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UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

IN RE CONSECO LIFE INSURANCE COMPANY LIFETREND INSURANCE SALES AND MARKETING LITIGATION,	Case No.: 3:10-md-2124 SI
WILLIAM JEFFREY BURNETT and JOE H. CAMP, Plaintiffs, v. CONSECO LIFE INSURANCE COMPANY, INC., an Indiana corporation; CNO FINANCIAL GROUP, INC., a Delaware corporation; and CNO SERVICES, LLC, an Indiana limited liability company, Defendants.	Case No.: 3:12-cv-05906-SI **FIRST AMENDED COMPLAINT**

FILED UNDER SEAL

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I. SUMMARY OF THE ACTION

1. Plaintiffs William Jeffrey Burnett and Joe H. Camp (together, the "Plaintiffs") are former owners of "LifeTrend III" and "LifeTrend IV" life insurance policies (the "LifeTrend Policies" or the "Policies") issued by corporate predecessors to Defendant Conseco Life Insurance Company ("Conseco Life").

2. For most of the time relevant to this action, the LifeTrend Policies were administered by Conseco Life's then-indirect corporate parent, Defendant CNO Financial Group, Inc. (formerly known as Conseco, Inc.) ("CNO Financial"), and by Defendant CNO Services, LLC (formerly "Conseco Services, LLC") ("CNO Services"), a subsidiary of CNO Financial. As used herein, and unless otherwise indicated by the context, "Conseco Defendants" and "Conseco" refer collectively to Conseco Life, CNO Financial, and CNO Services.

3. The LifeTrend Policies were sold in the 1980s and 1990s. The LifeTrend program initially was exceptionally profitable for Conseco, but by the early 2000s, Conseco had become very concerned about impending losses. Aging LifeTrend Policyholders were dying in increasing numbers, and Conseco Life was obliged to pay correspondingly increasing death benefits. At the same time, revenue from premiums was low because the Policies were so-called "vanishing premium" policies, and very few Policyholders were paying new premiums for their life insurance coverage. Interest on invested premiums, projected to cover the difference between Conseco's then-current premium income and its liabilities, had fallen short of expectations.

4. In October 2008, to make up for past losses and to stave off future losses, Conseco announced massive increases in premiums and cost-of-insurance deductions that LifeTrend Policyholders would be required to pay if they wanted to maintain their Policies going forward. The announced increases were designed to save Conseco money and help Conseco generate profits in two ways: (1) Conseco would generate more revenue from the Policyholders who kept their Policies; and (2) Conseco would induce thousands of Policyholders to give up their Policies before they died – and before Conseco had to pay out death benefits to the Policyholders' survivors – a result known as "shock lapse".

5. Conseco expected and intended when it announced the increases in premiums and cost-of-insurance deductions that thousands of LifeTrend Policyholders would respond to the shock of the massive increases by surrendering their Policies or letting them lapse. Indeed, producing widespread "shock lapse" was a principal purpose of the increases. Conseco cynically anticipated that it would save tens of millions of dollars on a money-losing product line – and evade paying tens of millions of dollars in death benefits – if it could "shock" a few thousand Policyholders into giving up their LifeTrend Policies.

6. From the moment Conseco made the October 2008 announcement and for years going forward, as Conseco implemented the announced changes, Conseco blatantly violated the LifeTrend Policies' express terms. The October 2008 announcement itself violated Conseco's contractual duty to provide accurate information to Policyholders about the status of their Policies and associated accounts, including but not limited to information about Policyholders' vanishing premium eligibility and cost-of-insurance deductions. The premium and cost-of-insurance increases also violated several express and unambiguous terms of the Policies that specified what Conseco could charge and when it could impose such charges.

7. Because of the announced premium increases and cost-of-insurance deductions, LifeTrend Policyholders were no longer receiving the insurance products for which they had bargained and paid. The death benefits stated on the Policies were unchanged, but the cost of preserving that coverage had increased dramatically and the investment benefit of the Policies had been sabotaged. Mr. Burnett, Dr. Camp and thousands of other Policyholders concluded that continuing to maintain their Policies was therefore neither feasible nor worthwhile. They surrendered their Policies, forfeiting to Conseco tens or hundreds of thousands of dollars' worth of life insurance coverage.

8. More than 4000 LifeTrend Policyholders – over a third of LifeTrend Policyholders – surrendered their policies or let them lapse in the two years following the October 2008 announcement. Conseco achieved its improper shock lapse objective.

9. Before, during and after its implementation of the shock lapse strategy, CNO Financial hired actuarial experts at Milliman USA ("Milliman") to estimate the effect of the

administrative changes on Conseco's bottom line. Milliman's estimates of the financial benefits Conseco would reap by breaching the LifeTrend Policies varied based on assumptions used, but they all exceeded $100 million. Milliman attributed one-third to one-half of the anticipated benefit to Conseco to shock lapse – value transferred directly from thousands or former LifeTrend Policyholders, who no longer would have their life insurance Policies, to Conseco, which would be relieved of the obligation to pay death benefits on those Policies.

10. Milliman actually underestimated the effect of the shock lapse, as it projected only a 25% shock lapse rate. The actual lapse rate exceeded 39%.

11. Former LifeTrend Policyholders' claims are best pursued as a class action. Pursuing claims independently is not a viable option for many individual Policyholders, even though their claims are valuable. Accordingly, Mr. Burnett and Dr. Camp intend to seek certification of a nationwide class under Rule 23(b)(3) and, alternatively, Rule 23(c)(4), that would include all former LifeTrend Policyholders who, after the increases in premiums and cost-of-insurance deductions were announced in October 2008, surrendered their Policies or let them lapse.

12. In this First Amended Complaint, Plaintiffs seek the following on behalf of all members of the proposed class of former LifeTrend Policyholders: (a) declarations that Conseco breached the Policies; and (b) money damages that the Class Members incurred as a result of Conseco's Policy breaches.

13. All three defendants are liable for those breaches. While the Conseco Defendants from time to time observe some corporate formalities, and while Conseco Life nominally was an independent company, CNO Financial has a history of blurring lines between its various affiliated companies. The Conseco Defendants had no true separate existence. Throughout most of the relevant time period, Conseco referred to and treated the affiliated insurance companies, service provider companies and holding companies as one "Conseco Insurance Group."

14. Along with other insurance companies in the CNO Financial family, Conseco Life was operated from above, with little regard for Conseco Life's own wellbeing or the wellbeing of its Policyholders. CNO Financial's management made or directed all major decisions on behalf

of Conseco Life. On a day-to-day basis, CNO Services implemented most decisions relating to company overhead and administration, and it did so under the direction of CNO Financial. CNO Financial completely dominated Conseco Life.

15. Conseco Life paid tens of millions of dollars in dividends it could not afford to pay. In one year alone, Conseco Life's dividend payment exceeded its net earnings by over $86 million. Decisions about whether to pay dividends or whether to enter into exorbitantly priced service contracts were all made at the CNO Financial level, not the Conseco Life level. Conseco Life's ostensible decision makers were also CNO Financial officers and/or employees or officers of CNO Services.

16. Among numerous examples of Conseco Life's self-destructive deference to CNO Financial, the most egregious involve the overhead expenses and service fees charged by CNO Services to Conseco Life. CNO Financial dictated that Conseco Life pay grossly inflated fees to CNO Services and other CNO Financial affiliates as overhead and for services rendered in managing Conseco Life and its investments. Conseco Life began paying those massively inflated overhead charges and fees when Conseco Life (then known as "Massachusetts General Life Insurance Company") and CNO Services (then known as "Conseco Services, LLC") entered into an "Insurance Services Agreement" in January 1997. Over the next decade, and continuing until CNO Financial's recent sale of Conseco Life to Wilton Reassurance Company ("Wilton Re"), CNO Financial and CNO Services required Conseco Life to pay massively inflated sums that left Conseco Life teetering on the brink of regulatory takeover.

17. CNO Financial decided that CNO Services would charge Conseco Life for overhead based on Conseco Life's "ability to pay" rather than on any fair valuation of the services and other benefits provided. When Conseco Life was flush with cash, CNO Financial directed CNO Services to take the available cash. The amount of overhead "allocated" to Conseco Life could and did increase or decrease by tens of millions of dollars from year to year based on the whims of CNO Financial and CNO Services.

18. The intra-family fees Conseco Life paid to CNO Services functioned as huge *de facto* dividends that Conseco Life could not actually afford to pay, and could not pay under state

insurance laws. For a brief period of time, when Conseco Life's cash reserves had been so dangerously depleted as to place Conseco Life at risk of a regulatory takeover, CNO Financial directed CNO Services to reduce the amounts it charged Conseco Life – and directed CNO Services to impose corresponding increases on other members of the Conseco Insurance Group that had more available cash at the time. By then, much of the damage had been done. CNO Financial already had bled Conseco Life nearly dry.

19. Intra-family payments by Conseco Life far exceeded industry norms. In some years, for example, Conseco Life's payments to CNO Services were double or even triple the industry average (calculating expense payments as a percentage of amounts paid to policyholders). Comparing industry norms to the inflated amounts charged by CNO Services, it appears that, in the aggregate, CNO Services overcharged Conseco Life by at least $414 million from 1999 to 2012. Never once did the Conseco Life board object on behalf of Conseco Life to any decision by CNO Financial affecting Conseco Life's finances or its Policyholders.

20. CNO Financial was able to loot Conseco Life as it did because Conseco Life had no employees of its own, and it had no independent management. Because of the Conseco Insurance Group management structure, neither Conseco Life nor CNO Services had any true ability to act independently of CNO Financial. In theory, Conseco Life's corporate officers had management authority and were supposed to make sure that Conseco Life made decisions consistent with its duties to Policyholders. But in practice, because all of Conseco Life's officers simultaneously served as officers, directors or employees of CNO Financial, CNO Services, and/or other CNO Financial affiliates, they made decisions affecting all of the companies in the Conseco Insurance Group, including Conseco Life. Conseco Life's directors likewise were hand-selected members of CNO Financial and/or CNO Services management, ultimately beholden and loyal only to CNO Financial. Nobody ever spoke up for Conseco Life or its Policyholders.

21. Furthermore, CNO Services had several masters, but was loyal to only one. While CNO Services had a services contract with Conseco Life, CNO Services also had a service contract with CNO Financial that addressed similar and overlapping subject matters. To the extent that a CNO Services employee was performing a task relating to LifeTrend Policies, that

employee was performing duties under two contracts, one with its parent (CNO Financial), the other with the parent's wholly-owned and controlled subsidiary (Conseco Life). Thus, despite the formal corporate and contractual relationships among the entities constituting the "Conseco Insurance Group," when CNO Services acted as Conseco Life's "agent" with respect to the LifeTrend Policies, CNO Services simultaneously acted as CNO Financial's agent. CNO Financial thus made all important decisions with respect to Conseco Life's financial affairs generally, and LifeTrend Policy administration in particular.

22. Because of CNO Financial's domination of Conseco Life, the payment of dividends up from Conseco Life, and – more importantly – the terms of service contracts between Conseco Life and its corporate affiliates, including CNO Services, followed patterns wholly inconsistent with business dealings by companies engaged in arms' length transactions. Intra-family transactions among the Conseco affiliates enriched CNO Financial and left Conseco Life so undercapitalized that regulators eventually threatened to seize it.

23. When called upon by various state regulators to justify the brazen administrative changes announced in 2008, Conseco pleaded poverty. According to Conseco, Conseco Life had committed an administrative error that had resulted in a capital shortfall. If Conseco Life did not increase premiums and cost-of-insurance deductions, Conseco asserted, Conseco Life would become insolvent and subject to regulatory takeover.

24. But close scrutiny of the LifeTrend Policies and Conseco Life's finances reveals not only that there was no administrative error, but also that CNO Financial had been engaged in a systematic looting of Conseco Life for the past decade. The truth is that, in accordance with the applicable LifeTrend Policy language, Conseco properly had refrained from charging premiums and imposing cost-of-insurance deductions prior to October 2008. And Conseco Life would not have been so close to a regulatory takeover if it had not been forced to pay unreasonable and exorbitant amounts to CNO Financial affiliates.

25. While Conseco Life may have been at risk of regulatory takeover in 2008, that risk was reduced substantially by 2014. As a result of a variety of policy administration changes affecting the LifeTrend Policies and several other policy lines, Conseco Life's projected death

benefit obligations were much lower than they had been six years earlier; its income from policies was much higher and the company was profitable. Much of that improved outlook was the result of Conseco's successful shock lapse strategy.

26. CNO Financial monetized these improvements in Conseco Life's financial health – improvements unjustly obtained at the expense of Conseco Life's Policyholders – by selling Conseco Life to Wilton Re on July 1, 2014 for approximately $237 million pursuant to a stock purchase agreement dated March 2, 2014 (the "Stock Purchase Agreement").

27. The Stock Purchase Agreement is revealing in that it shows how much CNO Financial had to gain by stealing from its Policyholders. It also shows how much CNO Financial (through CNO Services) had to gain, over many years, by subjecting Conseco Life to exorbitant administrative fees and overhead charges. The Stock Purchase Agreement includes a "Transition Services Agreement" pursuant to which CNO Services will continue to perform virtually the same services for Conseco Life that CNO Services performed before the sale, but at a far lower cost. That amount, a figure negotiated at arms' length between two unrelated businesses, is less than half what CNO Services charged Conseco Life in 2011 and 2012, when Conseco Life was a mere subservient appendage to CNO Financial.

28. Thus, Plaintiffs seek declaratory relief against, and breach-of-contract damages from, CNO Financial and CNO Services as well as Conseco Life. Plaintiffs are entitled to such relief and damages because: (a) Conseco Life and CNO Services were both alter egos of CNO Financial, which was the main architect and beneficiary of the shock lapse strategy at issue in this case; and (b) CNO Financial used CNO Services to implement the improper changes in Policy administration that resulted in the transfer of tens of millions of dollars from the former LifeTrend Policyholders to CNO Financial.

II. PARTIES

29. Plaintiff William Jeff Burnett, age 71, was a citizen and resident of California from 1953 until 2007. At the time his Policies were purchased, Mr. Burnett lived in Twentynine Palms, California. In 2007, after retiring from his job as a secondary school teacher, Mr. Burnett

and his wife moved to Jefferson City, Missouri. Mr. Burnett currently is a citizen of Missouri. He was insured by three LifeTrend III Policies and has surrendered all of them.

30. Plaintiff Joe H. Camp, age 75, is a citizen and resident of North Carolina. He lived in North Carolina when his LifeTrend policy was purchased. Dr. Camp owned a LifeTrend IV Policy that he has surrendered.

31. Defendant Conseco Life is an Indiana corporation. Conseco Life systematically and continuously has transacted and continues to transact business in the State of California (and within all federal judicial districts in the State), by, among other things, selling and administering LifeTrend and other life insurance policies. During the period relevant to this action, because Conseco Life had no employees or facilities of its own, it depended entirely on CNO Financial, CNO Services and other affiliates of CNO Financial to perform all of its business functions. At all relevant times, Conseco Life was owned by wholly-owned subsidiaries of CNO Financial or its predecessor. Conseco Life was also the alter ego of both CNO Financial and CNO Services. Pursuant to a stock purchase agreement dated March 2, 2014, CNO Services sold Conseco Life to Wilton Re on July 1, 2014 for approximately $237 million.

32. Defendant CNO Financial is a Delaware corporation with its principal place of business in Carmel, Indiana. During the period relevant to this action, CNO Financial or its predecessor owned the stock of Conseco Life's parent companies. Through its ownership and control of Conseco Life and its other direct and indirect subsidiaries, CNO Financial systematically and continuously has transacted and continues to transact business in the State of California (and within all federal judicial districts in the State), primarily by selling and administering life insurance policies and other financial products, and by interacting with California regulators concerning the sale and administration of those policies and products. CNO Financial systematically and continuously has transacted and continues to transact an insurance business in California (and elsewhere) through various subsidiaries and affiliates, including Conseco Life and CNO Services. CNO Financial's alter egos have included Conseco Life and CNO Services.

33. CNO Services is an Indiana limited liability company with its principal place of business in Carmel, Indiana. CNO Financial owns 99% of CNO Services, and CNO Financial's wholly-owned subsidiary CDOC owns the remaining 1%. Under the direction of CNO Financial, CNO Services carried out most of the day-to-day operations and actions of Conseco Life during the relevant period. CNO Services systematically and continuously has transacted and continues to transact business in the State of California (and within all federal judicial districts in the State), primarily by administering life insurance policies and other financial products for Conseco Life and other CNO Financial and CDOC subsidiaries. Pursuant to a services agreement between CNO Services and Conseco Life, CNO Services was Conseco Life's agent in its conduct of business in California. Pursuant to a services agreement between CNO Services and CNO Financial, CNO Services was also CNO Financial's agent in its conduct of business in California, including business relating to LifeTrend Policies. CNO Services is, and at all relevant times has been, the alter ego of CNO Financial and Conseco Life. CNO Financial, CNO Services, and Conseco Life are indistinguishable with respect to the acts that are the subjects of this First Amended Complaint.

III. JURISDICTION, VENUE AND PROCEDURAL HISTORY

A. Principal Jurisdictional Allegations.

34. Pursuant to 28 U.S.C. § 1332(a), this Court has subject matter jurisdiction over this matter because the amount in controversy exceeds $75,000 and Mr. Burnett and Dr. Camp, on the one hand, and the Conseco Defendants, on the other, are citizens of different states.

35. Pursuant to 28 U.S.C. § 1332(d)(2), this Court also has subject matter jurisdiction over this matter as a purported class action because the amount in controversy for the entire class exceeds $5,000,000 and at least one member of the purported class and at least one Conseco Defendant are citizens of different states.

36. This Court has personal jurisdiction over each of the Conseco Defendants because each marketed and/or sold and/or administered insurance policies or other financial products in this State and in this District.

37. This Court has personal jurisdiction over Conseco Life because Conseco Life sold and administered insurance policies (including Mr. Burnett's Policy and other LifeTrend Policies) in this State.

38. This Court has personal jurisdiction over CNO Financial, which has been present in the State of California through its ownership, operation, control and/or management of all aspects of Conseco Life's and CNO Services' businesses, as well as the businesses of other "Conseco Insurance Group" insurers. Conseco Life and CNO Services, which sold and/or administered the LifeTrend Policies in the state of California, are or have been CNO Financial's alter egos. Alternatively, Conseco Life and CNO Services are or have been CNO Financial's agents with respect to their forum-directed activities.

39. This Court has personal jurisdiction over CNO Services by reason of CNO Services' regular, systematic, and substantial contacts with the State of California. CNO Services administers policies and annuities for Conseco Life customers, and for other "Conseco Insurance Group" customers, who reside in the State of California. CNO Services communicates with those Conseco Insurance Group members' California customers concerning policy and annuity terms, collects payments from them, and makes payments to them. During the relevant period, LifeTrend Policyholders could only communicate with CNO Services concerning their Policies; they could not directly reach Conseco Life, a mere shell subject to CNO Services' (and CNO Financial's) pervasive control. Alternatively, this Court has specific jurisdiction over CNO Services by reason of CNO Services' status as CNO Financial's agent or alter ego in implementing the breaches of LifeTrend Policies held by California consumers.

B. The *Brady* Action.

40. On December 4, 2008, Cedric Brady, Charles Hovden, Marion Hovden, Eugene Kreps, John McNamara and Hisaji Sakai (the "*Brady* Plaintiffs") filed a purported class action against Conseco Life and CNO Financial in the Northern District of California (No. 3:08-cv-05746) (the "*Brady* Action"). The *Brady* Action was included in this multidistrict litigation (the "LifeTrend MDL") pursuant to an Order of the United States Judicial Panel on Multidistrict Litigation (the "MDL Panel") dated February 3, 2010, and filed with the Clerk of the United

States District Court for the Northern District of California on February 5, 2010.

