156 million	\$151 million
Benefit ratio ^(a)	105.8%	98.2%
Interest-adjusted benefit ratio (a non-GAAP measure) ^(b)	74.5%	68.8%
Conseco Insurance Group (CIG) segment:		
Medicare Supplement:		
Earned premium	\$57 million	\$62 million
Benefit ratio ^(a)	68.6%	66.8%
Specified Disease:		
Earned premium	\$90 million	\$89 million
Benefit ratio ^(a)	103.2%	73.6%
Interest-adjusted benefit ratio (a non-GAAP measure) ^(b)	70.3%	41.2%
Other Business in Run-off segment:		
Earned premium	\$77 million	\$83 million
Benefit ratio ^(a)	137.4%	136.0%
Interest-adjusted benefit ratio (a non-GAAP measure) ^(b)	75.1%	83.1%

(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. Additional information concerning this non-GAAP measure is included in our periodic filings with the Securities and Exchange Commission that are available in the "Investor – SEC Filings" section of Conseco's website, www.conseco.com.

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