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Taking aim at the middle

New Conseco Insurance leader says growth will be found in average households

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Four months into his job as president of Conseco Insurance Group, Michael Dubes is explaining his strategy to return the subsidiary to profitability. Then, ice cream enters the conversation.

Dairy Queen, he argued, continues to thrive despite an onslaught of competitors offering more expensive treats. The key to the franchise's success is that it has never wavered from its middle-income target audience, Dubes said.

He is applying the same simple tactic to grow the group's portfolio of policyholders, while many competitors froth over wealthier prospects.

"Why should we be one of many companies chasing the 600,000 people in the United States with a net worth over \$10 million?" Dubes asked. "To me, it's about getting and keeping customers in the middle market."

There are 63 million households with an annual income of \$25,000 to \$100,000, according to a 2004 report from LIMRA International, an insurance industry research association.

The middle market has long been the strength of the companies that make up Carmel-based Conseco Inc. But Conseco's descent into Chapter 11 bankruptcy reorganization, from which it emerged in 2003, stunted growth.

Conseco Insurance Group recorded a pretax profit of \$270.5 million last year, but its sales disappointed company leaders. Counting life and health insurance premiums and a portion of its annuity business, the subsidiary collected \$57 million in new business, less than expected.



IBJ Photo/Robin Jerstad

Conseco Insurance Group President Michael Dubes took over his new job four months ago.

Dubes' long-term plan to improve the numbers seems to be off to a solid start. The number of premiums sold this year is up 9 percent over 2004, Dubes said, and nine products have been introduced to the market in 2005, compared with five last year. Further, an additional 23 offerings will be rolled out next year, which should improve profits following a disappointing 2004.

Analysts covering Conseco think the insurance group is on the path to recovery, despite its failure to receive a ratings upgrade to the A level. In late 2003, New Jersey-based A.M. Best delivered a rare, double upgrade in raising the subsidiary to B++. In August, Best opted to affirm the rating instead of boosting it to an A.

An A-level rating would allow Conseco Insurance Group to compare more favorably with other insurers.

Best declined to give an upgrade partly because Conseco already had improved its rating by two levels in one fell swoop, said Best analyst Rosemarie Mirabella.

"If the present trends continue and [it starts] to show some top-line growth, we would possibly consider an upgrade," Mirabella said. "[It has] made an enormous amount of progress, but we still think there is a lot of work that needs to be done."

Enter Dubes, a 62-year-old Iowa native who spent 35 years in the insurance industry before retiring in 2002. He began his career at ReliaStar Financial Corp. in Minneapolis as an agent for subsidiary Northwestern National Life Insurance Co. and ended following ING's acquisition of ReliaStar in 2000.

Although he followed in the footsteps of his father, who also sold insurance,

See **CONSECO** on back

CONSECO

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Dubes did not aspire to enter the industry after receiving his bachelor's degree from Iowa State University.

Wanting to get into sales, Dubes chose insurance not because of his father, but because he believed the career would pose a steep challenge.

Focusing on tax-sheltered annuity products for the education market, he proved up to the task. He rose through the ranks and became president and CEO of Northwestern in 1985. From 1994 to 2002, he served as president and CEO of Northern Life, another ReliaStar insurance company.

After leaving ING, he started a consulting practice and developed a business plan to sell financial products to schoolteachers, when Consecos came calling.

Consecos board members, including former ReliaStar CEO John Turner, traveled to Minneapolis in December 2003 to learn more about Dubes' idea. The following month he began helping Consecos develop a company to market the products to teachers. A year later, in January 2005, Dubes was approached about the president's position within Consecos Insurance Group. Directors extended a job offer in

May, and Dubes accepted in June.

In a September conference call, Consecos CEO William Kirsch boasted that the company had found the "Pied Piper" of independent insurance distribution.

Consecos's core subsidiaries, Consecos Insurance Group and Chicago-based Bankers Life and Casualty Co., sell and administer supplemental health insurance, annuities and individual life insurance. Bankers Life does business through branch offices while Consecos Insurance works mostly through independent channels.

Dubes cited several factors that led him to accept the offer, including the opportunity to help grow a company befallen by bankruptcy.

One of his first orders of business has been to "optimize distribution," or increase the number of agents selling Consecos insurance products. Dubes is overseeing what is dubbed as a national road show that will visit 30 cities and is expected to draw 2,000 distributors.

Jukka Lipponen, senior vice president and life insurance analyst at New York-based Keefe Bruyette & Woods, thinks the company is regaining its footing.

"Now that it has started to put out some new products, and rebuild independent agent distribution again, I think that unit

should see some sales growth," Lipponen said. "I believe that it's only a matter of time before it gets the [A] rating back."

Dubes intends to be at Consecos when that occurs, and beyond. He put in place a 10-year turnaround plan to accomplish the goals he set.

Said Dubes: "The one thing I truly enjoy in life is business."•

Dubes at a glance

Age: 62

Hometown: Dubuque, Iowa

Education: bachelor's degree in education from Iowa State University, master's degree in financial services from American College, and graduate of the Advanced Management Program at Harvard University

Career highlights: President and CEO of the former ReliaStar Financial Corp. insurance companies Northwestern National Life and Northern Life in Minneapolis. Appointed president of Consecos Insurance Group in June.

Best business advice received: Hire good people.

People may not know: He played right field for the Iowa State baseball team and was offered a contract with the Philadelphia Phillies.

Source: IBJ research