41. From October 6, 2010 until December 20, 2011, Mr. Burnett and Dr. Camp were members of a nationwide class certified by this Court in the *Brady* Action under Federal Rule of Civil Procedure 23(b)(2) (the "*Brady* Class"). On December 20, 2011, however, the Court determined that, in light of the United States Supreme Court's ruling in *Wal-Mart v. Dukes*, 564 U.S. 277, 131 S. Ct. 2541 (2011), former LifeTrend Policyholders no longer could be included in the *Brady* Class, as the monetary relief they sought was not incidental to declaratory or injunctive relief.

42. After the Court ruled that former LifeTrend Policyholders could not be included in a class certified under Rule 23(b)(2), the *Brady* Plaintiffs continued to litigate on behalf of then-current LifeTrend Policyholders.

43. The *Brady* Plaintiffs and Conseco reached a settlement of the *Brady* Action in April 2013 (the "*Brady* Settlement"). Conseco and the *Brady* Plaintiffs valued the relief provided by the settlement to *Brady* Class members at $27 million (not including administrative costs and payments to class counsel). The Court approved the *Brady* Settlement on November 8, 2013, following a fairness hearing. [Dkt 526.]

44. With the exception of a few dozen former Policyholders whose LifeTrend Policies were cancelled by Conseco when Conseco incorrectly calculated that their accounts had become worthless, no former Policyholders were included in the *Brady* Settlement. Thus, while current LifeTrend Policyholders were represented in, and received protection as a result of, the *Brady* Action, thousands of former Policyholders such as Mr. Burnett and Dr. Camp received no benefit from the *Brady* Settlement. That is so, even though former LifeTrend Policyholders are the Policyholders who actually lost their life insurance and suffered the greatest harm as a result of Conseco's contract breaches.

C. The *Burnett* Action

45. Plaintiffs filed this action (the "*Burnett* Action") in the Central District of California on October 5, 2012, pursuant to 28 U.S.C. § 1391(a), because Mr. Burnett lived in that District when he purchased his Policies and received communications about his Policies from

Conseco while living in Twentyninepalms, California, which is located in the Central District. This action was docketed in the Central District of California as Civil Action No. 5:12-cv-01715-VAP-SP.

46. Pursuant to a Transfer Order issued by the MDL Panel, the *Burnett* Action was transferred to this Court. That Transfer Order was entered by the MDL Panel on November 9, 2012, and entered in the Central District on November 15, 2012. [Dkt 413; Dkt 27, No. 5:12-cv-01715.]

47. Because of the MDL Panel's November 9, 2102 Order, all proceedings in this action are taking place in the U.S. District Court for the Northern District of California in San Francisco. CNO Financial and CNO Services deny that any federal district in California has personal jurisdiction over them.

48. Conseco moved to dismiss Plaintiffs' original Complaint in the *Burnett* Action on November 30, 2012. [Dkt 422.] After an opposition by Plaintiffs and a reply by Conseco, this Court granted in part and denied in part Conseco's motion by Order dated November 18, 2013. [Dkt 529; Dkt 29, No. 3:12-cv-05906.] This Court found that Plaintiffs Burnett and Camp each had stated a claim for breach of contract against Conseco Life. However, this Court also found that Plaintiffs had failed to allege facts sufficient to establish this Court's personal jurisdiction over CNO Financial, CNO Services or CDOC.[1] This Court authorized Plaintiffs to take discovery on facts bearing on the Court's potential jurisdiction over CNO Financial, CNO Services and CDOC and to file an amended Complaint.

49. On November 26, 2013, Conseco filed a motion for leave to file a motion for reconsideration, arguing that the Court had not engaged in a choice-of-law analysis and further noting that there were discrepancies in the Complaint concerning the timing of Mr. Burnett's surrender of his Policies. [Dkt 533.] On April 1, 2014, the Court granted the motion and vacated

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[1] CDOC was named as a defendant in Plaintiffs' original complaint but is not named as a defendant in this First Amended Complaint.

its November 18, 2013 Order insofar as it denied the motion to dismiss. [Dkt 576.]

50. The current deadline for filing this First Amended Complaint, as extended by this Court's Order dated July 21, 2014, is October 15, 2014. [Dkt 606.]

51. Discovery is ongoing. Plaintiffs have had to file seven motions to compel compliance with discovery requests on Conseco Life, as well as an additional motion to compel Wilton Re to comply with a third party subpoena. Conseco Life is still withholding responsive documents, and production is ongoing.

IV. FACTUAL ALLEGATIONS

A. The LifeTrend Policies and Policy Structure.

52. The LifeTrend Policies at issue in this litigation originally were issued by Massachusetts General Life Insurance Company ("Massachusetts Life") and Philadelphia Life Insurance Company ("Philadelphia Life"). Massachusetts Life and Philadelphia Life began selling LifeTrend life insurance policies in the late 1980s. Acquired by Conseco, Inc. in 1996, Massachusetts Life redomesticated to Indiana and changed its name to Conseco Life in 1997. Philadelphia Life was merged into Conseco Life in 1998.

53. All told, Conseco Life and its predecessors issued over 13,000 LifeTrend III and IV Policies.

54. The Policies impose a continuing obligation on Conseco to perform its contractual obligations. The Policies state: "During the Insured's lifetime, the owner has the right to receive every benefit, exercise every right and enjoy every privilege granted by this policy."

i. The Policies' Accumulation Accounts and Death Benefits.

55. Under the terms of the LifeTrend Policies, each Policy was to provide investment income to the insured during his or her lifetime as well as a death benefit to be paid upon the death of the insured.

56. Each Policy was linked to an investment account known as an "accumulation account." Policyholders initially funded their accumulation accounts by making annual premium payments. Conseco drew down on the accumulation accounts with cost-of-insurance deductions and expense charges, and Conseco paid interest on amounts remaining in the accounts.

57. Each accumulation account accrued interest at a guaranteed minimum interest rate. The guaranteed minimum interest rate on most Policies' accumulation accounts was 4.5%. For two of Mr. Burnett's Policies, the guaranteed minimum interest rate was 4.5%. For Mr. Burnett's third Policy, the guaranteed a minimum interest rate was the greater of 4% or 75% of the 90-day time certificate of deposit interest rate of the Chemical Bank of New York (now JPMorgan Chase). For Dr. Camp's Policy, the guaranteed a minimum interest rate was 4.0%.

ii. The Optional Premium Payment Provision.

58. Each Policy required the Policyholder to pay a stated annual premium, with an option to cease paying premiums after five years pursuant to the Policy's Optional Premium Payment Provision (the "OPP Provision"). The OPP Provision was (and continues to be) widely described by Conseco employees, independent brokers and Policyholders as a "vanishing premium" provision.

59. The annual premiums paid by LifeTrend Policyholders typically were very large. For example, Dr. Camp's annual premium on his Policy was $18,870.

iii. Monthly Cost-of-Insurance Deductions.

60. The Policies gave Conseco the right to impose monthly cost-of-insurance deductions and expense charges, subject to certain limitations stated in the Policies.

61. According to the plain meaning of the Policies, the cost-of-insurance deductions were to be determined by a formula based on mortality rates. The Policies did not define "cost of insurance," but they did provide that the monthly deduction would be calculated using a cost-of-insurance "rate."

62. Each Policy included a table listing the maximum cost-of-insurance rates that Conseco could charge. The Policies identified the table of rates as the "Guaranteed Maximum Monthly Mortality Charge: Table of (Monthly) Cost of Insurance Rates." The Policies stated that the rates listed in the table were "based upon the Commissioner's 1980 Standard Ordinary Mortality Table." Generally speaking, a mortality table reflects calculations of the likelihood that people of certain ages and genders will die in given time frames.

iv. Loans against Accumulation Account Balances.

63. The Policies allowed Policyholders to take out loans against the balances of their accumulation accounts. Conseco was permitted to charge interest on those loans. The Policies referred to any amount borrowed plus the interest accrued on that amount as "indebtedness."

v. Changes in Accumulation Account Balances.

64. Generally speaking, the accumulation accounts grew when Policyholders paid premiums and when Conseco paid interest on amounts held in the accounts. Conversely, the accumulation accounts shrank when Policyholders borrowed money from them or when Conseco took money out of the accounts in the form of cost-of-insurance deductions or expense charges.

vi. The Right to Surrender a Policy.

65. A Policyholder could choose at any time to surrender a LifeTrend Policy and receive the balance of the accumulation account, minus a "surrender charge" and any indebtedness.

66. Each Policy listed potentially applicable "surrender charges," which depended on the number of years in which the Policy had been in force. For most Policies, the surrender charge became $0 by the twentieth year.

vii. Value of Policy on Surrender.

67. Each Policy contained a "Guaranteed Cash Value" table (the "GCV Table") that listed minimum amount that Conseco promised to pay the Policyholder upon surrender of the Policy, an amount described as the Policy's "Guaranteed Cash Value" ("GCV"). The GCV amounts listed in the GCV Table depended on the number of years for which the Policy had been in force.

viii. The OPP Eligibility Formula and Guaranteed Cash Value.

68. Each Policy's OPP Provision allowed the Policyholder to stop paying annual premiums after five years as long as the amount of money in the Policy's accumulation account exceeded the sum of the Policy's GCV plus the applicable surrender charge and any indebtedness. If a Policy became "underfunded," – *i.e.*, if the accumulation account balance fell below that threshold – then Conseco properly could resume charging annual premiums. By contrast, if a

Policy was not underfunded – *i.e.*, if the accumulation account balance exceeded the sum of the GCV, applicable surrender charges, and any indebtedness – then Conseco could not resume charging annual premiums.

69. The GCV Table stated, "[t]his table presumes that the insured pays the full annual premium shown on the preceding page each year." In other words, once a Policyholder had entered the OPP/vanishing premium program and stopped paying premiums, the GCV Table no longer applied and the GCV was $0. More precisely, under the plain meaning of the Policies, the GCV Table applied to a Policyholder on OPP status *only* for the *first* year for which the Policyholder elected OPP status. The GCV Table applied for that year, but not subsequent years, because that was both the first and last year in which the Policyholder (a) had paid the annual premium "each year" and (b) was not required to pay future annual premiums. In the second and successive years of a Policy's OPP status, the Policyholder had not paid the annual premium "each year," and therefore the GCV was $0. Accordingly, by 2008, GCV was no longer a relevant variable in OPP/vanishing premium eligibility calculations, because it was always zero.

ix. Death Benefits.

70. The amount of a LifeTrend Policy's death benefit depended on, among other things, the "Sum Insured" and the amount of money in the accumulation account at the time of the Policyholder's death. A Policyholder's beneficiary was entitled to the "Proceeds" of the Policy, calculated as the greater of the: (a) Sum Insured (as stated in a Policy schedule); or (b) the amount in the accumulation account multiplied by a factor that was supposed to correspond to the insured's age at death, less any indebtedness and unpaid premiums.

x. The Non-Participating Provision.

71. Conseco Life is a stock insurance company, not a mutual insurance company. Accordingly, it is entitled to keep the profits it earns, but it must absorb any losses it incurs. Although Conseco Life is permitted to impose cost-of-insurance deductions and limited expense charges, it is prohibited from passing its losses on to Policyholders.

72. The LifeTrend Policies express this limitation in the "Non-Participating Provision," which states that the Policies "will not share in any of the company's profits or

surplus." Pursuant to the Non-Participating Provision, Conseco Life is barred from imposing premiums or deducting expense or cost-of-insurance charges to make up for past losses. The language used in the Non-Participating Provision in most of the Policies stated that "[a]ny premium or factor changes are determined and redetermined prospectively," and that Conseco Life "will not recoup prior losses, if any, by means of premium or factor changes."

xi. Ongoing Obligations to Provide Accurate Account Information.

73. Each Policy obligated Conseco to meet continuing obligations to its Policyholder. The insurer's obligations began when the Policy was issued. Each Policy provided that "During the Insured's lifetime, the owner has the right to receive every benefit, exercise every right and enjoy every privilege granted by this policy."

74. Each Policy provided that "[o]n each monthly policy anniversary date, the applicable monthly deduction will be deducted from the accumulation account and the balance, if any, will be accumulated at interest, as described below."

75. Each Policy provided that "[e]ffective as of each policy monthly anniversary date, the monthly cost of insurance shall be determined[.]"

76. Each Policy provided that "[a]t least once a year, the Company will send the owner a report which shows the death benefit, premiums paid, expense charges, interest credited, mortality charges, outstanding loans, current cash value, net cash value and all charges since the last report."

77. The ongoing duties Conseco owed to its Policyholders were separate and apart from the company's obligations to (a) pay properly calculated death benefits on the LifeTrend Policyholder's death, and/or (b) properly calculate accumulation account value on the Policyholder's surrender of a LifeTrend Policy. Conseco was contractually required to give Policyholders accurate information about, among other things, the value of their accumulation accounts, their OPP/vanishing premium eligibility, future premium obligations (if any), and cost-of-insurance deductions (if any) so that Policyholders could make informed financial decisions. Those decisions included whether to pay more premiums, whether to do nothing and wait for the Policy to lapse, or whether to surrender the Policy.

B. Conseco Breached Various Contractual Duties, Including Its Duty to Provide Policyholders with Accurate Policy Information, by Announcing "Administrative Changes" in Late 2008.

78. By the late 1990s, Conseco personnel were having internal discussions about changing the method for determining OPP/vanishing premium eligibility.

79. By the early 2000s, Conseco was losing money on the LifeTrend Policies and several other Conseco Life insurance policy lines. Conseco personnel were increasingly concerned that acquiring Massachusetts Life and Philadelphia Life had been a major mistake.

80. Conseco was losing money on the LifeTrend Policies for several reasons. To begin, relatively few LifeTrend Policyholders were paying premiums. The LifeTrend Policies were "vanishing premium" Policies. Under the OPP Provision, most Policyholders could and did cease paying premiums five years after purchasing their Policies.

81. In addition, Conseco's returns on investment were lower than previously projected. When the LifeTrend Policies were designed and sold, Conseco Life assumed that it would earn an interest spread by investing the funds held in Policyholders' accumulation accounts. However, lower than projected interest rates resulted in a smaller difference between the interest Conseco earned on its investments and the minimum guaranteed rates credited to LifeTrend Policyholders' accumulation accounts. The interest spread also declined because of guaranteed interest bonuses at the ends of policy years 10, 15, 17, 18, 19, and 20. Conseco had no readily available revenue stream to replace the vanished premiums or to make up for the difference between the actual and projected interest spreads.

82. While LifeTrend-related revenues were lower than projected, LifeTrend-related liabilities were higher. Fewer LifeTrend Policyholders were surrendering their Policies or letting them lapse than had been projected. As a result, Conseco's death benefit payment obligations were higher than projected. Conseco Life was also in drastically weakened financial condition because of past excess shareholder dividend payments and ongoing excessive expenditures for services by other CNO Financial subsidiaries.

83. In October 2008, Conseco attempted to stop the LifeTrend product line's financial bleeding by improperly shifting to Policyholders the losses that, by contract, were Conseco's and

Conseco's alone. Years after Policyholders paid very substantial initial premiums to purchase their Policies and build their accumulation accounts, and years after most Policyholders had elected to put their Policies on "vanishing premium" status as permitted by the Policies, Conseco sent nearly all LifeTrend Policyholders a form letter (the "October 2008 Letter") in which Conseco attempted to drastically alter the Policy terms.

84. The most shocking news in the October 2008 Letter was Conseco's demand for so-called "shortfall payments" amounting to several years' worth of newly-announced, retroactively imposed, annual premiums. For many Policyholders, the shortfall payments that Conseco demanded were in the tens of thousands of dollars. Conseco also used a new method for calculating OPP/vanishing premium eligibility and told Policyholders that they would owe substantial premiums going forward.

85. Mr. Burnett, Dr. Camp and thousands of other LifeTrend Policyholders were falsely told that they owed enormous shortfalls that they did not owe, and improperly informed them that if they did not make up those claimed shortfalls in their accumulation accounts, and did not continue to make large annual premium payments, Conseco would draw down on the accumulation accounts, such that the Policyholders eventually would lose their investments and their insurance coverage.

86. The October 2008 Letter announced other significant, impermissible changes in the way Conseco intended to administer the Policies going forward. Most significantly, Conseco announced a new method for calculating cost-of-insurance deductions that improperly considered factors other than mortality, such as Policy duration. Conseco attempted to mask those breaches by asserting that the Policies permitted the newly announced changes.

87. The October 2008 Letter was not signed by a particular individual. It directed questions about the Letter to the "Policyholder Services department," which was part of CNO Services.

88. In the October 2008 Letter, Conseco purported to assure Policyholders that they all were being treated in precisely the same manner:

You are not being singled out. This change will be applied to all policies in the same age, gender and underwriting classification with like benefits and provisions as your policy.

i. Improper OPP Eligibility Calculations and Demands for "Shortfall Payments."

89. Conseco's October 2008 Letter announced dramatic changes in the method used to calculate OPP (*i.e.*, vanishing premium) eligibility under the Policies. That new, impermissible method yielded gross miscalculations of "vanishing premium" eligibility.

90. Conseco based that change on misapplication of a single incorrect variable – the Policies' GCV on surrender. As described above, the GCV was part of the formula used to calculate whether an accumulation account had sufficient funds for a Policy to be eligible for OPP status, *i.e.*, for premium payments not to be required for coverage to remain in effect. The GCV was zero once a Policy had been on OPP status for more than one year. Therefore, by the time Conseco sent the October 2008 Letter to Policyholders, the GCV Table no longer applied to OPP/vanishing premium eligibility calculations.

91. For many years prior to 2008, Conseco respected the Policies' plain meaning when calculating OPP/vanishing premium. Conseco correctly used $0 for the GCV element of the formula (*i.e.*, accumulation account greater than the sum of the GCV plus surrender charge plus indebtedness). The effect of *correctly* quantifying the GCV at $0 was that most Policies satisfied the OPP/vanishing premium eligibility requirements, because the value of the accumulation account only had to exceed the surrender charge (which also was generally $0 for Policies in force 20 years or more) plus any indebtedness.

92. Prior to 2008, Conseco routinely sent notices to OPP/vanishing premium participants correctly stating that the GCV of their Policies was $0, with no mention of any premium obligations. Conseco acknowledged in October 2008 that it had sent such notices for many years, and had charged no premiums to Policyholders to whom it sent those notices.

93. However, with the October 2008 letter, Conseco attempted to dramatically shift course, asserting that the GCV Table *did* apply to OPP status eligibility calculations. The effect of Conseco's *incorrect* use of the GCV Table values was that, according to Conseco, most LifeTrend Policyholders had underfunded accumulation accounts, owed enormous "shortfall

amounts," and – separate and apart from the so-called shortfall amounts that Conseco improperly demanded – would have to pay substantial annual premiums going forward if they wanted to maintain the valuable life insurance coverage the Policies provided.

94. In a disingenuous effort to circumvent the Policies' clear mandates, Conseco asserted that the prior notices were the result of an "administrative error," which Conseco stated it intended to "correct." Conseco falsely told Policyholders that – contrary to what Conseco had repeatedly and accurately told its Policyholders in its prior annual statements – those annual premiums should have been collected in prior years but had not been charged due to that alleged "administrative error**.**

ii. Improper Cost of Insurance Deductions.

95. The LifeTrend Policies permitted Conseco to impose cost-of-insurance deductions up to a certain specified levels. Those deductions were to be calculated according to a formula based on mortality rates, which had declined.

96. Despite a *decrease* in mortality rates, the October 2008 Letter announced substantial *increases* in cost-of-insurance deductions. Conseco's announced cost-of-insurance increases violated the Policies, because the increases were driven by factors other than mortality, including but not limited to Policy duration.

97. For many Policyholders, the new cost-of-insurance deductions totaled many thousands of dollars per year.

98. This Court determined in the *Brady* Action that the announced increases in cost-of-insurance deductions (as subsequently modified in 2010) violated the Policies. [Dkt 451.] At a minimum, as found by the Court, Conseco improperly used the duration of its Policyholders' coverage as a basis for setting new cost of insurance rates and expense charges. In other words, the Court found, Conseco improperly increased cost-of-insurance deductions to address Policyholder's tendency to hold onto their Policies.

iii. The October 2008 Letter Was a Failure to Provide Contractually Required Information Concerning Vanishing Premium Eligibility, Premiums Owed, and Cost-of-Insurance Deductions.

