

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

Filing Date: **1999-09-10** | Period of Report: **1999-03-31**  
SEC Accession No. **0000719241-99-000029**

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### FILER

#### CONSECO INC

CIK: **719241** | IRS No.: **351468632** | State of Incorporation: **IN** | Fiscal Year End: **1231**  
Type: **10-Q/A** | Act: **34** | File No.: **001-09250** | Film No.: **99709309**  
SIC: **6321** Accident & health insurance

#### Mailing Address

11825 N PENNSYLVANIA ST  
CARMEL IN 46032

#### Business Address

11825 N PENNSYLVANIA ST  
CARMEL IN 46032  
3178176100

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q/A

Amendment No. 1

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1999

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 1-9250

Conseco, Inc.

Indiana

No. 35-1468632

-----  
State of Incorporation

-----  
IRS Employer Identification No.

11825 N. Pennsylvania Street  
Carmel, Indiana 46032

(317) 817-6100

-----  
Address of principal executive offices

-----  
Telephone

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes  No

Shares of common stock outstanding as of April 30, 1999: 323,515,110

CONSECO, INC. AND SUBSIDIARIES

EXPLANATORY PARAGRAPH

This Form 10-Q/A amends the Form 10-Q filed by Conseco, Inc. on May 14, 1999, to correct the typographical error included in the second sentence of the third paragraph on page 9 of the Form 10-Q. The corrected sentence refers to assumptions used to determine the value of interest-only securities at March 31, 1999. In accordance with the instructions for Form 10-Q/A, Item 1 is included herein in its entirety.

<TABLE>  
<CAPTION>

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET  
(Dollars in millions)

ASSETS

March 31, December 31,

	1999 ----	1998 ----
	(unaudited)	
<S>	<C>	<C>
Investments:		
Actively managed fixed maturities at fair value (amortized cost: 1999 - \$22,994.6; 1998 - \$21,848.3).....	\$22,591.9	\$21,827.3
Interest-only securities at fair value (amortized cost: 1999 - \$1,399.5; 1998 - \$1,313.6) ..	1,369.5	1,305.4
Equity securities at fair value (cost: 1999 - \$424.0; 1998 - \$373.0).....	427.7	376.4
Mortgage loans.....	1,197.0	1,130.2
Policy loans.....	680.7	685.6
Other invested assets .....	1,047.5	1,259.8
Short-term investments.....	1,198.1	1,704.7
Assets held in separate accounts.....	997.5	899.4
	-----	-----
Total investments.....	29,509.9	29,188.8
Accrued investment income.....	422.5	383.8
Finance receivables.....	3,926.4	3,299.5
Cost of policies purchased.....	2,423.2	2,425.2
Cost of policies produced.....	1,598.7	1,453.9
Reinsurance receivables.....	836.9	734.8
Goodwill.....	3,932.7	3,960.2
Cash held in segregated accounts for investors.....	895.8	843.7
Other assets.....	1,440.2	1,310.0
	-----	-----
Total assets.....	\$44,986.3	\$43,599.9
	=====	=====

(continued on next page)

</TABLE>

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

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<TABLE>  
<CAPTION>

CONSECO, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET, continued  
(Dollars in millions)  
LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 1999 ----	December 31, 1998 ----
	(unaudited)	
<S>	<C>	<C>
Liabilities:		
Liabilities for insurance and asset accumulation products:		
Interest-sensitive products.....	\$17,280.9	\$17,229.4
Traditional products.....	6,465.8	6,391.6
Claims payable and other policyholder funds.....	1,451.1	1,491.5
Unearned premiums.....	389.9	376.6
Liabilities related to separate accounts.....	997.5	899.4
Liabilities related to deposit products.....	684.7	541.7
Investor payables.....	895.8	843.7

Other liabilities.....	2,164.7	1,980.7
Income tax liabilities.....	258.3	197.1
Investment borrowings.....	1,212.3	956.2
Notes payable and commercial paper:		
Corporate.....	3,076.8	2,932.2
Finance.....	2,684.2	2,389.3
	-----	-----
Total liabilities.....	37,562.0	36,229.4
	-----	-----
Minority interest:		
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts.....	2,098.6	2,096.9
Shareholders' equity:		
Preferred stock.....	-	105.5
Common stock and additional paid-in capital (no par value, 1,000,000,000 shares authorized, shares issued and outstanding: 1999 - 323,461,956; 1998 - 315,843,609).....	2,846.9	2,736.5
Accumulated other comprehensive loss:		
Unrealized depreciation of fixed maturity securities (net of applicable deferred income taxes: 1999 - \$(110.8); 1998 - \$(6.4)).....	(204.6)	(11.9)
Unrealized depreciation of other investments (net of applicable deferred income taxes: 1999 - \$(15.9); 1998 - \$(7.2)).....	(27.9)	(12.1)
Minimum pension liability adjustment (net of applicable deferred income taxes: 1998 - \$(2.7)).....	-	(4.4)
Retained earnings.....	2,711.3	2,460.0
	-----	-----
Total shareholders' equity.....	5,325.7	5,273.6
	-----	-----
Total liabilities and shareholders' equity.....	\$44,986.3	\$43,599.9
	=====	=====

