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CONSECO INC
Form 11-K
June 28, 2002

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

Form 11-K

☒ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED December 31, 2001 OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number: 1-9250

A. Full title of the plan and the address of the plan, if different
from that of the issuer named below:

ConsecoSave Plan

B. Name of issuer of the securities held pursuant to the plan and the
address of its principal executive offices:

Conseco, Inc.
11825 North Pennsylvania Street
Carmel, Indiana 46032

CONSECOSAVE PLAN

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a) Financial Statements

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Statement of Net Assets Available for Plan Benefits - December 31, 2001 and 2000.....
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Supplemental Schedules.....

b) Exhibit

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Participants and Plan Trustees
ConsecoSave Plan

In our opinion, the accompanying statements of net assets available for plan benefits and the related statements of changes in net assets available for plan benefits present fairly, in all material respects, the net assets available for benefits of the ConsecoSave Plan (the "Plan") at December 31, 2001 and 2000, and the changes in net assets available for benefits for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets held for investment purposes as of December 31, 2001 and reportable transactions for the year ended December 31, 2001 are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

June 27, 2002

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CONSECOSAVE PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR PLAN BENEFITS

December 31, 2001 and 2000

	2001

Assets:	
Investments at fair value	\$214,244,11
Employer contribution receivable	7,683,16
Employee contribution receivable	544,50

Total assets	222,471,78
Liabilities:	
Excess contribution refunds due to participants	976,37

Net assets available for plan benefits	\$221,495,40
	=====

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STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS

for the year ended December 31, 2001

Investment loss:

Interest and dividends	\$ 4,558,88
Net depreciation in the fair value of investments	(45,574,72)

Net investment loss	(41,015,83)

Contributions:

Employee contributions	25,122,91
Employer contributions	6,780,88

Total contributions	31,903,79

Deductions:

Benefits paid	29,190,29

Net decrease in net assets available for plan benefits	(38,302,32)
Net assets available for plan benefits, beginning of year	259,797,73

Net assets available for plan benefits, end of year	\$221,495,40
	=====

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The accompanying financial statements of the Consecosave Plan (the "Plan") have been prepared in accordance with generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results may differ from these estimates.

Investments

The Plan provides the following investment options for voluntary employee contributions: (i) the following funds offered by Consecos Fund Group, which is managed by Consecos Capital Management, Inc., a wholly owned subsidiary of Consecos - Consecos Balanced Fund, Consecos 20 Fund, Consecos Convertible Securities Fund, Consecos High Yield Fund, Consecos Equity Fund, Consecos Fixed Income Fund and Consecos Money Market Fund; (ii) Consecos Stock Portfolio; (iii) Interest Income Portfolio; (iv) Vanguard Institutional Index Fund. Effective June 29, 2001, the Money Market Portfolio and the Standard and Poor's 500 Index ("S & P 500") Portfolio were replaced by the Consecos Fund Group Money Market Fund and the Vanguard Institutional Index Fund, respectively. Employer contributions are invested solely in the common stock of Consecos. The Plan's investments, except for the Consecos Stock portfolio, which is held by the Trustees of the Plan, are maintained under a group annuity contract in a separate account of Bankers National Life Insurance Company, an indirect wholly owned subsidiary of Consecos.

The Consecos Balanced Fund invests in debt securities, equity securities, and money market instruments.

The Consecos 20 Fund generally invests at least 65 percent of its assets in common stocks of companies that the advisor believes have above-average growth prospects. The fund is non-diversified and will generally concentrate its investments in a core position of approximately 20 to 30 common stocks.

The Consecos Convertible Securities Fund generally invests at least 65 percent of the fund's assets in convertible securities. These are often lower grade investment quality than other types of investments. At any given time over 50 percent of the fund's assets may be invested in below investment grade securities.

The Consecos High Yield Fund seeks to provide a high level of current income with a secondary objective of capital appreciation. The fund generally invests at least 65 percent of the fund's assets in below investment grade securities.

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CONSECOSAVE PLAN NOTES TO FINANCIAL STATEMENTS - (Continued)

1. Summary of Significant Accounting Policies (Continued)

Investments (continued)

The Consecos Equity Fund invests primarily in equity securities and other securities having the investment characteristics of common stocks.

The Consecos Fixed Income Fund invests primarily in investment-grade debt securities.

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The Consecoco Money Market Fund invests exclusively in high quality short-term money market instruments.

The Vanguard Institutional Index Fund invests in stocks that make up the Standard & Poor's 500 Index, which is dominated by the stocks of large U.S. companies.

The above funds are valued using the net asset value at the end of each New York Stock Exchange business day.