99. Because LifeTrend Policyholders were at all relevant times entitled to receive

accurate information from Conseco, Conseco's provision of inaccurate information in the October 2008 Letter breached the Policies, irrespective of whether Conseco ultimately paid (or was going to pay or intended to pay) correctly calculated death benefits and account surrender values.

iv. Continued Failure to Provide Policyholders with Contractually Required, Accurate Policy Information During Regulatory Investigation of "Administrative" Changes.

100. The administrative changes announced in the October 2008 Letter drew the attention of state insurance regulators from California, Florida, Indiana, Iowa and Texas (the "Lead Regulators").

101. The Lead Regulators launched a joint investigation in late 2008. As a result of the investigation, Conseco sent another form letter to each LifeTrend Policyholder in November 2008 (the "November 2008 Letter) stating that "at this time, [you] may temporarily disregard all previous notices sent from Conseco Life Insurance Company ('Conseco Life') regarding your LifeTrend policy."

102. Conseco has attempted to characterize the November 2008 Letter as a "suspension" of administrative changes, but that description is inaccurate. After sending Policyholders the October 2008 Letter, Conseco never stated that it would resume calculating OPP/vanishing premium eligibility in the manner the Policies required, and that Conseco had previously used throughout the Policies' duration. Indeed, since 2008, Conseco has never wavered from its position that its new method for calculating OPP/vanishing premium eligibility was correct.

103. Similarly, after October 2008, Conseco never stated that it did not intend to impose new cost-of-insurance deductions. On the contrary, Conseco has never wavered from its position that it was entitled to impose massive increases in cost-of-insurance deductions based on factors other than mortality, although it would be over a year before Conseco and the regulators came to an agreement on the amounts that Conseco Life actually would deduct.

104. Rather than a "suspension" of the administrative changes announced in the October 2008 Letter, the November 2008 Letter actually *confirmed* that Conseco had been breaching, and was continuing to breach, the LifeTrend Policies' terms. Conseco did not limit the

key statement in the November 2008 Letter – that LifeTrend Policyholders could "temporarily disregard all previous notices sent from Conseco Life Insurance Company" – to any particular correspondence, statement or subject matter. Conseco left Policyholders with no operative notices of any kind about any aspect of their Policies or the associated accumulation accounts – a blatant breach of Conseco's contractual obligations to provide its Policyholders with accurate information on an ongoing basis.

105. From late 2008 to 2010, Conseco did not give Policyholders any clear indication of what their costs of insurance would be, whether their accounts were underfunded, or whether they were still entitled to OPP/vanishing premium status.

C. The October 2008 Letter Was the Product of a "Shock Lapse" Strategy Calculated to Shed LifeTrend Policyholders, and that Strategy Succeeded Beyond Conseco's Wildest Expectations.

106. Conseco knew and intended that the changes announced in the October 2008 Letter would render the Policies uneconomical for thousands of Policyholders. Indeed, rendering the Policies uneconomical was an essential part of Conseco's scheme to shed its obligations to LifeTrend Policyholders.

107. Conseco devised the "administrative" changes it announced in October 2008 for the specific purpose of shocking Policyholders into giving up their LifeTrend Policies. "Shock lapse" is a well-known phenomenon in the life insurance industry. The phenomenon occurs when an insurance company imposes large increases in premiums or charges that "shock" Policyholders into surrendering the policies or letting them lapse. Conseco frequently used the term "shock lapse" to describe what it expected to happen after it announced the administrative changes.

108. Thousands of LifeTrend Policyholders, including Mr. Burnett and Dr. Camp, were indeed shocked into surrendering their policies, just as Conseco intended.

109. For several years before, during, and after Conseco's announcement and implementation of the administrative changes, CNO Financial retained actuarial consultants to help it estimate the value of the so-called administrative changes generally, and achievement of its shock lapse objective in particular.

110. The principal consultant retained by CNO Financial to work on the matter was Milliman. Milliman's LifeTrend-related work for CNO Financial (and/or CNO Financial's predecessor Conseco, Inc.) dates back to at least 2002, when Conseco, Inc. consulted with Milliman concerning bankruptcy reorganization planning.

111. In 2006, CNO Financial's outside counsel Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden") retained Milliman to consult and advise on the potential LifeTrend "administrative" changes.

112. In 2006, Milliman and CNO Financial estimated that the benefit to Conseco from the LifeTrend Policy administrative changes would exceed $86 million (net present value). Milliman attributed much of that amount to projected shock lapses. Milliman assumed a shock lapse rate of 25%, *i.e.*, that Conseco's announcement of the "administrative" changes would induce <u>one out of every four</u> LifeTrend Policyholders to surrender their Policies or let them lapse – and that Conseco would evade responsibility for the associated death benefits when those Policyholders died.

113. Milliman's projections proved very conservative. Conseco achieved a <u>39.6%</u> shock lapse from the announced the administrative changes – obtaining a vastly greater benefit for itself, and imposing an even greater detriment on its Policyholders, than Conseco had hoped.

114. By 2010, CNO Financial and Milliman had revised their estimates of the effect of the administrative changes. They expected the administrative changes to increase Conseco Life's profits by more than $100 million (net present value). Conseco would obtain between $36 million and $64 million of that total through shock lapse.

115. Ultimately, even those estimates proved too conservative – the actual transfer of wealth from former Policyholders to Conseco would be much higher.

116. Milliman underestimated the net present value of the shock lapse to Conseco for two reasons. First, Milliman underestimated the percentage of surrendering Policyholders. Second, Milliman's calculations assumed that if the LifeTrend Policyholders kept their Policies, they would have to pay large premiums and cost-of-insurance deductions, which would reduce the net present values of the Policies. More specifically, Milliman assumed that the net present

values of the Policies' death benefits were properly offset by the net present values of the amounts that Policyholders would have to pay to maintain their Policies if the Policyholders kept them until the Policyholders died. However, because the Policies did not actually require Policyholders to pay those amounts, the net present values of the Policies were higher than Milliman predicted. There was no valid reason to offset the net present values of the Policies' death benefits with the net present values of amounts that Conseco could not validly charge to Policyholders. As the assumed net present values of the Policies used in Milliman's projections were too low, the transfer of wealth from Policyholders to Conseco was significantly higher than Milliman believed it would be.

D. CNO Financial and CNO Services Bear Full Responsibility for Conseco Life's Actions, Because the "Corporate Veil" Between the Companies Was Illusory.

117. Mr. Burnett and Dr. Camp bring this First Amended Complaint against Conseco Life, its former parent CNO Financial, and CNO Financial's subsidiary CNO Services, all of which were effectively indistinguishable from one another during the relevant period. CNO Financial is holding company that purports to have no business operations of its own, but in fact it is intimately involved in its subsidiaries' day-to-day operations in a manner and to an extent inconsistent with its purported limited role as investor. During the relevant period, CNO Financial required Conseco Life to use CNO Services to conduct all of its operations. CNO Financial completely dominated CNO Services, and by extension, Conseco Life. CNO Financial used CNO Services to carry out the Policy breaches at issue here, all of which were carried out for CNO Financial's benefit.

i. At All Relevant Times, the Conseco Defendants Operated as a Single Unified Business.

118. CNO Financial depends, and at all relevant times depended, on its direct and indirect operating subsidiaries for cash to make principal and interest payments on its corporate debts, to pay administrative expenses, and to pay income taxes. Toward that end, CNO Financial actively directs and directed its subsidiaries' operations, and makes and made all major decisions for its subsidiaries. A Conseco Life 30(b)(6) representative, John Kline, testified that CNO Financial created a Capital Plan each year in which it directed each of its subsidiaries to pay

dividends and reallocate capital, and otherwise controlled the operations of each of its subsidiaries, including Conseco Life.

119. As explained in CNO Financial's SEC Annual Report for the year ended December 31, 2012:

> CNO and CDOC are holding companies with no business operations of their own; they depend on their operating subsidiaries for cash to make principal and interest payments on debt, and to pay administrative expenses and income taxes. CNO and CDOC receive cash from insurance subsidiaries, consisting of dividends and distributions, interest payments on surplus debentures and tax-sharing payments, as well as cash from non-insurance subsidiaries consisting of dividends, distributions, loans and advances. ***The principal non-insurance subsidiaries that provide cash to CNO and CDOC are 40|86 Advisors, which receives fees from the insurance subsidiaries for investment services, and CNO Services, LLC which receives fees from the insurance subsidiaries for providing administrative services.***

120. During the relevant period, CNO Financial was the indirect holding company for Conseco Life and a number of other insurance companies. CNO Financial referred to CNO Services, Conseco Life and those other insurance companies as "Conseco Insurance Group." CNO Financial treated the insurance companies in that group as a single business unit.

121. Conseco Insurance Group was one of "three primary operating segments" of CNO Financial, but it has never existed as a separate entity. Despite the fact that Conseco Insurance Group did not formally exist, CNO Financial regularly appointed officers and constituted committees of Conseco Insurance Group.

122. In particular, CNO Financial created both a "Conseco Insurance Group Steering Committee" and a "LifeTrend Steering Committee," each of which exercised control over LifeTrend Policy administration. In reality, those committees were CNO Financial committees. Indeed, most or all significant decisions concerning Conseco Life and the LifeTrend Policies were made by CNO Financial committees and the senior level CNO Financial executives to whom the committees reported.

123. The insurance companies in the "Conseco Insurance Group" never competed against one another. They were managed in a coordinated manner at all times by CNO Financial and CNO Services.

124. Any insolvency of Conseco Life would be treated as a default under one or more of CNO Financial's credit facilities. An August 15, 2005 bond issue by CNO Financial (then known as Conseco, Inc.) included among its default events:

> the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company or any Significant Subsidiary in an involuntary case or proceeding under any applicable Federal or state bankruptcy, insolvency, reorganization, or other similar law or (B) a decree or order adjudging the Company or any Significant Subsidiary a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment, or composition of or in respect of the Company or any Significant Subsidiary under any applicable Federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of the Company or any Significant Subsidiary or of any substantial part of the property of either or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive calendar days.

Conseco Life was a Significant Subsidiary, as defined in the agreement. Thus, its insolvency would constitute an event of default. Subsequent bond issues contained the same or similar terms.

125. During the relevant period, Conseco stated on its "Conseco.com" website that, "CNO Services, LLC administers insurance products for the following affiliated insurance companies: Washington National Insurance Company, Conseco Life Insurance Company, Conseco Life Insurance Company of Texas, Bankers Life and Casualty Company, Bankers Conseco Life Insurance Company (a New York domiciled and licensed insurance company), and Colonial Penn Life Insurance Company." LifeTrend Policyholders had no direct means of contacting Conseco Life, and instead *had* to deal with CNO Services on Policy administration matters.

126. The Conseco.com website provided links to online advertisements for various CNO Financial affiliates' products, as well as an interactive broker search tool. The CNO Services website allowed LifeTrend Policyholders, including California consumers, to obtain policy forms. Health insurance customers could obtain policy-specific information. The same interactive site served agents and health care providers, and included an interactive payment feature.

127. Conseco, Inc. registered "Conseco Life" as a service mark in 1999, and registered

"Lifetrend CTV" as a service mark in 2001. In 2004, CNO Financial assigned both marks to CDOC, which conducts no business. CDOC later gave security interests in both marks to various lenders.

128. During all relevant times, CNO Services was CNO Financial's agent in CNO Financial's ownership, operation, and control of Conseco Life.

ii. CNO Financial Exercised Complete Control over Conseco Life.

129. During all relevant times, Conseco Life was a shell company that CNO Financial used to issue insurance policies and generate upstream revenue by paying exorbitant service fees and dividends.

130. As one of several companies in the Conseco Insurance Group, Conseco Life had no employees, made no decisions for itself, and did not function as a stand-alone business.

131. CNO Financial had unfettered ability to designate the officers and directors of both Conseco Life and CNO Services. CNO Financial used that power to ensure that all directors and officers of Conseco Life were also officers, directors, and/or employees of CNO Financial, Conseco Insurance Group (even though "Conseco Insurance Group" was not a formally organized entity) and/or CNO Services. Similarly, CNO Financial ensured that officers, directors and high-level employees of CNO Services had similar affiliations with CNO Financial. The "Executive Officers" identified in CNO Financial's SEC filings consistently included "officers" of CNO Services, most of whom were CNO Services (not CNO Financial) employees.

132. While Conseco Life had its own officers, all of them had other roles in the "Conseco Insurance Group." Conseco Life's officers virtually never met or even communicated in their capacities as such. Conseco Life's 30(b)(6) designees in this case—Lynne Miller, John Kline, and Mark Billingsley—all held and continue to hold positions with CNO Financial and/or CNO Services. Lynne Miller, whom Conseco Life designated to testify about corporate expenses and allocations, holds no position with Conseco Life. John Kline and Mark Billingsley each held officer positions with both CNO Financial and Conseco Life.

133. During the relevant period, Conseco Life's Board of Directors generally was comprised of five individuals, each of whom held positions with CNO Financial and/or CNO Services, and who often held positions with other subsidiaries of CNO Financial.

134. Each year, Conseco Life's Directors adopted the Capital Plan developed by CNO Financial. According to Conseco Life's 30(b)(6) designee John Kline, Conseco Life's Board of Directors never objected to a dividend that had been proposed, or suggested that Conseco Life could pay a dividend not in the Capital Plan. According to Mark Billingsley, a different 30(b)(6) designee, CNO Services set Conseco Life's reserves each year without any input or comment from the Conseco Life Board of Directors. And according to their 30(b)(6) designee Lynne Miller, Conseco Life's Board of Directors never objected to the fees and expenses CNO Services allocated to Conseco Life. This was so even when those fees and expenses were allocated based on Conseco Life's "ability to pay" rather than any principled basis.

135. Because Conseco Life's officers all wore multiple hats within the Conseco Insurance Group, all had conflicts of interest; none could be relied upon to protect the interests of Conseco Life or its Policyholders.

136. The officers of Conseco Life rarely, if ever, met or communicated in their capacities as Conseco Life officers.

137. In recent years, the key decision makers for Conseco Life have included Christopher Nickele, Karl Kindig, Timothy Bischoff, Thomas Barta, and John Kline. All of them were officers of, and beholden to, CNO Services and/or CNO Financial.

138. Dating back to at least 2006, and probably earlier, Conseco's standard employment agreements with its officers have included acknowledgements by the executives that they will work solely on behalf of CNO Financial and/or CNO Services. In 2010, for example, Edward Bonach executed an employment contract in which he agreed to "devote his entire employable time, attention, and best efforts to the business of the Company [defined as CNO Financial Group, Inc.] and, during the Term [from May 26, 2010 through May 21, 2013], shall not, without the consent of Company, be actively engaged in any other business activity." At that time, he was a director of Conseco Life.

139. Steven M. Stecher, Christopher Nickele, James Prieur, Matthew Zimpfer, Russell Bostick, and other Conseco Life directors and officers signed similar agreements with CNO Financial and/or CNO Services. Agreements with CNO Services included a clause noting that CNO Services "desires to have the benefit and advantage of the services of Executive to assist the Company and CNO Financial Group, Inc. ("CNO") upon the terms and conditions set forth" in the agreements.

140. The following are examples of the overlapping appointments creating conflicts of interest within the Conseco Insurance Group:

- Thomas J. Killian (2001-2002)

  President of Conseco Life

  President of CNO Financial

  President and Chief Executive Officer of CNO Services

  Employee of Conseco, Inc.

- William J. Shea (2003-2004)

  President and a Director of Conseco Life

  President, Chief Executive Officer, Chief Operating Officer, and Acting Chief Financial Officer of CNO Financial

  Employee of Conseco, Inc.

- William S. Kirsch

  President of Conseco Life (2005)

  President of "Conseco Insurance Group" (2005)

  President and Chief Executive Officer, CNO Financial (August 2004 to May 2006)

  Employee of Conseco, Inc.

- Daniel R. Bardin (2007-2008)

  President of Conseco Life

  President of "Conseco Insurance Group"

  Employee of Conseco Services, LLC (now CNO Services)

- Steven M. Stecher

  Executive Vice President and Chief Operations Officer, Conseco Life (2006-2007)

  Executive Vice President, Operations, Conseco Life (2007-2008)

  President of Conseco Life (2008-2010)

  Director of Conseco Life (2008-2013)

  Executive Vice President, Operations and Information Technology, CNO Financial's "Conseco Insurance Group" (2004 to 2005)

  Chief Operating Officer, "Conseco Insurance Group" (2005-2006)

  Executive Vice President, Operations, CNO Financial (2006-2007)

  President, Washington National (2008-2013)

  President, "Conseco Insurance Group" (2008-2010)

  Employee of CNO Services

- Matthew J. Zimpfer

  Vice President, Associate General Counsel and Assistant Secretary, Conseco Life (2003-2005)

  Senior Vice President, Associate General Counsel and Assistant Secretary, Conseco Life (2005-2006)

  Vice President, Deputy General Counsel and Assistant Secretary, Conseco Life (2006-2008)

  Executive Vice President, General Counsel and Assistant Secretary, Conseco Life (2008-2014)

  Executive Vice President and General Counsel, CNO Financial (2008-present)

  Employee of CNO Services

- Christopher Nickele

  Director of Conseco Life (2006-2014)

  President of Conseco Life (2010-2014)

Executive Vice President, CNO Financial (2005-present)

President CNO Financial's "Other CNO Financial Business" segment (2010-present)

Employee of CNO Services

- Russell M. Bostick

Executive Vice President of Technology and Operations, Conseco Life (2008-2010)

Executive Vice President and CIO, CNO Financial (2005-2008)

Executive Vice President of Technology and Operations, CNO Financial (2008-2010)

Employee of CNO Services

- Edward J. Bonach

Director of Conseco Life (2008-2011)

Executive Vice President and Chief Financial Officer, CNO Financial (2007-2011)

Chief Executive Officer and Director, CNO Financial (2011-present)

Employee of CNO Financial

- Mark E. Alberts

Director, Senior Vice President, and Chief Actuary, Conseco Life (2005-2007)

Executive Vice President, Chief Actuary, and Director, Conseco Life (2007-2008)

Executive Vice President and Chief Actuary, CNO Financial (2007-2008)

Senior Vice President, Actuary, "Conseco Insurance Group" (2004-2006)

Employee of CNO Services

- Mark Billingsley

Senior Vice President and Actuary, Conseco Life (2009-2014)

Employee of CNO Services

- Michael J. Dubes

  President and Director, Conseco Life (2006-2007)

  President, "Conseco Insurance Group" (2006-2007)

  Employee of CNO Services

141. During the relevant period, Conseco Life had no independent directors. For example, as of December 31, 2008, Conseco Life's Board of Directors were:

- Thomas D. Barta, CNO Financial's Senior Vice President, Financial Planning and Analysis.
- Steven M. Stecher, CNO Financial's Executive Vice President, Operations and President of "Conseco Insurance Group"
- Edward J. Bonach, CNO Financial's Executive Vice President and Chief Financial Officer.
- Christopher J. Nickele, CNO Services' Executive Vice President, Product Management.
- Timothy J. Tongson, CNO Financial's Senior Vice President and Corporate Actuary.

142. Because the same management group made all major decisions for all of the Conseco entities in the Conseco Insurance Group, Conseco Life was unable to act independently to perform its obligations to Policyholders.

iii. CNO Financial Looted Conseco Life by Forcing It to Pay Unreasonable and Unaffordable Dividends.

143. For many years, CNO Financial exploited its control of Conseco Life's management to enrich itself at Conseco Life's expense.