</TABLE>

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

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<TABLE>  
<CAPTION>

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS  
(Dollars in millions except per share amounts)  
(unaudited)

	Three months ended March 31,	
	1999	1998
	-----	-----
	<C>	<C>
Revenues:		
Insurance policy income.....	\$1,007.4	\$ 990.1
Net investment income.....	646.4	666.8
Gain on sale of finance receivables.....	199.8	143.7
Net investment gains.....	1.0	104.8
Fee revenue and other income.....	111.3	79.4
	-----	-----
Total revenues.....	1,965.9	1,984.8
	-----	-----
Benefits and expenses:		
Insurance policy benefits.....	889.7	954.4
Interest expense.....	110.6	106.4
Amortization.....	151.4	203.5
Other operating costs and expenses.....	306.7	299.9
	-----	-----
Total benefits and expenses.....	1,458.4	1,564.2
	-----	-----

Income before income taxes, minority interest and extraordinary charge .....	507.5	420.6
Income tax expense.....	180.2	170.2
	-----	-----
Income before minority interest and extraordinary charge .....	327.3	250.4
Minority interest - distributions on Company-obligated mandatorily redeemable preferred securities of subsidiary trusts, net of income taxes.....	30.2	19.4
	-----	-----
Income before extraordinary charge .....	297.1	231.0
Extraordinary charge on extinguishment of debt, net of income taxes .....	-	16.4
	-----	-----
Net income.....	297.1	214.6
Less preferred stock dividends.....	0.6	2.0
	-----	-----
Net income applicable to common stock.....	\$ 296.5	\$ 212.6
	=====	=====
Earnings per common share:		
Basic:		
Weighted average shares outstanding.....	320,645,000	308,969,200
Net income before extraordinary charge.....	\$ .92	\$ .74
Extraordinary charge.....	-	(.05)
	-----	-----
Net income.....	\$ .92	\$ .69
	=====	=====
Diluted:		
Weighted average shares outstanding.....	331,108,600	332,409,400
Net income before extraordinary charge.....	\$ .90	\$ .70
Extraordinary charge.....	-	(.05)
	-----	-----
Net income.....	\$ .90	\$ .65
	=====	=====

</TABLE>

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

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<TABLE>  
<CAPTION>

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY  
(Dollars in millions)  
(unaudited)

	Total	Preferred stock	Common stock and additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Balance, January 1, 1999.....	\$5,273.6	\$105.5	\$2,736.5	\$ (28.4)	\$2,460.0
Comprehensive income, net of tax:					
Net income.....	297.1				297.1
Change in unrealized appreciation (depreciation) of actively managed fixed maturity investments (net of applicable income tax benefit of \$104.4).....	(192.7)	-	-	(192.7)	-
Change in unrealized appreciation (depreciation) of other investments (net of applicable income tax benefit of \$8.7).....	(15.8)	-	-	(15.8)	-
Change in minimum pension liability adjustment (net of applicable income tax expense of \$2.7).....	4.4	-	-	4.4	-
	-----				
Total comprehensive income.....	93.0				