The Consecoco Stock Portfolio only invests in the common stock of Consecoco except for cash which remains in the fund to meet the fund's liquidity needs. The Consecoco common stock is valued at its closing market price on the New York Stock Exchange.

The Interest Income Portfolio consists of guaranteed interest contracts. The guaranteed interest contracts are carried at the accumulated contract values, which are cost adjusted for interest credited (at a blended rate of 6.13 percent and 5.84 percent for years ended December 31, 2001 and 2000, respectively). Such carrying values approximate fair values. As of January 1, 2002, the contract, interest rate, and expiration date are as follows:

Consecoco Variable Insurance Company, an
indirect wholly owned subsidiary of Consecoco - 5.00% June 30, 2002

The Money Market Portfolio invests in money market instruments maturing within one year, with an average maturity of 120 days or less. Such investments are carried at amortized cost which approximates fair value.

The S & P 500 Portfolio invests in a Standard and Poor's Depository Receipt, which is a trust that is traded on the American Stock Exchange (Ticker Symbol SPY) and is intended to track the price performance and dividend yield of the S & P 500 Index. The S & P 500 Portfolio is valued using the net asset value at the end of each New York Stock Exchange business day.

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CONSECOSAVE PLAN NOTES TO FINANCIAL STATEMENTS - (Continued)

1. Summary of Significant Accounting Policies (Continued)

Investments (continued)

The Plan presents in the Statement of Changes in Net Assets Available for Plan Benefits the net appreciation (depreciation) in the fair value of its investments which consists of the realized gains (losses) and the unrealized appreciation (depreciation) on those investments.

Administrative Expenses

Operating expenses and maintenance fees incurred during the years ended December 31, 2001 and 2000, of \$654,904 and \$801,510, respectively, were paid by Consecoco Services, LLC ("CSL"), the Plan sponsor and a wholly owned subsidiary of Consecoco, on behalf of the Plan. Future payment of such expenses by CSL is at its discretion.

Income Taxes

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Under Sections 401(a) and 501(a), respectively, of the Internal Revenue Code (the "IRC"), the Plan is qualified and the Consecosave Trust, a trust established under the Plan, is tax-exempt. The Plan has been amended since receiving its last determination letter. However, the Plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC.

2. Plan Description

The Plan is a defined contribution plan pursuant to Section 401(k) of the IRC. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). Established on April 1, 1989, and amended and restated on January 1, 1993, October 1, 1995, January 1, 1997, and November 15, 1999, the Plan includes all employees of CSL as determined pursuant to the Plan of CSL and any participating employer (unless otherwise excluded pursuant to the Plan). Participation is voluntary. Every employee is eligible to become a participant on the first day of the fourth month immediately following the employee's date of hire.

Employee contributions to the Plan are made through periodic payroll deductions in increments of 1.0 percent of the participant's annual earnings, not to exceed the lesser of 15.0 percent of the participant's annual earnings or the maximum amount specified by federal tax law (\$10,500 for pre-tax contributions for 2001). Participants can make pre-tax and/or after-tax contributions. Participants designate the portfolios in which their contributions are invested.

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CONSECOSAVE PLAN NOTES TO FINANCIAL STATEMENTS - (Continued)

2. Plan Description (continued)

The employer matches 50.0 percent of each participant's pre-tax contributions up to a maximum of 6.0 percent of the participant's annual earnings. All employer contributions are made to the Consecosave Stock Portfolio. Such contributions are made no later than the due date for filing Consecosave's federal income tax return, including extensions.

ERISA and the IRC provide that qualified plans, such as the Plan, cannot discriminate in favor of highly compensated individuals. Certain highly compensated individuals may be required to receive refunds of any contributions in excess of the IRC Sections 401(k)(3) and 401(m) limits and all earnings attributable to such contributions. Amounts in excess of the limits discussed above are presented in the statement of net assets available for plan benefits as "Excess contribution refunds due to participants" and generally were refunded within 2-1/2 months of the Plan's year end.

Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Participants have a gradual vesting schedule based upon length of service and are fully vested in Consecosave's contributions after six years of service. At December 31, 2001, forfeited non-vested amounts totaled \$328,613. These non-vested interests of withdrawn participants were used to reduce the employer contribution receivable at December 31, 2001.

Benefits under the Plan are paid in cash in a lump sum, in quarterly or annual

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installment payments, whole shares of Conseco common stock, or a combination thereof. Participants may make withdrawals after reaching age 55 or 59 1/2, and under certain circumstances are allowed to make hardship withdrawals and after-tax deposit account withdrawals. Participants are permitted to transfer account balances between portfolios, except the Conseco Stock Portfolio, at any time in 1.0 percent increments. Transfers involving participant-directed contributions to the Conseco Stock Portfolio may only be made during a 10-business day period each quarter, beginning on the 3rd business day following the quarterly earnings release.