144. Starting in the 1990s, Conseco Life was required to pay unreasonable and exorbitant dividends. For example, from 1999 through 2001, Conseco's dividend payments were as follows:

1999	$ 84,400,000
2000	$ 50,000,000[2]
2001	$ 33,300,000

145. Conseco Life's financial condition did not justify payment of those dividends. Its reported net income for the years 1999 through 2001 was:

1999	$52,261,647
2000	$32,313,215
2001	($53,945,085)

146. Thus, Conseco Life paid dividends that exceeded its net income by over $32 million in 1999, by over $17 million in 2000, and by over $86 million in 2001. Conseco did not expect Conseco Life's net income to improve. Conseco Life lost another $79,743,703 in 2002, requiring $38 million in capital infusions to shore up its bottom line.

147. Conseco Life continued to lose money in 2003, then paid another unwarranted dividend of $23,876,750 in 2004.

148. Because Conseco Life had no independent management, it was powerless to stop CNO Financial and its predecessor from looting it.

iv. CNO Financial Looted Conseco Life by Forcing It to Pay Unreasonable Service Fees and Overhead Charges to CNO Financial Subsidiaries.

149. Conseco also depleted Conseco Life's assets by requiring Conseco Life to enter into non-arms-length transactions with other CNO Services subsidiaries, to Conseco Life's substantial financial detriment.

150. Conseco Life had no employees of its own to provide the basic insurance services required by the LifeTrend Policies and applicable state laws. At all relevant times, CNO Financial required that Conseco Life contract with CNO Financial affiliates to provide the

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[2] $35,000,000 of that $50,000,000 was paid by United Presidential Life Insurance Company, which later merged into Conseco Life.

personnel and infrastructure necessary to run the insurance company. CNO Financial and its affiliates set the prices and rates at which those CNO Financial affiliates provided services to Conseco Life, without regard to the true market value for those services.

151. Pursuant to an "Insurance Services Agreement" that was executed in 1997[3] and remained in effect until the sale of Conseco Life to Wilton Re, CNO Services provided accounting, treasury, tax, auditing, investment accounting, underwriting, claims, marketing, advertising and sales, data processing, and functional support to Conseco Life. CNO Services used its own computers, office equipment, office space, supplies, and employees in conducting Conseco Life's business. In addition, CNO Services and Conseco Life agreed that CNO Services employees rendering services to Conseco Life under the agreement would be subject *solely* to CNO Services' direction and control. CNO Services provided all accounting software and hardware. CNO Services received no business other than what was sent to it by other CNO Financial entities.

152. Lynne Miller testified that CNO Services personnel directed and controlled the allocation of its fees and expenses among the several CNO Financial subsidiaries. Ms. Miller had no basis to believe that such personnel ever acted on behalf of Conseco Life instead of CNO Services.

153. A January 1, 2002 addendum to the Insurance Services Agreement permitted CNO Services to increase the fees it charged Conseco Life. The Insurance Services Agreement required Conseco Life to pay 110% of "all direct and directly allocable expenses and costs, reasonably and equitably determined to be attributable to the Company by CNO Services, plus a reasonable charge for direct overhead (the 'Regular Charges')." But if Conseco Life experienced losses under "statutory accounting principles," it would only need to reimburse CNO Services for the "Regular Charges" and would not have to pay the additional multiplier.

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[3] The Insurances Services Agreement initially was between Conseco Life's predecessor (Massachusetts General) and CNO Services' predecessor (Conseco Services, Inc).

154. At least one other CNO Financial entity – Bankers Conseco Life Insurance Company – was not subject to the 10% mark-up on "direct and directly allocable cost and expenses." Therefore, by design, the Insurance Services Agreement imposed on Conseco Life the burden of subsidizing at least one other Conseco Insurance Group member's operations.

155. In 2007, Conseco Life concluded that it was on the verge of showing losses under statutory accounting principles. James Hawke, Conseco Life's actuary, wrote on May 21, 2007, that "Service agreement discounts with Conseco Services, LLC and 40|86 will be triggered soon and need consideration." On July 1, 2007, Conseco Life amended its agreements Conseco Services and 40|86 to remove the "discount" provisions, thereby ensuring that it would continue paying 110% of all expenses allocated to it.

156. The Insurance Services Agreement's amorphous "reasonably and equitably determined" allocation standard provided Conseco Life with no protection against overcharges. There were in fact substantial fluctuations in the fees and charges Conseco Life paid to CNO Services from year to year. Starting in 2004,[4] CNO Services charged the following amounts to Conseco Life, as reflected in Note 10 of each year's Annual Statement:

2004	$71,744,676
2005	$58,200,794
2006	$50,653,433
2007	$45,920,170
2008	$49,221,368
2009	$41,195,363
2010	$41,573,347
2011	$58,573,441
2012	$57,565,245

[4] Conseco Life's financial statements do not separately identify the amounts paid to CNO Services between 1997 and 2003.

157. Those amounts did not correlate with the number of policies under management, the value of policies under management, or the amount of work performed by CNO Services. While those factors were considered when CNO Services determined amounts charged, the variations were actually caused substantially by CNO Services' assessment of how much cash Conseco Life happened to have on hand.

158. CNO Services' own documentation, as well as testimony by CNO Financial's corporate designee, confirms that CNO Services imposed fees and overhead charges based on little more than an assessment of Conseco Life's "ability to pay." CNO Services personnel actually used the phrase "ability to pay" in their communications on how much to charge Conseco Life. When Conseco Life lacked the ability to pay, CNO Financial simply demanded and extracted higher payments from other CNO Financial subsidiaries in the same business segment as Conseco Life. Conversely, when Conseco Life appeared able to pay more, CNO Financial inflated Conseco Life's allocation.

159. Conseco Life's inter-company expense allocation fluctuated by $20,000,000 or more from year to year based on little more than Conseco Life's ostensible ability to pay. For example, the amount of CNO Services charges allocated to Conseco Life in 2004 was over $71 million, which was $13 million more than the roughly $58 million allocated to Conseco Life in 2005. In 2009, ostensibly to preserve Conseco Life's profitability, CNO Services arbitrarily reallocated more than $21 million in costs away from Conseco Life—representing more than a third of Conseco Life's total expenses for that year—and shifted those costs to other entities within CNO Financial's "Conseco Insurance Group" business segment. CNO Services did the same in 2010, reallocating $20.9 million in costs away from Conseco Life to other CNO subsidiaries.

160. As a result of those arbitrary reallocations, net payments to CNO Services by Conseco Life held steady in 2009 and 2010 at roughly $41 million. However, they rose by nearly 40% for 2011 and remained high in 2012, *after* Conseco had obtained regulatory approval to impose new cost-of-insurance charges and began to collect them.

161. CNO Financial could and did use its dubious expense allocation mechanism to circumvent regulatory limitations on dividend payments. Through CNO Services, CNO Financial extracted hundreds of millions of dollars from Conseco Life.

162. The inter-company payments CNO Financial extracted from Conseco Life vastly exceeded industry norms. According to the American Council of Life Insurers' ("ACLI's") Life Insurer Fact Book, "home and field office expenses" for life insurers (*i.e.*, expenses not including agent commissions, taxes, or investment expenses) typically total just under 11% of the amounts paid to Policyholders in any given year. For the decade prior to the October 2008 Letter, Conseco Life paid overhead and service fees to affiliates that far exceeded the industry average. In one year – 2000, which was also a high dividend year – Conseco Life's expenses totaled more than 22% of the amounts paid to Policyholders.

163. The following table illustrates the disparity between Conseco's payments and industry norms:

Year	Conseco Life expenses incurred	Amounts paid to Conseco Life Policyholders	Expenses incurred as a percentage of amounts paid	ACLI industry average percentage
1998	N/A	N/A	N/A	11.04%
1999	N/A	N/A	N/A	9.96%
2000	$132,599,000	$673,482,042	22.31%	9.60%
2001	$105,419,000	$495,160,967	21.29%	11.36%
2002	$90,503,000	$628,923,930	14.39%	11.33%
2003	$86,872,000	$629,982,298	13.79%	N/A
2004	$93,860,000	$673,482,042	13.94%	N/A
2005	$72,965,000	$507,348,646	14.38%	N/A
2006	$60,641,000	$430,264,217	14.09%	N/A
2007	$57,003,000	$529,839,729	10.76%	9.27%
2008	$54,934,000	$569,178,712	9.65%	9.61%
2009	$64,854,000	$675,676,986	9.60%	11.00%
2010	$37,239,000	$624,940,953	5.96%	11.74%

2011	$66,288,000	$632,336,611	10.48%	11.44%
2012	$81,302,000	$620,433,803	13.10%	11.39%
		Average	**13.37%**	**10.7%**

164. Other sources of data also illustrate the disparity between Conseco Life's general expense payments to CNO Services and the expenses paid by comparable insurance companies.

165. Data from the Ward Financial Group identifies Conseco Life's peer companies—defined as insurers that have comparable product mixes, asset sizes, and ownership types—in each year. Those peer companies are listed by year in Appendix A.

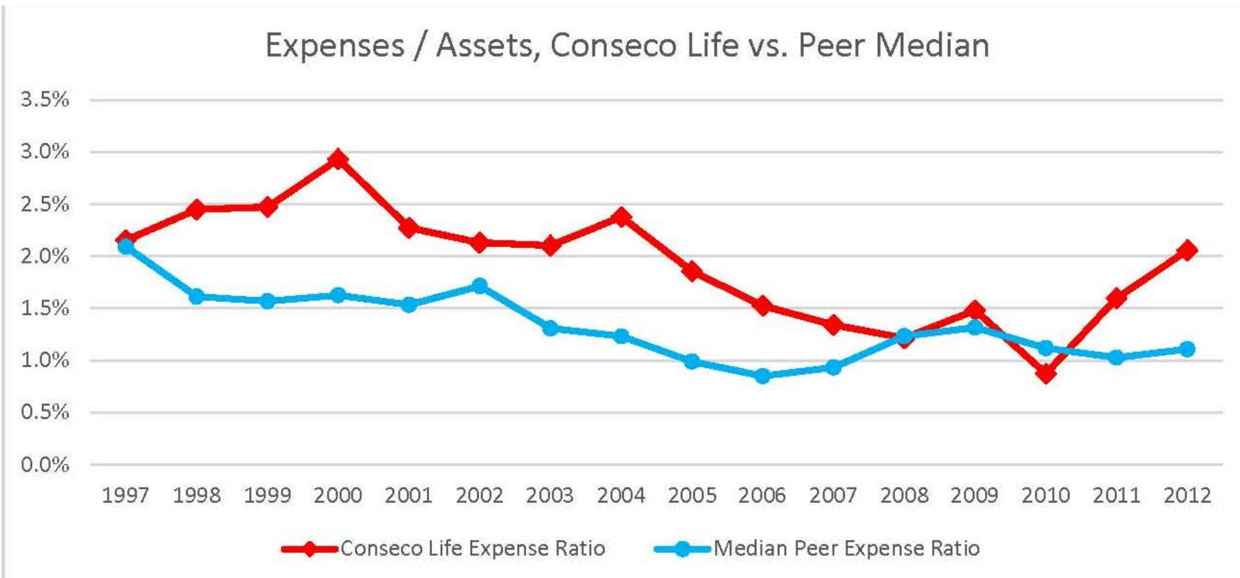
166. Data collected by A.M. Best Co. and the National Association of Insurance Commissioners includes information on the general expense amounts paid by those peer insurance companies. The data, charted below, shows those peer insurance companies' median general expense payments and payments to affiliates for each year from 1997 through 2012, and compares that data with corresponding data reported by Conseco Life.

167. Using several different measures, Conseco Life's expense ratios massively exceeded the expense ratios that would be expected based on the experience of those comparable peer-group companies, resulting in at least $400 million in overpayments by Conseco Life during the 1997-2012 period.

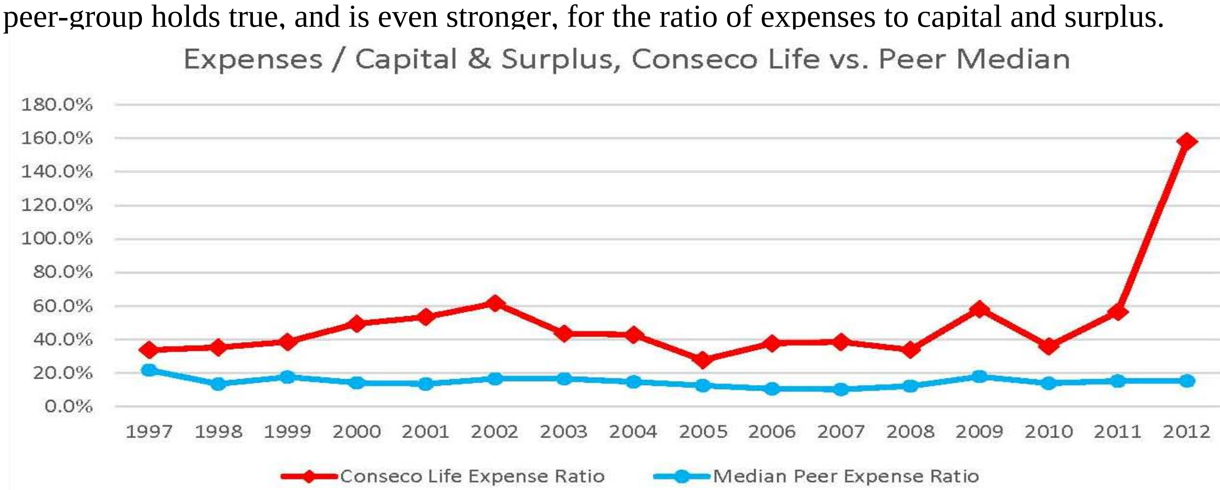
168. The table below compares the amounts paid by Conseco Life to the amount it would have paid based on the peer-group median:

Ratio Used for Comparison	Conseco Life's Actual Payments for General Expenses, 1997-2012	Conseco Life's Total Projected General Expenses Using Peer Company Median Ratio, 1997-2012	Conseco Life's Overpayment of General Expenses Compared to Peer Company Median Ratio, 1997-2012
General Expenses/ Net Admitted Assets	$1,360.6 million	$946.1 million	**$414.5 million**
General Expenses/ Capital & Surplus	$1,360.6 million	$473.5 million	**$887.1 million**
Affiliate Payments/ Net Admitted Assets	$954.7 million	$389.4 million	**$565.2 million**
Affiliate Payments/Capital & Surplus	$954.7 million	$198.7 million	**$756.0 million**

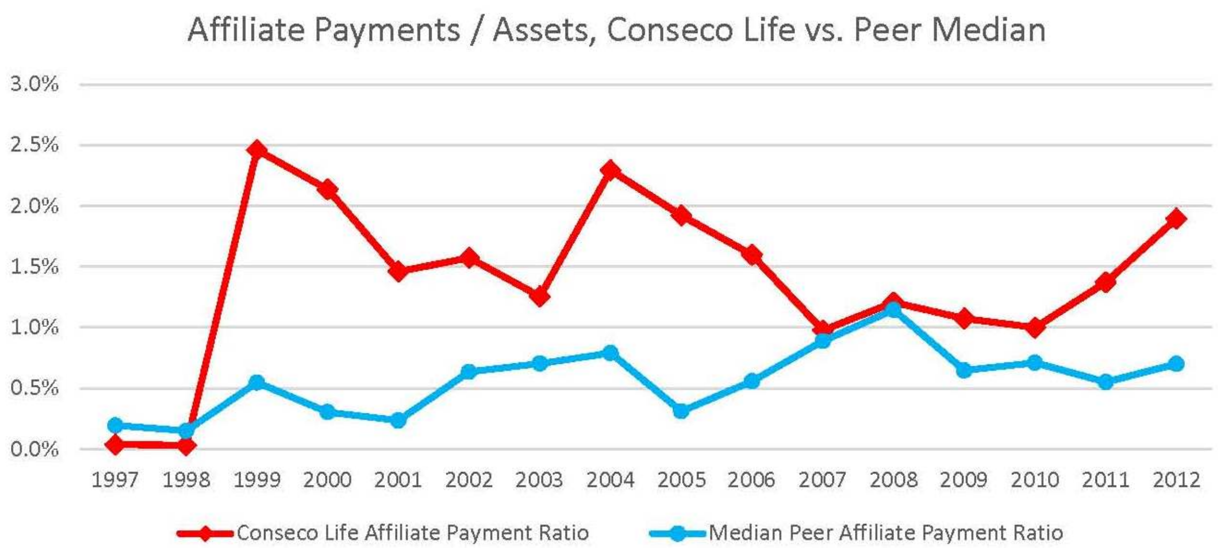
169. One example can be seen by comparing Conseco Life's ratio of general expenses to net admitted assets to the same ratio for peer companies. Charting Conseco Life's general expenses each year against its net admitted assets demonstrates that Conseco Life's expense ratio consistently outpaced the peer-group median. In 2009 and 2010, even after CNO Financial reallocated more than $40 million in overhead expenses away from Conseco Life, Conseco Life's expenses still either exceeded or were only slightly below the peer-group median. And in 2011 and 2012, with the Regulatory Settlement Agreement ("RSA") complete, Conseco Life's expense payments again surged upwards.



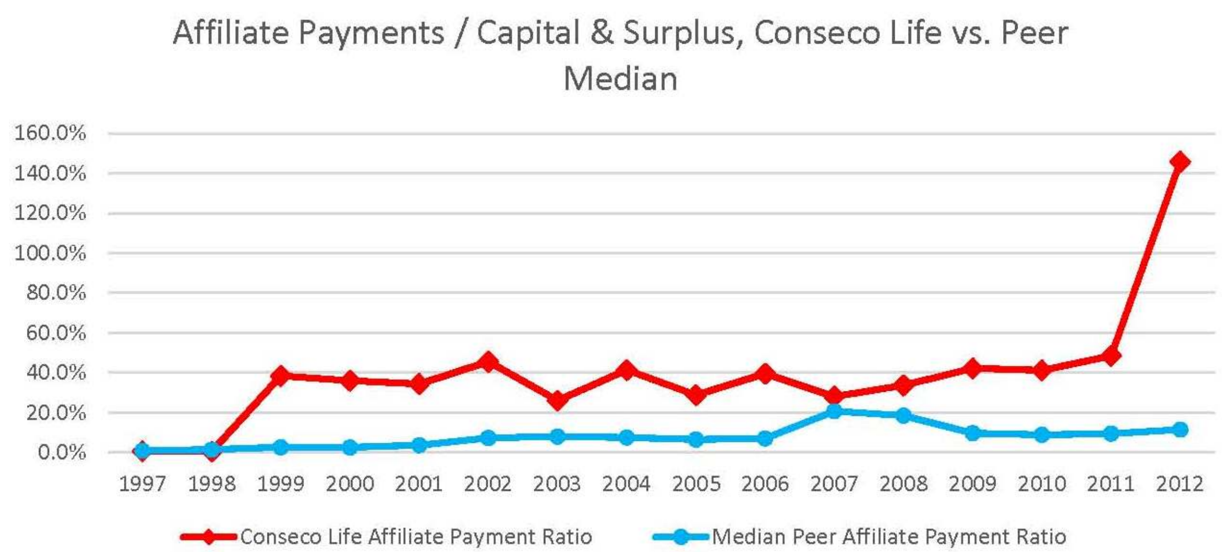
170. The same general pattern of Conseco Life's expense ratios exceeding those of its peer-group holds true, and is even stronger, for the ratio of expenses to capital and surplus.



171. Even if payments to affiliates are used instead of general expenses, Conseco Life's payments still far exceed the peer-group median. The same holds true for the ratio of affiliate payments to net admitted assets.



172. The same holds true for the ratio of affiliate payments to capital and surplus.



173. The number of Conseco Life's in-force insurance policies peaked in 2001, when the company had approximately 750,000 life insurance policies in force. That number declined every year thereafter, leaving just 389,179 life insurance policies in force at the end of 2012. The number of other Conseco Life products, such as annuities and accident & health policies, likewise decreased steadily over time. Logically, its expense payments to CNO Services should have reflected that decline; they did not.