Issuance of shares for stock options and for

employee benefit plans.....	69.9	-	69.9	-	-
Tax benefit related to issuance of shares under stock option plans.....	24.2	-	24.2	-	-
Conversion of preferred stock into common shares....	-	(105.5)	105.5	-	-
Cost of shares acquired.....	(89.2)	-	(89.2)	-	-
Dividends on common stock.....	(45.2)	-	-	-	(45.2)
Dividends on preferred stock.....	(.6)	-	-	-	(.6)
	-----	-----	-----	-----	-----
Balance, March 31, 1999.....	\$5,325.7	\$ -	\$2,846.9	\$ (232.5)	\$2,711.3
	=====	=====	=====	=====	=====
Balance, January 1, 1998.....	\$5,213.9	\$115.8	\$2,619.8	\$ 200.6	\$2,277.7
Comprehensive income, net of tax:					
Net income.....	214.6	-	-	-	214.6
Change in unrealized appreciation (depreciation) of actively managed fixed maturity investments (net of applicable income tax benefit of \$9.8)..	(18.2)	-	-	(18.2)	-
Change in unrealized appreciation (depreciation) of other investments (net of applicable income tax benefit of \$9.6).....	(14.7)	-	-	(14.7)	-
	-----				
Total comprehensive income.....	181.7				
Issuance of shares for stock options and for employee benefit plans.....	70.7	-	70.7	-	-
Tax benefit related to issuance of shares under stock option plans.....	38.1	-	38.1	-	-
Issuance of warrants in conjunction with financing transaction.....	7.7	-	7.7	-	-
Cost of shares acquired.....	(233.8)	-	(115.3)	-	(118.5)
Dividends on common stock.....	(35.1)	-	-	-	(35.1)
Dividends on preferred stock.....	(2.0)	-	-	-	(2.0)
	-----	-----	-----	-----	-----
Balance, March 31, 1998.....	\$5,241.2	\$115.8	\$2,621.0	\$ 167.7	\$2,336.7
	=====	=====	=====	=====	=====

</TABLE>

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

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<TABLE>  
<CAPTION>

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS  
(Dollars in millions)  
(unaudited)

	Three months ended March 31,	
	1999	1998
	-----	-----
	1999	1998
	-----	-----
<S>	<C>	<C>
Cash flows from operating activities:		
Net income.....	\$ 297.1	\$ 214.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of finance receivables.....	(199.8)	(143.7)
Points and origination fees received.....	110.5	53.0
Interest-only securities investment income.....	(43.7)	(33.4)
Cash received from interest-only securities.....	123.5	68.0
Servicing income.....	(39.3)	(33.1)
Cash received from servicing activities.....	41.7	35.1
Amortization and depreciation.....	165.2	218.2
Income taxes.....	135.0	61.4
Insurance liabilities.....	34.1	(60.1)
Accrual and amortization of investment income.....	(46.0)	(0.6)
Deferral of cost of policies produced and purchased.....	(182.9)	(209.4)
Minority interest.....	46.5	29.5
Extraordinary charge on extinguishment of debt.....	-	25.2
Net investment gains.....	(1.0)	(104.8)
Other.....	(31.1)	84.6
	-----	-----
Net cash provided by operating activities.....	409.8	204.5

Cash flows from investing activities:		
Sales of investments.....	5,165.5	8,263.8
Maturities and redemptions of investments.....	333.3	321.3
Purchases of investments.....	(6,607.0)	(8,543.6)
Cash received from the sale of finance receivables, net of expenses.....	2,972.6	2,921.6
Principal payments received on finance receivables.....	1,641.0	1,174.6
Finance receivables originated.....	(5,110.8)	(4,277.2)
Other.....	(79.2)	(41.2)
	-----	-----
Net cash used by investing activities .....	(1,684.6)	(180.7)
	-----	-----
Cash flows from financing activities:		
Issuance of notes payable and commercial paper.....	4,246.4	3,644.5
Issuance of shares related to stock options.....	9.4	57.7
Issuance of Company-obligated mandatorily redeemable preferred securities of subsidiary trusts.....	-	3.6
Payments on notes payable and commercial paper.....	(3,807.5)	(3,389.9)
Payments to repurchase equity securities.....	(29.5)	(199.6)
Investment borrowings.....	256.1	(193.4)
Amounts received for investments in deposit products.....	749.2	611.5
Withdrawals from deposit products.....	(583.9)	(626.4)
Distributions on Company-obligated mandatorily redeemable preferred securities of subsidiary trusts and common and preferred stock dividends.....	(72.0)	(50.0)
	-----	-----
Net cash provided (used) by financing activities.....	768.2	(142.0)
	-----	-----
Net decrease in short-term investments.....	(506.6)	(118.2)
Short-term investments, beginning of period.....	1,704.7	1,154.7
	-----	-----
Short-term investments, end of period.....	\$ 1,198.1	\$1,036.5
	=====	=====

</TABLE>

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

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#### CONSECO, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following notes should be read together with the notes to the consolidated financial statements included in the 1998 Form 10-K of Consecoco, Inc. ("we", "Consecoco" or the "Company").

##### BASIS OF PRESENTATION

Our unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring items, that are necessary to present fairly Consecoco's financial position and results of operations on a basis consistent with that of our prior audited consolidated financial statements. As permitted by rules and regulations of the Securities and Exchange Commission applicable to quarterly reports on Form 10-Q, we have condensed or omitted certain information and disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles ("GAAP"). We have also reclassified certain amounts from the prior periods to conform to the 1999 presentation. Results for interim periods are not necessarily indicative of the results that may be expected for a full year.