Participants may obtain loans up to 50.0 percent of the vested portion of their account balances, excluding employer contributions, to a maximum loan of \$50,000. Only one loan may be outstanding at a time. Repayment of both principal and interest is made to the participant's account via payroll deduction or a lump sum. As of December 31, 2001, the participant loans had interest rates ranging from 5.0 percent to 10.5 percent, and maturity dates ranging from January 2002 to October 2017.

The Plan is administered by CSL which establishes the rules and procedures necessary for the Plan's operations. Although it has not expressed any intent to do so, CSL has the right to terminate the Plan. In the event the Plan is terminated, each participant's account shall be non-forfeitable with respect to both the participant's and employer's contributions and the net assets shall be set aside for payment to the participants. Distribution shall be made by the Trustee in a lump sum or in substantially equal installments during a period not exceeding one year following such termination.

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CONSECOSAVE PLAN NOTES TO FINANCIAL STATEMENTS - (Continued)

2. Plan Description (continued)

The foregoing description of the Plan provides only limited information. Participants should refer to the Summary Plan Description for a more complete description of the Plan's provisions.

3. Investments

Investments that represent 5 percent or more of the Plan's net assets available for Plan benefits as of December 31, 2001 and 2000, are summarized as follows:

	2001 ----	2000 ----
Conseco Equity Fund	\$78,423,637	\$99,279,935
Vanguard Institutional Index Fund	30,788,904	(b)
Conseco Money Market Fund	30,557,814	(b)
Fixed Income Fund	17,391,698	12,818,946
Conseco Stock Portfolio (a)	17,100,082	32,487,490
Interest Income Portfolio	16,428,441	15,230,244
S&P 500 Portfolio	(b)	37,854,420
Money Market Portfolio	(b)	25,187,447

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During 2001, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated as follows:

Various investment portfolios, primarily	
mutual funds of the Consecos Fund Group	\$ (20,016,298)
Consecos Stock Portfolio	(25,558,428)

	\$ (45,574,726)
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CONSECOSAVE PLAN

NOTES TO FINANCIAL STATEMENTS - (Continued)

4. Consecos Stock Portfolio

The Consecos Stock Portfolio includes both participant-directed and nonparticipant-directed investments. Changes in net assets relating to this portfolio for the year ended December 31, 2001, are as follows:

Net investment loss:

Interest and dividends	\$ 37,931
Net depreciation in fair value of investments	(25,558,428)

Net investment loss	(25,520,497)

Contributions:

Employee contributions	4,142,251
Employer contributions	8,518,037

Total contributions	12,660,288

Deductions:

Benefits paid	4,921,578

Net employee transfers to participant-directed investments

2,394,379

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Net decrease for the year	(15,387,408)
Balance, beginning of year	32,487,490

Balance, end of year	\$ 17,100,082
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CONSECOSAVE PLAN

SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES

As of December 31, 2001

(a)	(b)	(c)
	Identity of Issuer, Borrower, Lessor or Similar Party	Description of Investment
	-----	-----
	Conseco Fund Group	989,773 shares of Conseco Balanced Fund
	Conseco Fund Group	845,428 shares of Conseco 20 Fund
	Conseco Fund Group	145,956 shares of Conseco Convertible Securities Fund
	Conseco Fund Group	126,293 shares of Conseco High Yield Fund
	Conseco Fund Group	8,627,463 shares of Conseco Equity Fund
	Conseco Fund Group	1,708,418 shares of Conseco Fixed Income Fund
	Conseco Fund Group	30,557,814 shares of Conseco Money Market Fund
	Conseco, Inc.	3,739,215 shares of Conseco, Inc. Common Stock
	Conseco Variable Insurance Company	Guaranteed interest contract, interest rate-5.00%, maturity date-December 31, 2002 (Interest Income Portf
	Vanguard Group	293,535 shares of Vanguard Institutional Index Fund
	Participant loans	Interest rates from 5.0% to 10.5%, maturity dates from January 2002 to October 2017
	Total Assets Held for Investment Purposes	

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CONSECOSAVE PLAN

SCHEDULE H, LINE 4j - SCHEDULE OF REPORTABLE TRANSACTIONS for the year ended December 31, 2001

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Identity of Party Involved	Description of Transactions	Number of Transactions	Purchase Price	Selling Price	Cost of Asset	C V Tr

Conseco, Inc.	Purchases of Conseco, Inc. common stock	41	13,952,845	-	-	
	Sales of Conseco, Inc. common stock	23	-	2,856,187	3,248,253	

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CONSECOSAVE PLAN

SIGNATURE

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

CONSECOSAVE PLAN

Dated: June 27, 2002

By: /s/ William J. Shea

William J. Shea, Trustee

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