174. The Insurance Services Agreement gave Conseco Life the ability and opportunity to object to the rates and amounts charged by CNO Services, but Conseco Life never did so. None of the CNO Financial subsidiaries that were subject to CNO Services' dubious fee allocation process ever complained, because the officers of the affected life insurance companies, including Conseco Life, also were officers, directors, and/or employees of CNO Financial, CNO Services, and/or other CNO Financial subsidiaries. Conseco Life's management had no incentive to act independently to ensure the reasonableness of rates charged by CNO Services, and were subject to conflicts of interest if they wished to reallocate costs to any of the other entities they served. Ultimately, Conseco Life's decision makers answered to, and were loyal to, CNO Financial, and not Conseco Life. Conseco Life's 30(b)(6) designee Lynne Miller confirmed that the company only requested fee or expense reallocations when failing to do so had regulatory implications for Conseco Life and by extension, the entire CNO family.

175. At CNO Financial's insistence, Conseco Life also paid another wholly-owned CNO Financial subsidiary, 40|86 Advisors, to manage most of Conseco Life's investments. Pursuant to a 1996 contract, 40|86 Advisors charged Conseco Life a quarterly fee equal to .05% of the Total Market Value of invested assets, as well as an investment accounting fee. Conseco Life incurred $6,616,053 in fees for 40|86 Advisors' investment services in 2008. During the same year, Conseco Life realized a $40.9 million capital *loss* on its investment portfolio. 40|86 charged the following amounts to Conseco Life:

2004	$7,978,165
2005	$7,901,052
2006	$7,381,778
2007	$8,013,469
2008	$7,425,560
2009	$8,064,142
2010	$8,753,186
2011	$8,574,390
2012	$8,762,874

176. A State of Indiana Department of Insurance examination of Conseco Life as of December 31, 2008, which covered the years 2005 through 2008, found that Conseco Life's investment transactions were not being properly authorized by Conseco Life's Board of Directors and Investment Committee. CNO Financial, through 40|86 Advisors, and not Conseco Life, was in charge of this aspect of Conseco Life's operations.

177. Accordingly, between 1997 and 2012, Conseco Life's transfers to other CNO subsidiaries and affiliates totaled $954.7 million as follows:

1997	$ 1,846,000
1998	$ 1,590,000
1999	$ 120,591,000
2002	$ 96,632,000
2003	$ 51,899,000
2004	$ 79,723,000
2005	$ 66,102,000
2006	$ 58,035,000
2007	$ 53,934,000
2008	$ 56,647,000
2009	$ 49,260,000
2010	$ 50,327,000
2011	$ 67,148,000
2012	$ 66,328,000

178. Conseco Life's transactions with and payments to its affiliates did not reflect true market considerations and were not undertaken to benefit Conseco Life. CNO Financial directed and controlled these transfers of funds, including the unreasonable and excessive dividend payments, and the unreasonable and excessive fees and overhead charges paid to CNO Services and 40|86 Advisors, to the benefit of CNO Financial and the detriment of Conseco Life and ultimately, the LifeTrend Policyholders.

179. The amounts of those charges dwarfed the cost to Conseco Life of keeping its

original bargain with LifeTrend Policyholders.

180. In the *Brady* litigation, Conseco asserted that an injunction barring Conseco Life from implementing cost-of-insurance increases would render Conseco Life insolvent and force the company into rehabilitation under the control of the Indiana Department of Insurance. (See Declaration of John Aerni in Support of Joint Motion to Preliminarily Approve Proposed Class Action Settlement [Dkt. 496-1] (attaching the Declarations of Mark Billingsley and Stephen T. Foster).) In 2013, Conseco Life again raised an issue of potential insolvency in arguing for approval of its proposed settlement with the *Brady* Plaintiffs. (See id.) Conseco's alarmist arguments failed to take into account the source of Conseco Life's precarious financial condition. But for the excessive dividends and charges CNO Financial extracted over the course of more than a decade, Conseco Life's viability would not have been an issue. According to Conseco, complying with the LifeTrend Policies in accordance with their terms (as construed by this Court) would have cost Conseco Life an estimated additional $71 million according to an expert report filed by Conseco Life. The amounts CNO Financial collected from Conseco Life from 1999 to 2012 for administrative services and overhead approached $1 billion. The portion of those payments that was excessive – an amount totaling hundreds of millions of dollars – dwarfs the sum that Conseco argued would cause its ruin.

v. Conseco Services' Arms-Length Transition Services Agreement with Wilton Re Confirms that Conseco Life Paid Too Much When Conseco Life Was Controlled by CNO Financial.

181. CNO Financial's 2014 sale of Conseco Life to Wilton Re was revealing. The Stock Purchase Agreement provided for a "Transition Services Agreement" and a "Special Support Services Agreement," the forms of which were exhibits to the purchase agreement. Under the Transition Services Agreement, CNO Financial must "provide or cause its Service Providers to provide to [Conseco Life] all services as are now or in the twelve months immediately preceding Closing have been provided by CNO Financial and/or Service Providers to [Conseco Life]." The agreement thereby admits CNO Financial's ability to control CNO Services.

182. The fees CNO Financial has agreed that CNO Services will charge Wilton Re under those arms-length service agreements are roughly half what Conseco Life previously was required to to pay for comparable services. If CNO Services had charged Conseco Life market rates – rates reflected by the Wilton Re contract and industry data – then Conseco Life would not have suffered the financial issues of which it complained to regulators and the Court. Conseco Life's claimed financial distress was of CNO Financial's making.

vi. Conseco, Inc.'s 2003 Bankruptcy Reorganization Preserved the Subservient Status of CNO Services and Conseco Life.

183. CNO Financial is the corporate successor to Conseco, Inc., an Indiana corporation ("Conseco Indiana"). In 2002, Conseco Indiana filed for protection under Chapter 11 of the U.S Bankruptcy Code in the U.S. Bankruptcy Court for the Northern District of Illinois. Several affiliated companies also filed for bankruptcy protection at the same time.

184. Neither Conseco Life nor any other insurance company in the "Conseco Insurance Group" filed for bankruptcy protection or for protection under state insolvency laws applicable to insurance companies.

185. The Conseco Indiana bankruptcy was driven by losses in Conseco's consumer finance business, not its insurance business – losses Conseco Indiana attempted to cover in part by taking excessive dividends from Conseco Life.

186. Conseco Indiana emerged from bankruptcy in 2003 pursuant to a reorganization plan approved by the Bankruptcy Court (the "Conseco Reorganization Plan"). On September 9, 2003, Conseco Indiana issued a press release describing the confirmation of the Conseco Reorganization Plan as follows:

> Conseco, Inc. (OTCBB:CNCEQ) today announced that the U.S. Bankruptcy Court confirmed the Company's Sixth Amended Joint Plan of Reorganization. Confirmation of the plan clears the way for the Company's emergence from Chapter 11, which is expected shortly.
>
> William J. Shea, Conseco's president and chief executive officer, said, "Today we thank the associates and outside experts who worked so hard to help us navigate the bankruptcy process. To have completed such a large and complex restructuring in less than nine months is truly a remarkable achievement. We thank the insurance regulators, distribution partners, customers and suppliers who supported us at each step along the way. And we especially thank all those associates who demonstrated their resilience by continuing to write and issue new business,

process and pay claims, and serve customers and agents."

"Because of this tremendous team effort, Conseco will emerge as a re-energized company with greatly reduced debt and a single business focus," Shea said. The reorganization will eliminate approximately $5.2 billion of debt and trust preferred securities. "As we emerge, we intend to apply the same effort to building our capital and growing profitably," Shea said.

Conseco, Inc. filed for protection under Chapter 11 of the federal bankruptcy code in December 2002. Under the Plan of Reorganization, the Company's existing bank debt will be cancelled as of the effective date in favor of a new credit facility. The Company's outstanding bonds, trust preferred securities and common stock also will be cancelled. Shares of new common stock, new preferred stock and new warrants will be issued by the company's successor, Conseco, Inc., a Delaware corporation, and distributed to various classes of the company's creditors as outlined in the Plan of Reorganization upon emergence.

The court today also confirmed Conseco Finance's reorganization plan. Both reorganization plans, confirmation orders and related documents will be available at http://www.bmccorp.net/conseco.

187. Pursuant to the Conseco Reorganization Plan, Conseco Indiana initially continued to exist as a separate corporate entity. The company now known as CNO Financial, which then was known as Conseco, Inc., a Delaware corporation ("Conseco Delaware"), became Conseco Indiana's wholly-owned subsidiary. All assets of Conseco Indiana were transferred to Conseco Delaware. Creditors of Conseco Indiana received stock in Conseco Delaware. Conseco Indiana then was liquidated and dissolved.

188. The Conseco Reorganization Plan also provided for the assumption of "executory contracts" unless such contracts were specifically rejected, meaning that the reorganized company simply replaced Conseco Indiana as a party to Conseco Indiana's contracts with service providers, subsidiary life insurance companies, noninsurance affiliates, and others.

189. By design, the Conseco Reorganization Plan preserved the Conseco Insurance Group. Conseco Delaware, the parent company now known as CNO Financial, emerged from bankruptcy having the same relationships with other Conseco entities doing business as "Conseco Insurance Group" that Conseco Indiana had prior to the bankruptcy filing. The corporate relationships and contractual relationships were identical.

190. The bankruptcy did not alter in any way the service agreement between CNO Services and Conseco Life.

191. The bankruptcy did not alter in any way the service agreement originally entered into by CNO Services and Conseco Indiana. Under the Conseco Reorganization Plan, CNO Financial continued to receive (and continues to receive) the parent company's rights and benefits under the contract.

vii. In the Years Following Its Emergence from Bankruptcy, CNO Financial Deliberately Blurred the Distinction between Itself and Its Insurance Company Affiliates when Defending against Regulatory Proceedings.

192. After it emerged from bankruptcy, CNO Financial repeatedly cited its own continuing financial difficulties to insulate Conseco Insurance Group members from adverse insurance regulatory actions. CNO Financial specifically and deliberately used its *own* financial condition in attempting to obtain a regulatory settlement that would minimize the consequences of the improper October 2008 Letter.

193. In internal correspondence dated approximately October 27, 2009, CNO Financial Senior Vice President Regulatory/Government Affairs William Fritts, Jr., acknowledged that Conseco had repeatedly and successfully leveraged CNO Financial's formerly precarious condition as a "shield" to minimize state regulatory penalties for market conduct violations by Conseco Insurance Group companies.

194. Mr. Fritts credited Conseco's Indiana, Pennsylvania, and Texas regulators' "key roles" and consistency in Conseco's efforts to place CNO Financial's condition front and center in regulatory matters. He specifically and directly attributed "relative low fines and costs" stemming from another market conduct issue to a Pennsylvania regulator's argument that "to extract additional fines and penalties would dangerously weaken the entire company."

195. Conseco having "adopted the same strategy with Lifetrends," Mr. Fritts noted that certain regulators had "consistently used [CNO Financial's and Conseco Life's] financial position as justification for a balanaced [sic] settlement" of "much less than the market conduct regulators believe to be justified."

196. Mr. Fritts stated that he was writing to "raise consciousness to a possible change in the dynamics of our dialogue with regulators" stemming from *CNO Financial's* improved

financial condition. According to Mr. Fritts, *CNO Financial*'s improved financial condition "could have a significant impact on the regulatory climate facing the company." Certain regulators, Mr. Fritts wrote, had "made it clear, . . . that the limitations on their ability to . . . provide what they contend is complete relief to Policyholders is a significant source of frustration to them."

197. Based on *CNO Financial*'s changed circumstances, Mr. Fritts cautioned that it could be "much more difficult" for Conseco's "financial regulators to keep the market conduct people at bay by arguing that significant fines and costly Policyholder remediation programs will deal a fatal financial blow." "Put simply," he wrote, "some old arguments will no longer be as effective as they once were," and "on a go-forward basis we may face a different attitude among some of our most reliable regulatory allies."

198. Like its LifeTrend "administrative changes" strategy, the ultimate focus of Conseco's regulatory strategy was CNO Financial's profitability, and not Conseco Life's adherence to insurance industry standards or performance of its obligations to Policyholders.

viii. CNO Financial Devised and Directed the LifeTrend Changes Announced by Conseco Life in the October 2008 Letter.

199. CNO Financial and/or CNO Financial's agent CNO Services carried out the LifeTrend contract breaches for CNO Financial's benefit and by CNO Financial's design.

200. On December 23, 2002, consulting actuaries from Milliman sent an "Actuarial Appraisal of the Insurance Subsidiaries of Conseco, Inc. as of June 30, 2002" to William Shea, President of Conseco Indiana (CNO Financial's predecessor). Milliman stated in its cover letter that "the analysis is based on the Conseco management plan for the insurance subsidiaries, which includes a return to an A ratings environment."

201. Thereafter, until at least September 2003 (when the Conseco Reorganization Plan was approved), Milliman continued to review Conseco Life's blocks of business, including the LifeTrend program, and to provide projections used in Conseco Indiana's bankruptcy reorganization planning.

202. By early 2004, it was clear that Conseco Life was not in charge of its own business

– or even its own business records. A 2003 Actuarial Memorandum written by James S. Hawke, a CNO Services employee who was also a Conseco Life Senior Vice President and Actuary, illustrates Conseco Life's lack of independence. Conseco Life apparently had insufficient records of its own, as Mr. Hawke relied on, *inter alia*:

- CNO Services Executive Vice President, Insurance Operations William B. Prouty for the substantial accuracy of the underlying basic liability and claim records on which he was opining;
- 40|86 Chief Investment Officer Gregory J. Hahn for the substantial accuracy of various investment related assumptions.

Subsequent Conseco Life actuarial memoranda similarly disclosed Conseco Life's dependence on other Conseco entities for information about its own operations.

203. After the bankruptcy reorganization, CNO Financial set about orchestrating increases in cost-of-insurance deductions for Conseco Life Policyholders. One of CNO Financial's objectives was to improve its balance sheet by raising rates high enough to induce "shock lapse" among LifeTrend Policyholders. In carrying out that scheme, CNO Financial went well beyond a parent company's oversight role as an investor, and instead went as far as to dictate the details of Conseco Life's policy administration.

204. On August 3, 2004, Milliman sent a memo with requested models and assumptions "for potential adjustments to the current COI rates for the LifeTrend 3, LifeTrend 4 and LifeTrend 5 products" to CNO Financial's Executive Vice President and Chief Actuary Ron Ruhl and Senior Managing Actuary Keith Turner. The memo recommended reinstituting cost-of-insurance deductions.

205. Reporting on a conversation with Mr. Turner about the "Plan NGE Update" on November 1, 2004, Conseco actuary Randall Gantt told Mr. Hawke that:

> [A] go/no go decision has not been made. Mark [Alberts] said "no go" would be contrary to current plans to we should include extended coi's in the business plan. We agreed and came to a 4/1/2005 implementation date[.] Also we decided to put in the same assumptions for shock lapse & mortality antiselection as we used for Lifestyle. That is, 25% shock lapse and 22.5% extra mortality[.]

206. CNO Financial continued to monitor the situation and worry about the potential

losses associated with LifeTrend policies. In an email dated May 22, 2006, CNO Financial's Interim President and Chief Administrative Officer James E. Hohmann told CNO Financial Executive Vice President and Chief Actuary Mark Alberts and actuary Jim Hawke that he wanted to obtain "VOBA [Value of Business Acquired]" information for LifeTrend, because he was planning to "mention our work on Lifetrend" at the next CNO Financial Board meeting. Mr. Hawke replied in an email that:

> Absent the resumption of COIs on lifetrend we had once estimated a possible $150+ million SOP 03-1 reserve would need to be established due to mortality losses. Our current calculations assume the COI's will be resumed and include lifetrend in the big fresh start universal life block.

The $150 million reserve reflected the general value of future mortality losses that Conseco Life would expect to suffer in the future if it did not resume cost-of-insurance deductions.

207. Communications among members of the Conseco Insurance Group Steering Committee and LifeTrend Steering Committee confirm that CNO Financial was in charge.

208. For example, an email dated May 23, 2006 scheduling a "CIG [Conseco Insurance Group] PMO Steering Committee" conference call included a chart of "In-Flight Funding Needs" for a "LifeTrends Project," which stated in part:

> Project Name: LifeTrends Project
>
> Project Summary: Approximately 14,000 ISLW policies on CLID that do not charge for cost of insurance after the 8th policy year. Financial projections indicate that substantial losses will be occurring on this block unless charges are reinstated. The Conseco Life board of Directors governance has been [sic] to take what action is necessary not to have blocks of business that generate losses.
>
> Goals:
>
> · Reinstitute COI and Expense charges for the LifeTrend 3-5 products for all durations
>
> · COI and Expense Charges are sufficient to break even on product costs
>
> · Need a method for calculating projected account values on a policy level basis and notifying our customers and field force

209. The "CIG PMO Steering Committee" was a managerial group within the "Conseco Insurance Group." The committee had business in addition to Conseco Life's LifeTrend policies, including a "Texas Cash Value" project for specified diseases policies, Medicare supplement

policy modernization, Florida regulatory compliance, and oversight of new tax sheltered annuity products.

210. On October 7, 2006, the law firm of Skadden Arps Slate Meagher & Flom LLP ("Skadden") retained Milliman to assist Skadden in its representation of CNO Financial and CNO Financial's subsidiaries in connection with the LifeTrend policies. The October 2006 agreement imposed on CNO Financial—but not Conseco Life—the duty to indemnify Milliman against third-party claims. Furthermore, the October 2006 agreement gave CNO Financial the right to control the dissemination of confidential information provided to Milliman.

211. Milliman provided CNO Financial with a series of reports analyzing the LifeTrend policies and projecting the effects of various changes to the expense loads, costs of insurance, and other factors. The recipients of the Milliman memoranda were Robert Sullivan, William Fritts, and Lara Zaitzeff, none of whom had any role at Conseco Life.

212. Milliman's November 21, 2006 memorandum, which was revised on November 28, 2006, assumed a shock lapse of 25% and projected more than $86 million in increased after-tax profits to Conseco Life as a result of proposed NGE changes to the LifeTrend 3, 4, and 5 policies.

213. At an April 4, 2008 LifeTrend Steering Committee meeting, Mr. Alberts reported that he had obtained "feedback" from CNO Financial Chief Executive Officer C. James Prieur, and that "they [were] okay with the direction we are taking with Lifetrend." Mr. Alberts further reported that he would "touch base with" CNO Financial Executive Vice President and Chief Financial Officer Ed Bonach to obtain additional funding for the project.

214. After further analysis and developments, Milliman prepared more than 50 different scenario projections, which showed that the changes proposed by Conseco would save between $36.44 million and $63.88 million as a result of lapsed/surrendered policies, depending on assumptions regarding the final shock lapse percentage, interest rates, ultimate lapse rates, and other factors. The scenarios also showed large increases in income due to increased cost-of-insurance deductions applicable to Policyholders who maintained their Policies instead of surrendering them.

215. Even after Conseco sent the October 2008 Letter to LifeTrend Policyholders, Milliman continued to work for CNO Financial. For example, on July 17, 2009, Milliman supplied CNO Financial's Executive Vice President – Product Management Christopher J. Nickele with information used to respond to an inquiry from the Florida Office of Insurance Regulation's Market Investigations division. Milliman continued to advise CNO Financial well after Conseco announced the administrative changes.

E. Adherence to the Corporate Fiction Would Result in Injustice.

216. CNO Financial and CNO Services obtained windfall after windfall through Conseco Life's payment of excessive fees and dividends, and then left Conseco Life with insufficient resources to perform its obligations under the LifeTrend Policies.

217. CNO Financial and CNO Services orchestrated their shock lapse strategy and implemented other administrative changes that resulted in significant cost savings to Conseco Life, all at the expense of Policyholders. After doing so, they were able to sell Conseco Life to Wilton Re for approximately $237 million in 2014.