Consecoco is a financial services holding company operating throughout the United States. Our insurance subsidiaries develop, market and administer supplemental health insurance, annuity, individual life insurance, individual and group major medical insurance and other insurance products. Our finance subsidiaries originate, purchase, sell and service consumer and commercial finance loans. Consecoco's operating strategy is to grow its business by focusing its resources on the development and expansion of profitable products and strong distribution channels, to seek to achieve superior investment returns through active asset management and to control expenses.

When we prepare financial statements in conformity with GAAP, we are

required to make estimates and assumptions that significantly affect various reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting periods. For example, we use significant estimates and assumptions in calculating values for the cost of policies produced, the cost of policies purchased, interest-only securities, servicing rights, goodwill, liabilities for insurance and deposit products, liabilities related to litigation, guaranty fund assessment accruals, gain on sale of finance receivables and deferred income taxes. If our future experience differs from these estimates and assumptions, our financial statements could be materially affected.

Consolidation issues. Our consolidated financial statements give retroactive effect to the merger (the "Green Tree Merger") with Green Tree Financial Corporation ("Green Tree") in a transaction accounted for as a pooling of interests (see "Green Tree Merger"). The pooling of interests method of accounting requires the restatement of all periods presented as if Consec and Green Tree had always been combined. The consolidated statement of shareholders' equity therefore reflects the accounts of the Company as if the additional shares of Consec common stock issued in the merger had been outstanding during all periods presented. Intercompany transactions prior to the merger have been eliminated, and we have made certain reclassifications to Green Tree's financial statements to conform to Consec's presentation.

Our consolidated financial statements exclude the results of material transactions between us and our consolidated affiliates, or among our consolidated affiliates.

ADJUSTMENT TO ACTIVELY MANAGED FIXED MATURITY SECURITIES

We classify our fixed maturity securities into three categories: (i) "actively managed" (which we carry at estimated fair value); (ii) "trading" (which we carry at estimated fair value); and (iii) "held to maturity" (which we carry at amortized cost). We held \$71.9 million of trading securities at March 31, 1999, which we included in other invested assets. We held no fixed maturity securities in the held to maturity category at March 31, 1999.

CONSECO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Net unrealized losses on actively managed fixed maturity investments included in shareholders' equity were as follows:

<TABLE>  
<CAPTION>

	March 31, 1999	December 31, 1998
	----	----
	(Dollars in millions)	
	<C>	<C>
Net unrealized losses on actively managed fixed maturity investments.....	\$(402.7)	\$(21.0)
Adjustments to cost of policies purchased and cost of policies produced.....	92.9	10.4
Deferred income tax benefit.....	110.8	6.4
Other.....	(5.6)	(7.7)
	-----	-----
Net unrealized losses on actively managed fixed maturity investments.....	\$(204.6)	\$(11.9)
	=====	=====

</TABLE>

GREEN TREE MERGER

On June 30, 1998, we completed the Green Tree Merger. We issued a total of 128.7 million shares of Consec common stock (including 5.0 million common equivalent shares issued in exchange for Green Tree's outstanding options), exchanging .9165 of a share of Consec common stock for each share of Green Tree common stock. The Green Tree Merger constituted a tax-free exchange and was accounted for under the pooling of interests method. We restated all prior-period consolidated financial statements to include Green Tree as though it had always been a subsidiary of Consec.

Prior to the effect of the Green Tree Merger, Consec had revenues of \$1,699.0 million and net income of \$151.1 million for the three months ended March 31, 1998. Green Tree had revenues of \$285.8 million and net income of



\$63.5 million for that period.

FINANCE RECEIVABLES, INTEREST-ONLY SECURITIES AND SERVICING RIGHTS OF  
FINANCE SUBSIDIARIES

Finance receivables, summarized by type, were as follows:

<TABLE>  
<CAPTION>

	March 31, 1999 ----	December 31, 1998 ----
	(Dollars in millions)	
<S>	<C>	<C>
Manufactured housing.....	\$ 463.2	\$ 798.8
Mortgage services.....	829.5	603.5
Consumer/credit card.....	748.1	587.3
Commercial.....	1,939.5	1,352.9
	-----	-----
	3,980.3	3,342.5
Less allowance for doubtful accounts.....	(53.9)	(43.0)
	-----	-----
Net finance receivables.....	\$3,926.4	\$3,299.5
	=====	=====

</TABLE>

We pool and securitize substantially all of the finance receivables we originate. In a typical securitization, we establish a special-purpose entity for the limited purpose of purchasing the finance receivables. This special-purpose entity issues and sells interest-bearing securities that represent interests in the receivables, collateralized by the underlying pool of finance receivables. We, in turn, receive the proceeds from the sale of the securities, which are typically sold at the same amount as the principal balance of the receivables sold. We retain a residual interest, which represents the right to receive, over the life of the pool of receivables: (i) the excess of the principal and interest received on the receivables transferred to the special purpose entity over the principal and interest paid to the holders of other interests in the securitization; and (ii) servicing fees.