218. The Wilton Re transaction enabled CNO Financial and CNO Services to monetize the enormous transfer of wealth from LifeTrend Policyholders to CNO Financial resulting from the shock lapse that began in 2008.

219. CNO Financial and CNO Services cannot fairly be permitted to deprive the Plaintiffs of their bargained-for exchange. CNO Financial owned, operated, and/or controlled all aspects of CNO Services' and Conseco Life's businesses. At all relevant times, there existed such a unity of interest and ownership between CNO Financial and Conseco Life, between CNO Financial and CNO Services, and between CNO Services and Conseco Life, that any formal separateness between them should be disregarded.

220. Conseco Life and CNO Services were CNO Financial's alter egos. CNO Financial was carrying on the business of insurance in the State of California through Conseco Life and CNO Services.

221. CNO Financial and CNO Services are fully responsible for the wrongdoing alleged in this First Amended Complaint and for Conseco Life's breach of its obligations under the

LifeTrend Policies. CNO Financial developed the LifeTrend Policy administration changes at issue with the assistance of CNO Services, Milliman, and others. CNO Financial was acting for its own benefit and was not Conseco Life's agent when it did so. Ultimately, at CNO Financial's direction, CNO Services began implementing the LifeTrend policy administration changes in 2008. While CNO Services acted as Conseco Life's agent, it simultaneously acted as CNO Financial's agent during this process. CNO Financial and CNO Services then negotiated with regulators, including California regulators, concerning the implementation of the LifeTrend Policy administration changes (as described below). CNO Financial acted on its own behalf when dealing with regulators. Similarly, while CNO Services acted as Conseco Life's agent, it simultaneously acted as CNO Financial's agent during this process.

222. Adherence to the fiction of the separate existence of Conseco Life as an entity distinct from CNO Services would permit an abuse of the corporate privilege and would promote injustice and fraud by protecting CNO Services from liability for the wrongful acts alleged in this First Amended Complaint.

223. Adherence to the fiction of the separate existence of CNO Services as an entity distinct from CNO Financial would permit an abuse of the corporate privilege and would promote injustice and fraud by protecting CNO Financial from liability for the wrongful acts alleged in this First Amended Complaint.

224. Adherence to the fiction of the separate existence of Conseco Life as an entity distinct from CNO Financial would permit an abuse of the corporate privilege and would promote injustice and fraud by protecting CNO Financial from liability for the wrongful acts alleged in this First Amended Complaint.

F. Conseco's Settlement With State Regulators Neither Resolved the Contract Breaches at Issue in This Litigation Nor Barred the Class Claims.

i. The Regulatory Settlement Agreement.

225. On May 25, 2010, Conseco announced that it had entered into the RSA with the Lead Regulators and thirty-seven other state insurance regulators. At least forty-five state insurance regulators ultimately signed the RSA.

226. The RSA allowed Conseco to implement some, but not all, of the administrative changes announced in the October 2008 Letter. Under the RSA, Conseco agreed not to charge the huge one-time shortfall payments announced in the October 2008 Letter. However, nothing in the RSA barred Conseco from miscalculating OPP/vanishing premium eligibility under the Policies in the manner announced in the October 2008 Letter. The Lead Regulators also agreed that they would not take action to stop Conseco from imposing increases in cost-of-insurance deductions and expense charges that were substantially similar to those announced in the October 2008 Letter.

227. The RSA described the allegations that regulators had investigated in regard to the LifeTrend Policies as "allegations related to the sale, administration and management of Conseco Life Insurance Company's LifeTrend life insurance policies" and the "processes" that Conseco Life "use[s] to identify, manage, and correct policy administration issues." Specifically,

> [t]he Lead Regulators' review of the LifeTrend policies included the following issues:
>
> a. Whether any marketing or advertising materials used by Conseco Life or its predecessors for the LifeTrend policies contained any false or misleading information;
>
> b. Whether Conseco Life or its predecessors engaged in sales practices that misinterpreted the benefits, advantages, or terms of the LifeTrend policies;
>
> c. Whether any communication by Conseco Life or its predecessors was misleading to LifeTrend Policyowners;
>
> d. Whether the Company had failed to properly manage or administer the LifeTrend policies; and
>
> e. Whether Conseco Life and its predecessors properly determined NGE changes made to the LifeTrend policies.

(RSA at 17-18 ¶ 26.)

228. The Lead Regulators did not investigate Conseco Life's shock lapse strategy, nor did they allege that the strategy or its execution violated the Policies.

229. Similarly, the Lead Regulators did not investigate whether Conseco was properly applying the OPP eligibility formula when determining whether Policyholders owed premiums.

230. The Lead Regulators never alleged that Conseco improperly applied the OPP eligibility formula when announcing the new premium amounts.

231. The Lead Regulators did not investigate whether Conseco improperly included factors other than mortality in cost-of-insurance deductions.

232. The Lead Regulators never alleged that Conseco was calculating cost-of-insurance deductions improperly by including factors other than mortality in that calculation.

233. The Lead Regulators did not investigate whether Conseco was fulfilling its interest payment obligations.

234. The Lead Regulators never alleged that Conseco failed to pay Policyholders the guaranteed interest rate.

235. The Lead Regulators did not investigate whether Conseco violated the Policies' Non-Participating Provision by attempting to make up for past and/or ongoing losses through increased premiums or increased cost-of-insurance deductions.

236. The Lead Regulators never alleged that Conseco improperly attempted to recoup past and/or ongoing losses through increased premiums, increased cost-of-insurance deductions or increased expense charges.

237. The Lead Regulators did not investigate Conseco's conduct occurring after October 2008.

238. The Lead Regulators never alleged that Conseco's conduct after October 2008 violated the Policies.

239. The Lead Regulators' selective investigation and settlement was not entirely surprising; according to Mr. Fritts's October 2009 alert, CNO Financial had various "reliable regulatory allies" on whom it relied to assist it in market conduct investigations.

240. At least one Lead Regulator – from Conseco's home state of Indiana – actually promoted the shock lapse strategy to Conseco. In an email dated August 4, 2009, Lisa Harpenau of the Indiana Department of Insurance provided a draft letter "from Conseco to the Policyholder," and Ms. Harpenau stated:

As you can see, this letter starts with the implementation of new NGE charges.

> Obviously, the amount is still subject to debate. Here is a little bit about my thinking . . . these would be the only options for Policyholders. I always liked the surrender option. Bill, would surrender of the policies help Conseco in the long run since it wouldn't be required to honor those contracts?

241. By July 2012, Ms. Harpenau was no longer employed by the State of Indiana. Instead, she was employed by Conseco as Conseco's Director of Market Conduct.

ii. The RSA's "Corrective Action Plan."

242. The administrative changes permitted and the administrative changes prohibited under the RSA were described in the RSA's "Corrective Action Plan" or "CAP."

243. The CAP imposed certain obligations on the Conseco Defendants and gave them certain rights, but for Policyholders who chose to participate in the CAP, it "neither impose[d] any obligations upon, nor [took] away any rights."

244. The CAP made clear that "[e]xcept as explicitly provided herein, nothing in this Agreement or any of its terms and conditions shall be interpreted to alter in any way the contractual terms of any insurance policy issued or acquired by Conseco Life or by the parties to such contract." (RSA at 51, ¶ 132.)

245. As for the alleged underfunding of Policyholders' accumulation accounts, the CAP gave Policyholders various options. If the Conseco Defendants determined that a LifeTrend Policyholder's account was underfunded and the Policyholder did not wish to make any more premium payments, then, under the CAP's "Optional Additional Policy Benefits," the Policyholder could elect a "Reduced Paid-Up Policy." *Id.* at 21, ¶ 37(ii). The policy's death benefit then would be reduced to a level that the Conseco Defendants calculated as equivalent to the funding level of the accumulation account. If the Conseco Defendants determined that the Policyholder's account was underfunded and the Policyholder was willing to pay some additional premiums, then the Policy could receive a new, reduced face value and a new annual premium amount. *Id.* at 21, ¶ 37(i).

246. The CAP did not dictate the manner in which LifeTrend Policy underfunding would be determined. It failed to address Conseco's application of the OPP Provision in the manner that resulted in the outlandish "shortfall" calculations described in the October 2008 Letter.

247. The RSA also established a settlement pool in the amount of $10,000,000 for "eligible" LifeTrend Policyholders. The amount that each Policyholder could receive from the settlement pool depended on the distribution scheme set forth in the RSA and the number of people who elected to collect from the pool.

iii. The RSA Release Form.

248. Before a Policyholder could take advantage of most of the options available under the CAP, including participating the settlement pool, he or she had to sign a release form. RSA Exhibits F.1 & F.2.

249. The release form provided in relevant part:

> In consideration of the Relief ("Relief") provided to (Name), (hereinafter "Claimant"), as described herein, Claimant, on behalf of himself or herself, and on behalf of his or her heirs, personal representatives, successors and assigns, does hereby release, acquit and forever discharge Conseco Life Insurance Company (hereinafter referred to as "Company") and its affiliates, subsidiaries, parents, agents, officers, directors, employees, insurers, successors and assigns (hereinafter referred to as "Released Parties"), from any and all claims of any kind whatsoever, whether known or unknown, which Claimant now has or which may hereafter accrue, arising out of or in any way related to any current and/or future litigation that Claimant could bring regarding the allegations in the Agreement, for Policy Number XXXX issued to Claimant by the Company (hereinafter the "Policy"), for the period covering the solicitation and eventual issue date of the Policy to the date hereof (hereinafter the "Released Claims").

(RSA at Ex. F.1.)

250. The RSA did not define the phrase "allegations in the Agreement" found in the definition of "Released Claims."

251. The CAP imposed restrictions on when the Conseco Defendants could impose expense charges and deductions for cost of insurance but it did not preclude the company from charging increased amounts – or from commensurately reducing insurance credits to accumulation accounts. *Id.* at 27-30, ¶¶ 56-61. The only restriction on the imposition of such increased charges was that the Conseco Defendants would have to stop applying them once it reached a "break-even" result.

G. Conseco's Breaches of the LifeTrend Policies.

252. Many of the administrative changes announced in the October 2008 Letter, and many of the changes permitted under the RSA, constituted violations of the clear and unambiguous terms of the LifeTrend Policies.

253. Conseco improperly calculated OPP/vanishing premium eligibility under the OPP Provision by using the values in the Table of Guaranteed Policy Values instead of zero. Those miscalculations, in and of themselves, violated the LifeTrend insurance contracts, because Conseco had a contractual duty to provide accurate information to Policyholders. The applicable GCV for Policyholders on OPP status for more than one year was $0, not the amount stated in the GCV Table.

254. Based on its improper OPP/vanishing premium eligibility miscalculations, Conseco violated the Policies by demanding substantial premium amounts not actually owed by Policyholders. Such improper premium demands included demands for so-called shortfall payments, which Conseco subsequently told Policyholders they could "temporarily disregard." Prior to the RSA, Conseco neither withdrew nor publicly pursued those shortfall payment demands, leaving Policyholders to wonder whether the risk that Conseco would renew the demand remained. Conseco's improper premium demands also included demands for resumed annual premiums going forward, which Conseco never disavowed. Rather than disavow its improper demands for premium payments going forward, Conseco consistently maintained from October 2008 onward that its interpretation of the OPP Provision was correct.

255. Conseco also calculated cost-of-insurance charges in violation of the Policy terms, because it based those charges on factors other than mortality rates, such as policy duration. Conseco has asserted that the increases in cost-of-insurance deductions were permissible because, although mortality declined after the Policies were issued, the cost to Conseco of paying death benefits proved to be higher than projected, as fewer Policyholders than expected let their Policies lapse. However, policy lapse behavior is not mortality. The Policies did not permit increases in cost-of-insurance deductions based on factors other than increased mortality.

256. Even if Conseco had been correct about what it was entitled to impose as a cost-of-insurance deduction – and the Court already has ruled that Conseco was incorrect insofar as Conseco relied on Policy duration – beginning in October 2008, Conseco still would have violated the Polices by failing to provide accurate annual cost-of-insurance disclosures as required under the Policies' express terms.

257. The cost-of-insurance deductions not only violated the Policy terms but also caused the dilution of the Policies' guaranteed interest rates and underpayments of interest under the Policies.

258. Through increased premiums and cost-of-insurance deductions, the Conseco Defendants breached the Policies' Non-Participating Provision by passing Conseco's losses on to Policyholders.

259. The Policy violations at issue began no later than the date on which the administrative changes were announced in 2008. The Policies provide that "[d]uring the Insured's lifetime, the owner has the right to receive every benefit, exercise every right and enjoy every privilege granted by this policy," that "[o]n each monthly policy anniversary date, the applicable monthly deduction will be deducted from the accumulation account and the balance, if any, will be accumulated at interest, as described below," that "[e]ffective as of each policy monthly anniversary date, the monthly cost of insurance shall be determined[,]" and that "[a]t least once a year, the Company will send the owner a report which shows the death benefit, premiums paid, expense charges, interest credited, mortality charges, outstanding loans, current cash value, net cash value and all charges since the last report" by failing to provide those benefits and rights and failing to provide that information. Instead, starting in October 2008, the Conseco Defendants actively breached those Policy provisions.

260. Moreover, despite the RSA, Conseco was able to demand many thousands of dollars in premiums on each Policy (even though no premiums were due in most cases) and impose thousands of dollars' worth of increases in cost-of-insurance deductions for each Policy (even though mortality had declined).

261. The Conseco Defendants have reaped and will continue to reap significant financial benefits through Conseco Life's refusals to acknowledge Policyholders' OPP/vanishing premium eligibility, its collection of new premiums, its increased cost-of-insurance deductions, and its dilution of guaranteed interest rates. The most significant financial benefit to Conseco from the administrative changes, however, was that, as a result of the enormous increases in the amounts that Policyholders were told they would have to pay to maintain their Policies, thousands of Policyholders had no rational or practical alternative to either surrendering their Policies or letting them lapse.

262. This shock lapse was the intended consequence of the administrative changes; Conseco's own 2010 estimates showed that the shock lapse would generate $34 million to $64 million in cost savings to Conseco while causing Mr. Burnett and Dr. Camp, and thousands of other Policyholders to suffer corresponding losses in the form of forfeited life insurance coverage. The actual numbers proved to be far worse for Policyholders and far better for Conseco.

263. The actual losses to the Class likely exceed $100 million. With interest, the damages may well exceed $200 million.

H. Plaintiffs' Policy History with Conseco.

i. Dr. Camp.

264. Dr. Camp is 75 years old. He previously owned a LifeTrend IV Policy, numbered 1090095604, with an effective date of May 15, 1993.

265. The Policy's face value was $500,000, and Dr. Camp paid initial premiums of $18,870.

266. On May 5, 1998, Dr. Camp informed Conseco Life that he was electing to take advantage of the OPP Provision. Conseco Life's own notes refer to this as a "Vanish Premium Request." After his Policy was on OPP/vanishing premium status, Dr. Camp received annual statements and other accountings stating that the GCV of his Policy was $0. He also was not charged cost of insurance for several years.

267. Dr. Camp received the October 2008 Letter. In it he was told that Conseco Life now would be imposing cost-of-insurance deductions of $727.97 per month, and that his Policy was underfunded by $78,274.97.

268. Dr. Camp was shocked by these increases, especially after years of not paying premiums or incurring cost-of-insurance deductions.

269. In November 2008, he was further shocked when he received a shortfall notice demanding payment of $78,274.97.

270. At no time after October 2008 did Conseco ever tell Dr. Camp that his Policy was not underfunded by $78,274.94, nor did Conseco ever inform Dr. Camp that he did not actually owe $78,274.94 to Conseco Life. After 2008, Conseco never clarified Dr. Camp's OPP/vanishing premium eligibility, the amounts to be deducted as costs of insurance, or the interest to be credited to his LifeTrend Policy's accumulation account.

271. Conseco Life's shock lapse strategy worked as planned on Dr. Camp. On December 22, 2008, Dr. Camp began taking steps that would enable him to surrender his Policy.

272. On February 5, 2009, Dr. Camp surrendered his Policy. Conseco Life informed him that the value of his accumulation account was $99,005.57 and that after the surrender charge, he would receive $89,585.57. This amount is dramatically less than the $500,000 death benefit that Dr. Camp had planned on having available for his family. As Conseco's own profit calculations show, Conseco paid Dr. Camp far less than the present value of his Policy.

ii. Mr. Burnett.

273. Mr. Burnett is 71 years old. He was insured by three LifeTrend Policies.

274. In 1990, he became insured by Policy number 10L1030370, which had a death benefit of $50,000. The initial premiums were approximately $1,131.

275. Also in 1990, he became insured by Policy number 10L1030380, which had a death benefit of $64,000. Mr. Burnett paid initial premiums of approximately $1,440.

276. In June 1997, Mr. Burnett elected to take advantage of the OPP Provision for these two Policies.

277. In 1993, Mr. Burnett purchased Policy number 1090083185, which had a death benefit of $71,703. Mr. Burnett paid initial premiums of approximately $2,650.

278. Mr. Burnett elected to take advantage of the OPP Provision for this Policy in February 1999.

279. In October 2008, he received the form letter sent to LifeTrend Policyholders declaring the Policies underfunded and demanding additional premiums.

280. Although shocked by the demands, Mr. Burnett did not surrender his Policies immediately. He attempted to remain apprised of the status of his Policies through correspondence he received from Conseco Life.

281. At no time after October 2008 and prior to 2010 did Conseco inform Mr. Burnett that his Policies were not underfunded, nor did Conseco inform Mr. Burnett that he did not owe massive additional premiums. Similarly, Conseco failed to tell Mr. Burnett what his cost-of-insurance obligations on his three Policies would be going forward.

282. In the summer of 2010, Mr. Burnett learned of the RSA.

283. Mr. Burnett signed the RSA release forms on September 13, 2010. The initial amounts deposited into his accumulation accounts upon signing the release forms for all three Policies totaled $2,688.69.

284. After the RSA was implemented, and after he received notice of what Conseco contended were the applicable cost-of-insurance deductions and premiums, Mr. Burnett surrendered his Policies.

285. In December 2010, he obtained the cash value of Policy number 10L1030370, which was $13,791. This policy had a death benefit of $50,000, and Mr. Burnett had paid $9,029.91 in premiums over the life of the Policy.

286. In February 2012, Mr. Burnett obtained the cash value of Policy number 10L1030380, which was $10,390.96 for a Policy with a $64,000 death benefit. He had paid $7,033 in premiums over the life of the Policy.

287. Also in February 2012, Mr. Burnett obtained the cash value of Policy number 1090083185, which was $11,304.74. The death benefit for this Policy had been $71,703, and he had paid $15,105 in premiums over the life of the Policy.

288. In September 2012, Mr. Burnett received an additional $1,748.71 under the RSA.

289. Compared to the premiums paid for these Policies and the value Mr. Burnett expected his family to receive upon his death – a total of $185,703 – he received very small amounts from Conseco. As Conseco's own profit calculations show, Conseco paid him far less than the present value of his Policies.

V. CLASS ACTION ALLEGATIONS

290. This action is brought by Mr. Burnett and Dr. Camp individually and on behalf of a class of people similarly situated to them pursuant to Rules 23(a) and 23(b)(3) of the Federal Rules of Civil Procedure.

A. Class Definition.

291. Plaintiffs seek a nationwide class (the "Class") under Rule 23(b)(3) that is defined as follows:

> All persons in the United States who (1) have owned a Conseco LifeTrend III or IV Policy; (2) have received, since October 2008, either of the following: (a) notice that an annual premium or shortfall payment was due, notwithstanding such person's prior invocation of the Policy's Optional Premium Payment Provision; or (b) notice of increased cost-of-insurance deductions; and (3) since October 2008, have surrendered their Policies or had them lapse.

292. Plaintiffs also seek certification of a subclass (the "Subclass") of Policyholders defined as follows:

> All persons who (1) meet the criteria for the Class; (2) accepted optional benefits made available by Conseco Life under the Regulatory Settlement Agreement; and (3) signed the standard release form accompanying the Regulatory Settlement Agreement.

B. Class Certification is Appropriate Under Rule 23(a)

Class certification under Rule 23(a) is appropriate because Plaintiffs satisfy the criteria set forth in the Rule.

i. Impracticability of Joinder under Rule 23(a)(1).

293. The proposed Class will consist of thousands of people who previously were LifeTrend III and IV Policyholders. Joinder of thousands of former Policyholders to this action is impracticable. The resolution of Plaintiffs' and other Class Members' claims in a class action, rather than in one complaint or individual lawsuits, will promote the orderly and expeditious administration and adjudication of those claims and ensure uniform treatment of the claims. Moreover, Plaintiffs and the Class Members share a common interest in resolution of the questions of law and fact alleged in this Complaint because they suffered similar harm from the Conseco Defendants' uniform conduct.

294. Certifying a class action also will promote efficient use of time and resources of the parties and the judicial system. Plaintiffs do not anticipate any difficulty in managing the adjudication of these claims as a class action.

295. In addition, the proposed Class is ascertainable. For the purpose of disseminating notices in connection with the RSA and the LifeTrend MDL, Conseco Life identified persons who may fit the definition of the proposed Class. The Conseco Defendants easily can access the Class Members' contact information.

ii. Commonality under Rule 23(a)(2).

296. Plaintiffs' claims against the Conseco Defendants arise from a common course of conduct by which the Conseco Defendants breached the terms of the LifeTrend Policies. The conduct affected all Class Members similarly and thus gives rise to questions of law and fact that are common to the Class.

297. The common questions of law and fact include but are not limited to:

First: Did the Conseco Defendants breach the terms of the LifeTrend Policies by, among other things:

- improperly calculating OPP/vanishing premium eligibility and premium amounts owed under the OPP Provision?
- calculating cost-of-insurance deductions based on factors other than mortality?
- diluting the Policies' guaranteed interest rates by charging increased premiums and cost-of-insurance deductions?
- passing along financial losses to the Policyholders through increased premiums, cost-of-insurance deductions and expense charges?
- failing to provide accurate account information to Policyholders as required under the Policies, including information on OPP/vanishing premium eligibility and applicable cost-of-insurance deductions?

Second: Did the Conseco Defendants intentionally induce the Class Members to surrender their Policies or let them lapse by announcing increases in premiums and cost-of-insurance deductions that were not authorized by the Policies?

Third: What is the fair measure of damages to the Class Members for the Conseco Defendants' contract breaches? For example, can damages be measured by the difference between (a) the amount received by the Policyholder when he or she surrendered the Policy or had it lapse, and (b) the present value of the Policy at that time, calculated based on (i) the face value of the Policy and the relevant policy terms and (ii) the life expectancy of an individual in the insured's gender and age classification?

Fourth: Are Conseco Life and CNO Services alter egos of CNO Financial by virtue of:

- Overlapping management?
- Excessive dividend payments that left Conseco Life undercapitalized?
- Excessive management fees and overhead charges that left Conseco Life undercapitalized?
- Intra-family contractual relationships that rendered CNO Services incapable of pursuing Conseco Life's interests?
- CNO Financial's role in implementing the administrative changes and shock lapse strategy?

- CNO Financial's role in negotiating with regulators?
- Other transfers and activities that suggest a unity of interest?

298. The resolution of these questions as to all Class Members involves the interpretation of Policies that all contain the same relevant contract terms.

299. The Conseco Defendants acted the same way for each Class Member when administering the Policies. As the Conseco Defendants said themselves in the October 2008 Letter:

> You are not being singled out. This change will be applied to all policies in the same age, gender and underwriting classification with like benefits and provisions as your policy.

300. Questions common to the proposed Subclass include all of the above, as well as the following:

First, what claims were covered by the release in the RSA release form?

Second, was the RSA release form ambiguous?

Third, did the Subclass Members release their rights to bring the claims for breach of contract alleged in this First Amended Complaint where the Subclass Members signed the release form accompanying the RSA?

301. All of the RSA release forms contain the same relevant language.

302. The Conseco Defendants also acted in the same manner toward all Policyholders who signed the RSA release form.

iii. Typicality under Rule 23(a)(3).

303. Dr. Camp meets the definition of the Class set forth above, and his claims are typical of the claims of Class Members who surrendered their Policies or let them lapse without signing a release. Mr. Burnett meets the definition of the Class and the Subclass, and his claims are typical of Class Members who surrendered their Policies or had them lapse and who also signed a release form.

iv. Fair and Adequate Representation under Rule 23(a)(4).

304. Dr. Camp and Mr. Burnett will represent and protect the interests of the Class fairly and adequately because they share claims that are common to all former LifeTrend Policyholders. They do not have interests that are adverse to any Class Members.

305. Dr. Camp and Mr. Burnett intend to prosecute this action vigorously and they have selected experienced and competent counsel at Weisbrod Matteis & Copley PLLC to represent them. For a period of time, counsel at Weisbrod Matteis & Copley PLLC previously served as the lead lawyers for the certified class that included both current and former Policyholders in LifeTrend MDL. Because of the undersigned counsel's experience representing the *Brady* Class for nearly three years, as well as their subsequent work on behalf of Mr. Burnett and Dr. Camp in this action, counsel are particularly well-suited to represent the interests of the former Policyholders in the proposed Class and Subclass. In addition, the attorneys at Weisbrod Matteis & Copley PLLC have significant experience in policyholder-side insurance litigation and have handled many other complex insurance matters, including life insurance matters.

C. Class Certification is Appropriate Under Rule 23(b)(3).

306. Class certification is appropriate under Rule 23(b)(3) because common questions of law and fact predominate over individual questions and a class action is a superior method for addressing the Conseco Defendants' breaches of the Policies' terms.

i. Predominance.

307. Questions of law and fact that are common to the Plaintiffs and the proposed class predominate over questions affecting only individual members of the Class because Plaintiffs' claims arise from the Conseco Defendants' uniform changes to the administration of the Policies.

308. The relevant terms of the Policies are identical.

309. The Conseco Defendants expressly acknowledged that they were not singling out any one Policyholder when they announced the changes to the Policies or implemented changes after signing the RSA.

310. The contract law governing the Conseco Defendants' breaches essentially is the same in all fifty states on the issues that are relevant here, thereby allowing for judicial efficiency to be achieved through the certification of a class action.

311. The relevant intra-Conseco transactions are the same for all Policyholders.

312. Additionally, the damages sustained by Plaintiffs and the proposed class are a result of the Conseco Defendants' uniform conduct and can be calculated in the same manner for each Policyholder.

ii. Superiority.

313. For several reasons, a class action is the superior method for adjudicating the controversy at issue here compared to other available methods.

314. First, joinder of all Class Members would create undue hardship and inconvenience for the affected Policyholders who number in the thousands and reside across the country.

315. Second, Plaintiffs are unaware of any class member who wants to control the prosecution of his or her individual cause of action against the Conseco Defendants instead of having those rights and remedies pursued through a class action. A Policyholder who prefers to prosecute his or her claim individually would be permitted to opt out of the Class.

316. Third, once the Conseco Defendants' liability is adjudicated, relief to all former Policyholders who meet the Class and Subclass definitions can be administered efficiently.

317. Fourth, there are no impediments to the manageability of this action as a class action. Numerous class actions are and have been litigated against Conseco Life without difficulty.

318. Thus, a class action will allow for the orderly and expeditious administration of the claims of Plaintiffs and other similarly situated former Policyholders, promote efficient resolution of those claims, and provide uniform treatment for those subject to the Conseco Defendants' conduct.

319. Finally, few individual Policyholders can afford to prosecute independently these complicated claims against the Conseco Defendants. If no class is certified, then the Conseco

Defendants will receive a massive, multimillion dollar windfall at Policyholders' expense and a terrible wrong perpetrated against a very vulnerable group of people will not be remedied.

iii. Conseco Life's Position in Resolving the *Brady* Action

320. In the *Brady* Action, Conseco Life agreed to the certification of a class of former LifeTrend Policyholders under Rule 23(b)(3).

321. The *Brady* Action primarily involved claims by current Policyholders, but it also encompassed claims by several hundred former Policyholders whose Policies lapsed (the "*Brady* Former Policyholder Class").

322. The members of the *Brady* Former Policyholder Class took no action in response to notices that were sent to them by Conseco warning that their Policies would lapse unless they paid additional premiums.

323. Different members of the *Brady* Former Policyholder Class arguably may have had different reasons for taking no action in response to the notices of impending Policy cancellation by Conseco. Nevertheless, Conseco asked the Court to certify the *Brady* Former Policyholder Class under Rule 23(b)(3).

D. Alternative Request for Certification of Particular Issues Pursuant to Rule 23(c)(4).

324. To the extent that aspects of Plaintiffs' breach-of-contract claim are deemed inappropriate for class treatment, many of the particular issues raised by the *claim* plainly are common to all class members and still would be amenable to certification under Rule 23(c)(4).

325. For example, the Court could certify all issues in the case relating to:

- the meaning of the Policies' OPP Provision and whether the Conseco Defendants breached it by demanding shortfall payments and additional premiums;
- the application of the Policies' GCV Table to OPP eligibility calculations;
- the meaning of the Policies' cost-of-insurance provision and whether the Conseco Defendants breached it by improperly increasing cost-of-insurance deductions;

- whether the Conseco Defendants violated provisions in the Policies requiring disclosure of accurate information concerning OPP/vanishing premium eligibility, cost-of-insurance deductions, and other subjects bearing on Policyholders' accounts and coverage;
- whether the Conseco Defendants breached the Policies' guaranteed interest rate provision;
- whether the Conseco Defendants breached the Policies' Non-Participating Provision by attempting to recoup past and/or ongoing losses;
- whether the Conseco Defendants employed a shock lapse strategy designed to induce thousands of Policyholders to surrender their Policies and/or cause thousands of Policies to lapse;
- the meaning of the RSA release forms and whether Policyholders who executed them have waived the breach-of-contract claims at issue in this First Amended Complaint;
- whether Conseco Life and CNO Services are alter egos of CNO Financial and whether the corporate veil should be pierced; and
- the appropriate measure of damages for a surrendered or lapsed Policy.

326. Each of those issues is a complex issue that few if any individual Policyholders could afford to litigate individually.

VI. CLAIMS FOR RELIEF

FIRST CLAIM FOR RELIEF

BREACH OF CONTRACT

327. Plaintiffs incorporate by reference the allegations set forth in the prior paragraphs of this First Amended Complaint.

328. Mr. Burnett and Dr. Camp each entered into contracts with Conseco Life when they purchased their LifeTrend Policies, as did thousands of other individuals across the country who meet the Class definitions.

329. Mr. Burnett and Dr. Camp and all other proposed members of the Class performed their obligations under the contracts by paying required premiums.

330. Under the terms of the Policies, the Conseco Defendants owed duties to Mr. Burnett, Dr. Camp and other members of the Class. Those duties included administering the Policies in accordance with the Policies' terms, providing accurate information as specified in the Policies, applying the OPP Provision as written in the Policy, and charging cost-of-insurance amounts based solely on mortality. The Conseco Defendants also were obligated not to dilute the guaranteed interest rate in the Policies or to pass along losses to Policyholders in violation of the Non-Participating Provision.

331. The Conseco Defendants materially breached the terms of the LifeTrend III and IV Policies by:

- improperly calculating OPP/vanishing premium eligibility as well as the premium amounts owed under the OPP Provision, determining and seeking shortfall amounts and annual premium payments based on those calculations, and providing inaccurate information concerning OPP/vanishing premium eligibility;
- failing to disclose cost-of-insurance deductions and/or charging cost-of-insurance charges that are not based on mortality rates;
- diluting the Policies' guaranteed interest rates by charging increased cost-of-insurance deductions; and
- violating the Non-Participating Provision by passing along financial losses to LifeTrend Policyholders through increased premiums and cost-of-insurance deductions.

332. As a direct and proximate cause of Conseco's breaches of the Policies, Plaintiffs and members of the proposed Class have been damaged. Conseco intended that the administrative changes to the Policies would induce shock lapse. Conseco succeeded. Plaintiffs and thousands of Class Members surrendered their Policies or had their Policies lapse after October 2008 as a result of Conseco's improperly changing the administration of the Policies in ways that violated the Policies' terms.

333. Plaintiffs and the Class Members are entitled to money damages. One potential measure of such damages is the difference between the amount of money each Policyholder received when he or she surrendered the Policy or had it lapse and the value of the Policy at the time it lapsed or was surrendered.

334. These amounts, although different for each Policyholder, can be determined with little difficulty based on standard formulas and Policy valuation methodologies commonly used in the life insurance industry. CNO Financial itself made such calculations. According to CNO Financial's own calculations, damages range from almost $40 million to over $60 million. Damages actually were much higher.

335. Plaintiffs on behalf of themselves and similarly situated Class Members demand relief in accordance with the Request for Relief set forth below, which is incorporated herein by reference.

SECOND CLAIM FOR RELIEF

DECLARATORY RELIEF

336. Plaintiffs incorporate by reference the allegations set forth in the prior paragraphs of this First Amended Complaint.

337. An actual controversy exists between Plaintiffs and members of the proposed Class and Conseco. Plaintiffs contend that Conseco improperly applied the OPP Provision to determine that accumulation accounts were underfunded and that shortfall payments and additional premiums were owed. Plaintiffs further contend that Conseco was not permitted to calculate cost-of-insurance deductions in the manner that Conseco announced in October 2008 or that Conseco used after the RSA was implemented. Plaintiffs further contend that Conseco failed to honor the Policies' guaranteed minimum interest rates. Plaintiffs further contend that Conseco failed to comply with its contractual obligations to provide accurate information on those subjects.

338. Plaintiffs, on behalf of themselves and the Class Members, seek a declaration of their rights under the Policies. In particular, they seek a declaration that Conseco's actions violated the terms of the Policies.

339. Plaintiffs seek a declaration that Policyholders who signed RSA release forms are not barred from asserting the breach of contract claims alleged herein.

340. Plaintiffs seek a declaration that Conseco Life is the alter ego of CNO Services and/or CNO Financial, that CNO Services and Conseco Life are alter egos of CNO Financial, and therefore that all three Conseco Defendants are liable for the conduct of Conseco Life.

341. Plaintiffs on behalf of themselves and similarly situated Class Members demand relief in accordance with the Request for Relief set forth below, which is incorporated herein by reference.

JURY DEMAND

342. Plaintiffs demand a jury trial.

VII. REQUEST FOR RELIEF

WHEREFORE, Plaintiffs on behalf of themselves and all similarly situated individuals who satisfy the definitions of the proposed Class and Subclass demand judgment against the Conseco Defendants as follows:

- Certify the Class and Subclass as defined above.
- Enter a judgment in favor of Plaintiffs and the Class and against the Conseco Defendants, and each of them, on all counts.
- Award compensatory damages for the Conseco Defendants' breaches of the Policies and create a common fund comprised of all damages to the Class.
- Award Plaintiffs and the Class costs and disbursements and a reasonable allowance for the fees of counsel and experts.
- Award Plaintiffs and the Class the costs of this lawsuit.
- Award Plaintiffs and the Class such other and further relief the Court deems just and equitable.

Dated: October 15, 2014

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on October 15, 2014, the foregoing document was filed with the Court's CM/ECF system, which will cause notice of same to be delivered to all counsel of record, and emailed to all counsel of record:

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Appendix A to Plaintiffs' First Amended Complaint

Peer Companies for Purposes of General Expenses

1997

A.M. Best No.	Company
06006	Aetna Life Insurance Company
06052	American Family Life Insurance Company
06069	American Income Life Insurance Company
06175	Athene Annuity & Life Assurance Company
06468	Banner Life Insurance Company
68117	Brooke Life Insurance Company
06568	Cincinnati Life Insurance Company
06240	Colonial Penn Life Insurance Company
06244	Columbus Life Insurance Company
06365	Farm Family Life Insurance Company
06904	First Penn-Pacific Life Insurance Co
09053	Forethought Life Insurance Company
06462	Globe Life And Accident Insurance Co
06491	Great Southern Life Insurance Company
06412	Investors Life Insurance Co of NA
09074	John Hancock Life & Health Insurance Co
08786	Manufacturers Life Ins Co of America
07233	MML Bay State Life Insurance Company
06827	North American Company for L & H Ins
08930	Ohio National Life Assurance Corporation
07207	Reassure America Life Insurance Company
06986	Reliable Life Insurance Company
06696	Savings Bank Life Insurance Co of MA
07079	State Farm Life and Accident Assur Co
07167	United Family Life Insurance Company
07168	United Farm Family Life Insurance Co
07169	United Fidelity Life Insurance Company
07174	United Insurance Company of America
07222	West Coast Life Insurance Company
06734	William Penn Life Insurance Co of NY

1998

A.M. Best No.	Company
09199	AGC Life Insurance Company
06788	American General Life and Acc Ins Co
06139	Aurora National Life Assurance Company
06373	Farmers New World Life Insurance Company
08958	John Hancock Variable Life Insurance Co
06629	Liberty National Life Insurance Company
06711	Midland National Life Insurance Company
06751	MONY Life Insurance Company
06693	Primerica Life Insurance Company
07029	Security Life of Denver Insurance Co
07080	State Farm Life Insurance Company
06225	Zurich American Life Insurance Company

1999

A.M. Best No.	Company
06788	American General Life and Acc Ins Co
06139	Aurora National Life Assurance Company
06373	Farmers New World Life Insurance Company
08958	John Hancock Variable Life Insurance Co
06629	Liberty National Life Insurance Company
06711	Midland National Life Insurance Company
06693	Primerica Life Insurance Company
07029	Security Life of Denver Insurance Co
07080	State Farm Life Insurance Company

2000

A.M. Best No.	Company
06006	Aetna Life Insurance Company
06788	American General Life and Acc Ins Co
06139	Aurora National Life Assurance Company
06373	Farmers New World Life Insurance Company
08958	John Hancock Variable Life Insurance Co
06629	Liberty National Life Insurance Company
07233	MML Bay State Life Insurance Company
06693	Primerica Life Insurance Company
07207	Reassure America Life Insurance Company
07053	Southern Farm Bureau Life Insurance Co
07080	State Farm Life Insurance Company
07243	Western and Southern Life Ins Co

2001

A.M. Best No.	Company
06006	Aetna Life Insurance Company
06788	American General Life and Acc Ins Co
06058	American General Life Insurance Company
06081	American Life Insurance Company
06139	Aurora National Life Assurance Company
06280	Continental Assurance Company
06439	General American Life Insurance Company
08958	John Hancock Variable Life Insurance Co
06629	Liberty National Life Insurance Company
07233	MML Bay State Life Insurance Company
06922	Phoenix Life Insurance Company
06693	Primerica Life Insurance Company
07080	State Farm Life Insurance Company
06848	Transamerica Occidental Life Ins Co
07175	United Investors Life Insurance Company
07243	Western and Southern Life Ins Co

2002

A.M. Best No.	Company
06788	American General Life and Acc Ins Co
06081	American Life Insurance Company
06139	Aurora National Life Assurance Company
06280	Continental Assurance Company
09053	Forethought Life Insurance Company
06439	General American Life Insurance Company
09327	ING Life Insurance Company of America
08958	John Hancock Variable Life Insurance Co
06629	Liberty National Life Insurance Company
07233	MML Bay State Life Insurance Company
06971	Nationwide Life Ins Co of America
06922	Phoenix Life Insurance Company
06693	Primerica Life Insurance Company
07207	Reassure America Life Insurance Company
07080	State Farm Life Insurance Company
07192	United States Life Ins in the City of NY
07243	Western and Southern Life Ins Co