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CONSECO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In some securitizations, we also retain certain lower-rated securities that are senior in payment priority to the interest-only securities. Such retained securities had a fair market value and amortized cost of \$344.8 million and \$366.8 million, respectively, at March 31, 1999, and were classified as actively managed fixed maturity securities.

During the first three months of 1999 and 1998, the Company sold \$2,965.0 million and \$2,967.8 million, respectively, of finance receivables in various securitized transactions and recognized gains of \$199.8 million and \$143.7 million, respectively.

We record the interest-only security initially at a value representing an allocated portion of the cost basis of the finance receivables being sold. We adjust this value to estimated fair value each quarter. We used the following assumptions to determine the value of the interest-only securities at March 31, 1999. The difference between estimated fair value and the security's book value is included in unrealized depreciation of other investments.

<TABLE>  
<CAPTION>

	Manufactured housing -----	Home equity/ home improvement -----	Consumer/ equipment -----	Total -----
	(Dollars in millions)			
<S>	<C>	<C>	<C>	<C>
Interest-only securities at fair value.....	\$ 742.9	\$ 456.5	\$ 170.1	\$ 1,369.5
Principal balance of sold finance receivables (a)....	21,263.7	8,132.0	3,722.0	33,117.7
Weighted average customer interest rate on sold finance receivables (a).....	10.1%	11.4%	10.9%	
Expected weighted average annual constant prepayment rate as a percentage of principal balance of sold finance receivables (a) (b).....	11.5%	26.9%	22.2%	
Expected nondiscounted credit losses as a				

percentage of principal balance of sold			
finance receivables (a) (b).....	6.1%	3.3%	2.5%
Weighted average discount rate used for			
determining cost basis on the income statement....	15.0%	15.0%	15.0%

<FN>

- 
- (a) Excludes finance receivables sold in revolving-trust securitizations.
  - (b) The valuation of interest-only securities is affected not only by the projected level of prepayments of principal and net credit losses, but also by the projected timing of such prepayments and net credit losses. Should such timing differ materially from our projections, it could have a material effect on the valuation of our interest-only securities.

</FN>

</TABLE>

The weighted average interest rate used to discount expected cash flows of the interest-only securities in determining the fair value on the balance sheet was 14 percent at March 31, 1999.

Credit quality was as follows:

<TABLE>

<CAPTION>

	March 31,	
	1999	1998
	----	----
<S>	<C>	<C>
60-days-and-over delinquencies as a percentage		
of managed finance receivables at period end.....	1.08%	1.00%
	====	====
Net credit losses incurred during the last twelve months as a percentage		
of average managed finance receivables during the period.....	1.07%	1.06%
	====	====
Repossessed collateral inventory as a percentage of managed finance		
receivables at period end.....	1.24%	.97%
	====	=====

</TABLE>

CONSECO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Activity in the interest-only securities account was as follows:

<TABLE>

<CAPTION>

	Three months ended	
	March 31,	
	1999	1998
	----	----
	(Dollars in millions)	
<S>	<C>	<C>
Balance, beginning of period.....	\$1,305.4	\$1,398.7
Additions resulting from securitizations during the period.....	165.7	171.1
Investment income.....	43.7	33.4
Cash received.....	(123.5)	(68.0)
Change in unrealized depreciation charged to shareholders' equity.....	(21.8)	(33.7)
	-----	-----
Balance, end of period.....	\$1,369.5	\$1,501.5
	=====	=====

</TABLE>

EARNINGS PER SHARE

A reconciliation of income and shares used to calculate basic and diluted earnings per share is as follows:

<TABLE>

<CAPTION>

Three months ended	
March 31,	
1999	1998
----	----
(Dollars in millions and	

	shares in thousands)	
	<C>	<C>
<b>&lt;S&gt;</b>		
<b>Income:</b>		
Income before extraordinary charge.....	\$297.1	\$231.0
Preferred stock dividends.....	0.6	2.0
	-----	-----
Income before extraordinary charge applicable to common ownership for basic earnings per share.....	296.5	229.0
<b>Effect of dilutive securities:</b>		
Preferred stock dividends.....	0.6	2.0
	-----	-----
Income before extraordinary charge applicable to common ownership and assumed conversions for diluted earnings per share.....	\$297.1	\$231.0
	=====	=====
<b>Shares:</b>		
Weighted average shares outstanding for basic earnings per share.....	320,645	308,969
<b>Effect of dilutive securities on weighted average shares:</b>		
Stock options.....	3,649	9,701
Employee stock plans.....	2,004	1,970
PRIDES.....	1,769	6,482
Convertible securities.....	3,042	5,287
	-----	-----
Dilutive potential common shares.....	10,464	23,440
	-----	-----
Weighted average shares outstanding for diluted earnings per share.....	331,109	332,409
	=====	=====
<b>&lt;/TABLE&gt;</b>		

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CONSECO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BUSINESS SEGMENTS

We manage our business operations through two segments: (i) finance; and (ii) insurance and fee-based.

Finance. We provide a variety of finance products, including: consumer loans for manufactured housing, home improvements, home equity and various consumer products; private label credit card programs; and commercial loans such as revolving credit agreements, asset-backed lending and equipment financing. These products are marketed both direct to the borrower and through intermediary channels such as dealers, vendors, contractors and retailers.

Insurance and fee-based. We provide supplemental health, annuity, life, and individual and group major medical products to a broad spectrum of customers through multiple distribution channels, each focused on a specific market segment. These products are marketed through career agents, professional independent producers and direct contact.

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<TABLE>  
<CAPTION>

CONSECO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Segment operating information was as follows:

Three months ended March 31,	
-----	-----
1999	1998
----	----
(Dollars in millions)	
<C>	<C>

<S>  
Revenues:

Insurance and fee-based segment:		
Insurance policy income.....	\$1,007.4	\$ 990.1
Net investment income.....	522.0	583.3
Fee and other revenue.....	28.7	20.8
Net investment gains.....	1.0	104.8
Eliminations.....	(1.4)	-
	-----	-----
Total insurance and fee-based segment revenues.....	1,557.7	1,699.0
	-----	-----
Finance segment:		
Net investment income.....	129.3	83.5
Gain on sale of finance receivables.....	199.8	143.7
Fee revenue and other income.....	82.6	58.6
Eliminations.....	(3.5)	-
	-----	-----
Total finance segment revenues.....	408.2	285.8
	-----	-----
Total revenues.....	1,965.9	1,984.8
	-----	-----
Expenses:		
Insurance and fee-based segment:		
Insurance policy benefits.....	889.7	954.4
Amortization.....	150.6	203.5
Interest expense.....	11.8	18.9
Other operating costs and expenses.....	153.9	161.2
	-----	-----
Total insurance and fee-based segment expenses.....	1,206.0	1,338.0
	-----	-----
Finance segment:		
Interest expense.....	56.6	48.5
Other operating costs and expenses.....	149.9	134.9
Eliminations.....	(1.9)	-
	-----	-----
Total finance segment expenses.....	204.6	183.4
	-----	-----
Not allocated to segments:		
Interest expense.....	47.1	39.0
Other operating cost and expenses.....	3.7	3.8
Eliminations.....	(3.0)	-
	-----	-----
Total expenses not allocated to segments.....	47.8	42.8
	-----	-----
Total expenses.....	1,458.4	1,564.2
	-----	-----
Income before income taxes, minority interest and extraordinary charge:		
Insurance operations.....	353.1	361.0
Finance operations.....	205.2	102.4
Corporate interest and other expenses.....	(50.8)	(42.8)
	-----	-----
Income before income taxes, minority interest and extraordinary charge.....	\$ 507.5	\$ 420.6
	=====	=====

</TABLE>

CONSECO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL INSTRUMENTS

Our equity-indexed annuity products provide a guaranteed base rate of return, and a higher potential return linked to the performance of the Standard & Poor's 500 Index ("S&P 500 Index"). We buy Standard & Poor's 500 Index Call Options (the "S&P 500 Call Options") in an effort to hedge potential increases to policyholder benefits resulting from increases in the S&P 500 Index to which the product's return is linked. We include the cost of the S&P 500 Call Options

in the pricing of these products. The values of these options fluctuate in relation to changes in policyholder account balances for these annuities. We reflect changes in the value of these options in net investment income. During the three months of 1999 and 1998, net investment income included \$33.6 million and \$59.7 million, respectively, related to these changes. Such investment income was substantially offset by increases to policyholder account balances. The value of the S&P 500 Call Options was \$58.5 million at March 31, 1999. We classify such instruments as other invested assets. We defer the premiums paid to purchase the S&P 500 Call Options and amortize them to investment income over their term. Such amortization was \$20.1 million and \$7.7 million during the first three months of 1999 and 1998, respectively.