2003

A.M. Best No.	Company
06788	American General Life and Acc Ins Co
06139	Aurora National Life Assurance Company
06280	Continental Assurance Company
09053	Forethought Life Insurance Company
06439	General American Life Insurance Company
06552	Indianapolis Life Insurance Company
09327	ING Life Insurance Company of America
08958	John Hancock Variable Life Insurance Co
06627	Liberty Life Assurance Company of Boston
06629	Liberty National Life Insurance Company
07233	MML Bay State Life Insurance Company
06971	Nationwide Life Ins Co of America
06922	Phoenix Life Insurance Company
06693	Primerica Life Insurance Company
07207	Reassure America Life Insurance Company
07080	State Farm Life Insurance Company
06848	Transamerica Occidental Life Ins Co
07192	United States Life Ins in the City of NY
07243	Western and Southern Life Ins Co

2004

A.M. Best No.	**Company**
06052	American Family Life Insurance Company
06788	American General Life and Acc Ins Co
06139	Aurora National Life Assurance Company
60060	Berkshire Hathaway Life Ins Co of NE
06373	Farmers New World Life Insurance Company
08321	Forethought Life Assurance Company
06439	General American Life Insurance Company
06552	Indianapolis Life Insurance Company
09327	ING Life Insurance Company of America
08958	John Hancock Variable Life Insurance Co
06605	Kansas City Life Insurance Company
06627	Liberty Life Assurance Company of Boston
06629	Liberty National Life Insurance Company
09165	Metropolitan Tower Life Insurance Co
07233	MML Bay State Life Insurance Company
06971	Nationwide Life Ins Co of America
06922	Phoenix Life Insurance Company
06693	Primerica Life Insurance Company
07207	Reassure America Life Insurance Company
07029	Security Life of Denver Insurance Co
07080	State Farm Life Insurance Company
07192	United States Life Ins in the City of NY
07243	Western and Southern Life Ins Co

2005

A.M. Best No.	Company
09199	AGC Life Insurance Company
06052	American Family Life Insurance Company
06788	American General Life and Acc Ins Co
06139	Aurora National Life Assurance Company
60060	Berkshire Hathaway Life Ins Co of NE
08491	Commonwealth Annuity and Life Insurance
06373	Farmers New World Life Insurance Company
06552	Indianapolis Life Insurance Company
09327	ING Life Insurance Company of America
08958	John Hancock Variable Life Insurance Co
06629	Liberty National Life Insurance Company
09165	Metropolitan Tower Life Insurance Co
07233	MML Bay State Life Insurance Company
08091	MONY Life Insurance Company of America
09070	Nationwide Life and Annuity Insurance Co
06971	Nationwide Life Ins Co of America
06922	Phoenix Life Insurance Company
06693	Primerica Life Insurance Company
07053	Southern Farm Bureau Life Insurance Co
07080	State Farm Life Insurance Company
06848	Transamerica Occidental Life Ins Co
07175	United Investors Life Insurance Company
07164	United of Omaha Life Insurance Company
07192	United States Life Ins in the City of NY
07243	Western and Southern Life Ins Co

2006

A.M. Best No.	Company
09199	AGC Life Insurance Company
06052	American Family Life Insurance Company
06788	American General Life and Acc Ins Co
06139	Aurora National Life Assurance Company
60060	Berkshire Hathaway Life Ins Co of NE
06373	Farmers New World Life Insurance Company
08321	Forethought Life Assurance Company
06439	General American Life Insurance Company
06552	Indianapolis Life Insurance Company
08958	John Hancock Variable Life Insurance Co
06629	Liberty National Life Insurance Company
09165	Metropolitan Tower Life Insurance Co
07233	MML Bay State Life Insurance Company
08091	MONY Life Insurance Company of America
09070	Nationwide Life and Annuity Insurance Co
06971	Nationwide Life Ins Co of America
06922	Phoenix Life Insurance Company
06693	Primerica Life Insurance Company
07207	Reassure America Life Insurance Company
07029	Security Life of Denver Insurance Co
07053	Southern Farm Bureau Life Insurance Co
07080	State Farm Life Insurance Company
06848	Transamerica Occidental Life Ins Co
07164	United of Omaha Life Insurance Company
07192	United States Life Ins in the City of NY
07222	West Coast Life Insurance Company
07243	Western and Southern Life Ins Co

2007

A.M. Best No.	Company
09199	AGC Life Insurance Company
06052	American Family Life Insurance Company
06788	American General Life and Acc Ins Co
06081	American Life Insurance Company
06139	Aurora National Life Assurance Company
60060	Berkshire Hathaway Life Ins Co of NE
06373	Farmers New World Life Insurance Company
06439	General American Life Insurance Company
06552	Indianapolis Life Insurance Company
08958	John Hancock Variable Life Insurance Co
06629	Liberty National Life Insurance Company
09165	Metropolitan Tower Life Insurance Co
07233	MML Bay State Life Insurance Company
08091	MONY Life Insurance Company of America
09070	Nationwide Life and Annuity Insurance Co
06971	Nationwide Life Ins Co of America
06922	Phoenix Life Insurance Company
06693	Primerica Life Insurance Company
07207	Reassure America Life Insurance Company
07029	Security Life of Denver Insurance Co
07053	Southern Farm Bureau Life Insurance Co
07080	State Farm Life Insurance Company
06848	Transamerica Occidental Life Ins Co
07164	United of Omaha Life Insurance Company
07222	West Coast Life Insurance Company
07243	Western and Southern Life Ins Co

2008

A.M. Best No.	Company
09199	AGC Life Insurance Company
06052	American Family Life Insurance Company
06081	American Life Insurance Company
06139	Aurora National Life Assurance Company
60060	Berkshire Hathaway Life Ins Co of NE
06373	Farmers New World Life Insurance Company
06439	General American Life Insurance Company
06629	Liberty National Life Insurance Company
09165	Metropolitan Tower Life Insurance Co
07233	MML Bay State Life Insurance Company
08091	MONY Life Insurance Company of America
09070	Nationwide Life and Annuity Insurance Co
06922	Phoenix Life Insurance Company
06693	Primerica Life Insurance Company
07053	Southern Farm Bureau Life Insurance Co
07080	State Farm Life Insurance Company
07222	West Coast Life Insurance Company
07243	Western and Southern Life Ins Co
07239	Western Reserve Life Assurance Co of OH

2009

A.M. Best No.	Company
07291	Allstate Life Insurance Co of NY
06027	Allstate Life Insurance Company
06081	American Life Insurance Company
06233	Americo Financial Life and Annuity Ins
06152	Ameritas Life Insurance Corp
06149	Bankers Life and Casualty Company
06280	Continental Assurance Company
06294	COUNTRY Life Insurance Company
07322	Dearborn National Life Insurance Company
06362	Farm Bureau Life Insurance Company
09053	Forethought Life Insurance Company
60026	Genworth Life Insurance Company of NY
06605	Kansas City Life Insurance Company
06627	Liberty Life Assurance Company of Boston
06629	Liberty National Life Insurance Company
06645	Life Insurance Company of North America
06239	Lincoln Life & Annuity Company of NY
06704	Metropolitan Life Insurance Company
06724	Minnesota Life Insurance Company
06742	Monumental Life Insurance Company
09043	New England Life Insurance Company
09332	PHL Variable Insurance Company
06150	Principal Life Insurance Company
09371	Pruco Life Insurance Co of NJ
06974	Prudential Insurance Co of America
06990	Reliance Standard Life Insurance Company
06157	ReliaStar Life Insurance Co of NY
07029	Security Life of Denver Insurance Co
07069	Standard Insurance Company
07082	State Life Insurance Company
07150	Union Central Life Insurance Company
07152	Union Labor Life Insurance Company
07164	United of Omaha Life Insurance Company
07192	United States Life Ins in the City of NY

2010

A.M. Best No.	Company
07291	Allstate Life Insurance Co of NY
06027	Allstate Life Insurance Company
06058	American General Life Insurance Company
06081	American Life Insurance Company
06233	Americo Financial Life and Annuity Ins
06152	Ameritas Life Insurance Corp
06149	Bankers Life and Casualty Company
06568	Cincinnati Life Insurance Company
06280	Continental Assurance Company
06294	COUNTRY Life Insurance Company
06362	Farm Bureau Life Insurance Company
09053	Forethought Life Insurance Company
60026	Genworth Life Insurance Company of NY
06605	Kansas City Life Insurance Company
06627	Liberty Life Assurance Company of Boston
06629	Liberty National Life Insurance Company
06645	Life Insurance Company of North America
06239	Lincoln Life & Annuity Company of NY
06724	Minnesota Life Insurance Company
06742	Monumental Life Insurance Company
09332	PHL Variable Insurance Company
06150	Principal Life Insurance Company
06974	Prudential Insurance Co of America
06990	Reliance Standard Life Insurance Company
06157	ReliaStar Life Insurance Co of NY
07053	Southern Farm Bureau Life Insurance Co
07069	Standard Insurance Company
07082	State Life Insurance Company
08226	Sun Life Assurance Company of CA (US)
07150	Union Central Life Insurance Company
07152	Union Labor Life Insurance Company
07164	United of Omaha Life Insurance Company

2011

A.M. Best No.	Company
06058	American General Life Insurance Company
06081	American Life Insurance Company
06233	Americo Financial Life and Annuity Ins
06152	Ameritas Life Insurance Corp
06149	Bankers Life and Casualty Company
06568	Cincinnati Life Insurance Company
06280	Continental Assurance Company
06294	COUNTRY Life Insurance Company
06362	Farm Bureau Life Insurance Company
09053	Forethought Life Insurance Company
07183	Genworth Life Insurance Company
60026	Genworth Life Insurance Company of NY
09504	Guggenheim Life and Annuity Company
06605	Kansas City Life Insurance Company
06627	Liberty Life Assurance Company of Boston
06629	Liberty National Life Insurance Company
06645	Life Insurance Company of North America
06239	Lincoln Life & Annuity Company of NY
06704	Metropolitan Life Insurance Company
06724	Minnesota Life Insurance Company
06742	Monumental Life Insurance Company
06150	Principal Life Insurance Company
06962	Protective Life Insurance Company
06974	Prudential Insurance Co of America
06990	Reliance Standard Life Insurance Company
06157	ReliaStar Life Insurance Co of NY
07069	Standard Insurance Company
07082	State Life Insurance Company
08226	Sun Life Assurance Company of CA (US)
07150	Union Central Life Insurance Company
07164	United of Omaha Life Insurance Company

2012

A.M. Best No.	Company
06081	American Life Insurance Company
06087	American National Insurance Company
06233	Americo Financial Life and Annuity Ins
06152	Ameritas Life Insurance Corp
06140	Auto-Owners Life Insurance Company
06149	Bankers Life and Casualty Company
06244	Columbus Life Insurance Company
06280	Continental Assurance Company
06294	COUNTRY Life Insurance Company
06362	Farm Bureau Life Insurance Company
07183	Genworth Life Insurance Company
60026	Genworth Life Insurance Company of NY
06681	John Hancock Life Insurance Company USA
06605	Kansas City Life Insurance Company
06627	Liberty Life Assurance Company of Boston
06645	Life Insurance Company of North America
06239	Lincoln Life & Annuity Company of NY
06704	Metropolitan Life Insurance Company
06711	Midland National Life Insurance Company
06724	Minnesota Life Insurance Company
06742	Monumental Life Insurance Company
06150	Principal Life Insurance Company
06990	Reliance Standard Life Insurance Company
07069	Standard Insurance Company
07082	State Life Insurance Company
08226	Sun Life Assurance Company of CA (US)
09513	Sun Life Insurance and Annuity Co of NY
07017	Symetra Life Insurance Company
60222	TIAA-CREF Life Insurance Company
07150	Union Central Life Insurance Company
07164	United of Omaha Life Insurance Company
07192	United States Life Ins in the City of NY
07146	USAA Life Insurance Company

Peer Companies for Purposes of Payments to Affiliates

1997

AM Best No.	Company
06006	Aetna Life Insurance Company
06568	Cincinnati Life Insurance Company
06240	Colonial Penn Life Insurance Company
06244	Columbus Life Insurance Company
09074	John Hancock Life & Health Insurance Co
08786	Manufacturers Life Ins Co of America
07233	MML Bay State Life Insurance Company
06827	North American Company for L & H Ins
08930	Ohio National Life Assurance Corporation
07167	United Family Life Insurance Company
07168	United Farm Family Life Insurance Co
07222	West Coast Life Insurance Company
06734	William Penn Life Insurance Co of NY

1998

A.M. Best No.	Company
06373	Farmers New World Life Insurance Company
08958	John Hancock Variable Life Insurance Co
06711	Midland National Life Insurance Company
06693	Primerica Life Insurance Company
07029	Security Life of Denver Insurance Co
06225	Zurich American Life Insurance Company

1999

A.M. Best No.	Company
06373	Farmers New World Life Insurance Company

2000

A.M. Best No.	**Company**
06788	American General Life and Acc Ins Co
06373	Farmers New World Life Insurance Company
07233	MML Bay State Life Insurance Company
06693	Primerica Life Insurance Company
07243	Western and Southern Life Ins Co

2001

A.M. Best No.	**Company**
06788	American General Life and Acc Ins Co
06058	American General Life Insurance Company
06439	General American Life Insurance Company
08958	John Hancock Variable Life Insurance Co
06629	Liberty National Life Insurance Company
07233	MML Bay State Life Insurance Company
06848	Transamerica Occidental Life Ins Co
07175	United Investors Life Insurance Company
07243	Western and Southern Life Ins Co

2002

A.M. Best No.	**Company**
06788	American General Life and Acc Ins Co
06280	Continental Assurance Company
09053	Forethought Life Insurance Company
06439	General American Life Insurance Company
08958	John Hancock Variable Life Insurance Co
06629	Liberty National Life Insurance Company
07233	MML Bay State Life Insurance Company
06693	Primerica Life Insurance Company
07192	United States Life Ins in the City of NY
07243	Western and Southern Life Ins Co

2003

A.M. Best No.	Company
09053	Forethought Life Insurance Company
06439	General American Life Insurance Company
06552	Indianapolis Life Insurance Company
08958	John Hancock Variable Life Insurance Co
06627	Liberty Life Assurance Company of Boston
06629	Liberty National Life Insurance Company
07233	MML Bay State Life Insurance Company
06971	Nationwide Life Ins Co of America
06848	Transamerica Occidental Life Ins Co
07192	United States Life Ins in the City of NY
07243	Western and Southern Life Ins Co

2004

A.M. Best No.	Company
06052	American Family Life Insurance Company
06373	Farmers New World Life Insurance Company
08321	Forethought Life Assurance Company
06439	General American Life Insurance Company
06552	Indianapolis Life Insurance Company
06627	Liberty Life Assurance Company of Boston
06629	Liberty National Life Insurance Company
06971	Nationwide Life Ins Co of America
07192	United States Life Ins in the City of NY
07243	Western and Southern Life Ins Co

2005

A.M. Best No.	Company
06052	American Family Life Insurance Company
06373	Farmers New World Life Insurance Company
06552	Indianapolis Life Insurance Company
06629	Liberty National Life Insurance Company
08091	MONY Life Insurance Company of America
09070	Nationwide Life and Annuity Insurance Co
06971	Nationwide Life Ins Co of America
06693	Primerica Life Insurance Company
06848	Transamerica Occidental Life Ins Co
07175	United Investors Life Insurance Company
07164	United of Omaha Life Insurance Company
07243	Western and Southern Life Ins Co

2006

A.M. Best No.	Company
06052	American Family Life Insurance Company
06373	Farmers New World Life Insurance Company
06439	General American Life Insurance Company
06552	Indianapolis Life Insurance Company
06629	Liberty National Life Insurance Company
09165	Metropolitan Tower Life Insurance Co
08091	MONY Life Insurance Company of America
09070	Nationwide Life and Annuity Insurance Co
06971	Nationwide Life Ins Co of America
07207	Reassure America Life Insurance Company
06848	Transamerica Occidental Life Ins Co
07164	United of Omaha Life Insurance Company

2007

A.M. Best No.	Company
06052	American Family Life Insurance Company
06373	Farmers New World Life Insurance Company
06552	Indianapolis Life Insurance Company
06629	Liberty National Life Insurance Company
09165	Metropolitan Tower Life Insurance Co
08091	MONY Life Insurance Company of America
09070	Nationwide Life and Annuity Insurance Co
06971	Nationwide Life Ins Co of America
07207	Reassure America Life Insurance Company
06848	Transamerica Occidental Life Ins Co
07164	United of Omaha Life Insurance Company

2008

A.M. Best No.	Company
06052	American Family Life Insurance Company
06373	Farmers New World Life Insurance Company
06629	Liberty National Life Insurance Company
09165	Metropolitan Tower Life Insurance Co
08091	MONY Life Insurance Company of America
09070	Nationwide Life and Annuity Insurance Co
07239	Western Reserve Life Assurance Co of OH

2009

A.M. Best No.	**Company**
06233	Americo Financial Life and Annuity Ins
06152	Ameritas Life Insurance Corp
06149	Bankers Life and Casualty Company
06280	Continental Assurance Company
06294	COUNTRY Life Insurance Company
09053	Forethought Life Insurance Company
60026	Genworth Life Insurance Company of NY
06605	Kansas City Life Insurance Company
06629	Liberty National Life Insurance Company
06645	Life Insurance Company of North America
06239	Lincoln Life & Annuity Company of NY
06704	Metropolitan Life Insurance Company
06742	Monumental Life Insurance Company
09332	PHL Variable Insurance Company
06974	Prudential Insurance Co of America
06990	Reliance Standard Life Insurance Company
07082	State Life Insurance Company
07152	Union Labor Life Insurance Company

2010

A.M. Best No.	**Company**
06058	American General Life Insurance Company
06233	Americo Financial Life and Annuity Ins
06149	Bankers Life and Casualty Company
06280	Continental Assurance Company
06294	COUNTRY Life Insurance Company
09053	Forethought Life Insurance Company
60026	Genworth Life Insurance Company of NY
06605	Kansas City Life Insurance Company
06629	Liberty National Life Insurance Company
06645	Life Insurance Company of North America
06239	Lincoln Life & Annuity Company of NY
06742	Monumental Life Insurance Company
09332	PHL Variable Insurance Company
06974	Prudential Insurance Co of America
06990	Reliance Standard Life Insurance Company
07082	State Life Insurance Company
08226	Sun Life Assurance Company of CA (US)
07150	Union Central Life Insurance Company
07152	Union Labor Life Insurance Company

2011

A.M. Best No.	Company
06058	American General Life Insurance Company
06081	American Life Insurance Company
06233	Americo Financial Life and Annuity Ins
06149	Bankers Life and Casualty Company
06280	Continental Assurance Company
06294	COUNTRY Life Insurance Company
09053	Forethought Life Insurance Company
07183	Genworth Life Insurance Company
60026	Genworth Life Insurance Company of NY
06605	Kansas City Life Insurance Company
06629	Liberty National Life Insurance Company
06645	Life Insurance Company of North America
06239	Lincoln Life & Annuity Company of NY
06704	Metropolitan Life Insurance Company
06724	Minnesota Life Insurance Company
06742	Monumental Life Insurance Company
06974	Prudential Insurance Co of America
06990	Reliance Standard Life Insurance Company
07069	Standard Insurance Company
07082	State Life Insurance Company
07150	Union Central Life Insurance Company
07164	United of Omaha Life Insurance Company

2012

A.M. Best No.	**Company**
06081	American Life Insurance Company
06233	Americo Financial Life and Annuity Ins
06140	Auto-Owners Life Insurance Company
06149	Bankers Life and Casualty Company
06244	Columbus Life Insurance Company
06294	COUNTRY Life Insurance Company
07183	Genworth Life Insurance Company
60026	Genworth Life Insurance Company of NY
06605	Kansas City Life Insurance Company
06645	Life Insurance Company of North America
06239	Lincoln Life & Annuity Company of NY
06704	Metropolitan Life Insurance Company
06742	Monumental Life Insurance Company
07082	State Life Insurance Company
08226	Sun Life Assurance Company of CA (US)
07150	Union Central Life Insurance Company
07164	United of Omaha Life Insurance Company