For investment purposes, we entered into various interest-rate swap agreements having an aggregate notional principal amount of \$1.7 billion at March 31, 1999. The agreements effectively exchange a fixed rate of interest on the notional amount into a floating rate. The agreements mature in various years through 2008 and have an average remaining life of five years (the average call date is 2.4 years). We mark such agreements to market each quarter, with the related gain (loss) classified as investment income in the consolidated statement of operations. At March 31, 1999, our interest-rate swap agreements had a fair value of \$17.9 million.

If the counterparties of these financial instruments fail to meet their obligations, Consecos may have to recognize a loss. Consecos limits its exposure to such a loss by diversifying among several counterparties believed to be strong and creditworthy. At March 31, 1999, all of the counterparties were rated "A" or higher by Standard & Poor's Corporation.

In conjunction with certain sales of finance receivables, the Company has provided guarantees aggregating approximately \$1.8 billion at March 31, 1999. We believe the likelihood of a significant loss from such guarantees is remote.

#### REINSURANCE

The cost of reinsurance ceded totaled \$115.0 million and \$133.9 million in the first three months of 1999 and 1998, respectively. We deducted this cost from insurance policy income. Consecos is contingently liable for claims reinsured if the assuming company is unable to pay. Reinsurance recoveries netted against insurance policy benefits totaled \$118.2 million and \$126.1 million in the first three months of 1999 and 1998, respectively.

### CONSECO, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### CORPORATE NOTES PAYABLE AND COMMERCIAL PAPER

Corporate notes payable and commercial paper were as follows (interest rates as of March 31, 1999):

	March 31, 1999 ----	December 31, 1998 ----
	(Dollars in millions)	
<S>	<C>	<C>
Commercial paper (5.17%).....	\$ 994.4	\$ 784.4
Bank credit facilities (5.20%).....	307.3	372.3
Notes payable (5.4%).....	400.0	400.0
6.4% notes due 2001.....	550.0	550.0
6.4% notes due 2003.....	250.0	250.0
6.5% convertible subordinated notes due 2003.....	86.0	86.0
6.8% senior notes due 2005.....	250.0	250.0
7.875% notes due 2000.....	150.0	150.0
8.125% senior notes due 2003.....	63.5	63.5
10.5% senior notes due 2004.....	24.5	24.5
Other.....	12.3	13.5
	-----	-----
Total principal amount.....	3,088.0	2,944.2
Unamortized net discount.....	(11.2)	(12.0)

Total.....	\$3,076.8	\$2,932.2
	=====	=====

</TABLE>

The Company's current bank credit facilities allow us to borrow up to \$2.5 billion, of which \$1.5 billion may be borrowed until 2003 and \$1.0 billion may be borrowed until September 1999. Actual borrowings at March 31, 1999, totaled \$1,150.0 million (of which \$842.7 million was used to finance the purchase of finance receivables classified as finance notes payable See "Changes in Finance Notes Payable"). The credit facility requires us to maintain various financial ratios, as defined in the agreement, including: (i) a debt-to-total capitalization ratio less than .45:1 (such ratio was .383:1 at March 31, 1999); and (ii) an interest coverage ratio greater than 2.0:1 during the period October 1, 1998 through September 30, 1999, greater than 2.25:1 for the period October 1, 1999 through September 30, 2001 and greater than 2.50:1 thereafter (such ratio was 5.37:1 for the period ended March 31, 1999). Our unsecured bank credit facilities are used to support our commercial paper program.

Borrowings under our commercial paper program averaged approximately \$1,100.5 million during the first three months of 1999. The weighted average interest rate on such borrowings was 5.17 percent during that period.

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CONSECO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CHANGES IN FINANCE NOTES PAYABLE

Notes payable and commercial paper related to our financing activities were as follows (interest rates as of March 31, 1999):

<TABLE>

<CAPTION>

	March 31, 1999	December 31, 1998
	----	----
	(Dollars in millions)	
<S>	<C>	<C>
Bank credit facilities (5.20%).....	\$ 842.7	\$ 877.7
Master repurchase agreements due on various dates in 1999 and 2000 (5.65%).....	1,165.7	780.6
Credit facility collateralized by interest-only securities due 2000 (6.94%).....	245.0	300.0
10.25% senior subordinated notes due 2002.....	193.6	194.0
Medium term notes due October 1999 to April 2003 (6.58%).....	238.7	238.7
Other.....	3.2	3.2
	-----	-----
Total principal amount.....	2,688.9	2,394.2
Less unamortized net discount.....	(4.7)	(4.9)
	-----	-----
Total.....	\$2,684.2	\$2,389.3
	=====	=====

</TABLE>

As of March 31, 1999, we had \$4.25 billion of master repurchase agreements (of which \$1,165.7 million was outstanding at March 31, 1999) with various investment banking firms, subject to the availability of eligible collateral. The agreements generally provide for one-year terms, which can be extended each quarter by mutual agreement of the parties for an additional year, based upon the financial performance of our finance segment.

CHANGES IN PREFERRED STOCK

In February 1999, we redeemed all \$105.5 million (carrying value) outstanding shares of Preferred Redeemable Increased Dividend Equity Securities, 7% PRIDES Convertible Preferred Stock ("PRIDES") in exchange for 5.9 million shares of Conesco common stock.

CHANGES IN COMMON STOCK

Changes in the number of shares of common stock outstanding were as follows  
(shares in thousands):

	Three months ended March 31,	
	1999	1998
<S>	<C>	<C>
Balance, beginning of period.....	315,844	310,012
Stock options exercised.....	4,561	4,862
Common shares converted from PRIDES.....	5,904	-
Common stock acquired under option exercise and repurchase programs.....	(2,896)	(5,114)
Shares issued under employee benefit and compensation plans.....	49	656
Shares returned by former executive due to recomputation of bonus.....	-	(698)
	-----	-----
Balance, end of period.....	323,462	309,718
	=====	=====

</TABLE>

CONSECO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RECENTLY ISSUED ACCOUNTING STANDARDS

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") was issued in June 1998. SFAS 133 requires all derivative instruments to be recorded on the balance sheet at estimated fair value. Changes in the fair value of derivative instruments are to be recorded each period either in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, on the type of hedge transaction. SFAS 133 is effective for year 2000. We are currently evaluating the impact of SFAS 133; at present, we do not believe it will have a material effect on our consolidated financial position or results of operations.

LITIGATION

Green Tree has been served with various related lawsuits which were filed in the United States District Court for the District of Minnesota. These lawsuits were filed as purported class actions on behalf of persons or entities who purchased common stock or options of Green Tree during the alleged class periods that generally run from February 1995 to January 1998. One such action did not include class action claims. In addition to Green Tree, certain current and former officers and directors of Green Tree are named as defendants in one or more of the lawsuits. Green Tree and other defendants have obtained an order from the United States District Court for the District of Minnesota consolidating the lawsuits seeking class action status into two actions: one which pertains to a purported class of common stockholders and the other which pertains to a purported class of stock option traders. Plaintiffs in the lawsuits assert claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. In each case, plaintiffs allege that Green Tree and the other defendants violated federal securities laws by, among other things, making false and misleading statements about the current state and future prospects of Green Tree (particularly with respect to prepayment assumptions and performance of certain loan portfolios of Green Tree) which allegedly rendered Green Tree's financial statements false and misleading. The Company believes that the lawsuits are without merit and intends to defend such lawsuits vigorously. The ultimate outcome of these lawsuits cannot be predicted with certainty. Green Tree has filed motions, which are pending, to dismiss these lawsuits.

In addition, the Company and its subsidiaries are involved on an ongoing basis in lawsuits related to their operations. Although the ultimate outcome of certain of such matters cannot be predicted, such lawsuits currently pending against the Company or its subsidiaries are not expected, individually or in the aggregate, to have a material adverse effect on the Company's consolidated financial condition, cash flows or results of operations.

CONSOLIDATED STATEMENT OF CASH FLOWS

The following disclosures supplement our consolidated statement of cash flows:

<TABLE>  
<CAPTION>

Three months  
ended  
March 31,  
-----  
1999                      1998  
-----  
(Dollars in millions)  
<C>                              <C>

<S>

Additional non-cash items not reflected in the consolidated statement of cash flows:

Issuance of common stock under stock option and employee benefit plans.....	\$ .8	\$ 2.2
Tax benefit related to the issuance of common stock under employee benefit plans.....	24.2	38.1
Conversion of preferred stock into common stock.....	105.5	-
Shares returned by former executive due to recomputation of bonus.....	-	23.4
Issuance of stock warrants in conjunction with financing transaction.....	-	7.7

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CONSECO, INC. AND SUBSIDIARIES  
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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CONSECO, INC.

Dated: September 10, 1999

By: /s/ ROLLIN M. DICK  
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Rollin M. Dick  
Executive Vice President and  
Chief Financial Officer  
(authorized officer and principal  
financial officer)

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