

CONSECO INC  
Form PRE 14A  
April 07, 2009

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  x  
Filed by a Party other than the Registrant  o

Check the appropriate box:

- x Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- o Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

CONSECO, INC.

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(Name of Registrant as Specified In Its Charter)  
Conseco, Inc.

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held May 12, 2009**

Notice Is Hereby Given That the Annual Meeting of Shareholders of Conseco, Inc. (the Company ), will be held at the Conseco Conference Center, 11825 North Pennsylvania Street, Carmel, Indiana, at 8:00 a.m., Eastern Daylight Time, on May 12, 2009, for the following purposes:

1. To elect nine directors, each for a one-year term ending in 2010;
2. To approve the adoption of a Section 382 Stockholders Rights Plan;
3. To approve the Company s Amended and Restated Long-Term Incentive Plan;
4. To ratify the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for 2009; and
5. To consider such other matters, if any, as may properly come before the meeting.

Holders of record of outstanding shares of the common stock of the Company as of the close of business on March 16, 2009, are entitled to notice of and to vote at the meeting. Holders of common stock have one vote for each share held of record.

Whether or not you plan to be present at the meeting, *please complete, sign and return the enclosed form of proxy*. No postage is required to return the form of proxy in the enclosed envelope. The proxies of shareholders who attend the meeting in person may be withdrawn, and such shareholders may vote personally at the meeting.

By Order of the Board of Directors

Karl W. Kindig, *Secretary*

April , 2009  
Carmel, Indiana

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

**PROXY STATEMENT**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Conseco, Inc. ( Conseco or the Company ) for the Annual Meeting of Shareholders (the Annual Meeting ) to be held at the Conseco Conference Center, 11825 North Pennsylvania Street, Carmel, Indiana on May 12, 2009, at 8:00 a.m., Eastern Daylight Time. It is expected that this Proxy Statement and proxy will be mailed to the shareholders on or about April 17, 2009. **The enclosed proxy is solicited by our Board of Directors.** Proxies are being solicited principally by mail. Directors, officers and regular employees of Conseco may also solicit proxies in person, through the mail or by telecommunications. All expenses relating to the preparation and mailing to the shareholders of the Notice, this Proxy Statement and form of proxy are to be paid by Conseco.

If the enclosed form of proxy is properly executed and returned in time for the meeting, the named proxy holders will vote the shares represented by the proxy in accordance with the instructions marked on the proxy. Proxies returned unmarked will be voted for each of the board's nominees for director (Proposal 1), for the approval of the Section 382 Stockholders Rights Plan (Proposal 2), for the approval of the Amended and Restated Long-term Incentive Plan (Proposal 3) and for the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2009 (Proposal 4). A shareholder may revoke a proxy at any time before it is exercised by mailing or delivering to Conseco a written notice of revocation or a later-dated proxy, or by attending the meeting and voting in person.

Only holders of record of shares of Conseco's common stock as of the close of business on March 16, 2009, will be entitled to vote at the meeting. On such record date, Conseco had 184,753,758 shares of common stock outstanding and entitled to vote. Each share of common stock will be entitled to one vote with respect to each matter submitted to a vote at the meeting. The presence in person or by proxy of the holders of a majority of the outstanding shares of common stock entitled to vote at the Annual Meeting is necessary to constitute a quorum.

If you hold your shares in street name (that is, if you hold your shares through a broker, bank or other holder of record), you may be able to vote by telephone or via the Internet. Please refer to the information on the voting instruction form forwarded to you by your bank, broker or other holder of record to see which voting options are available to you.

You may receive proxy solicitation materials from Otter Creek Partners I, L.P. ( Otter Creek ) in connection with its nomination of R. Keith Long to be a director of Conseco. The Board of Directors recommends that you **not** sign or return the proxy card that may be sent to you by Otter Creek.

If you want to vote in person at the Annual Meeting and you hold your shares in street name, you must obtain a legal proxy from your bank, broker or other holder of record authorizing you to vote. You must then bring the legal proxy to the Annual Meeting.

The election of directors (Proposal 1), because it is a contested election, will be determined by the plurality of the votes cast by the holders of shares represented (in person or by proxy) and entitled to vote at the Annual Meeting provided a quorum is present. Consequently, the nine nominees who receive the greatest number of votes cast will be elected as directors of the Company. The vote required to approve the Section 382

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Stockholders Rights Plan and the Amended and Restated Long-term Incentive Plan (Proposals 2 and 3) is the affirmative vote of the holders of a majority of the shares represented and entitled to vote at the Annual Meeting. The vote required to approve the ratification of the appointment of our independent registered public accounting firm (Proposal 4) is the affirmative vote of the holders of a majority of the shares represented and entitled to vote at the Annual Meeting. Shares present which are properly withheld as to voting, and shares present with respect to which a broker indicates that it does not have authority to vote ( broker non-votes ), will not be counted for any purpose other than determining the presence of a quorum at the Annual Meeting. Abstentions from voting will have the same legal effect as voting against Proposal 2, Proposal 3 and Proposal 4.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 12, 2009**

Under new Securities and Exchange Commission rules, you are receiving this notice that the proxy materials for the Annual Meeting are available on the Internet. The proxy statement and the annual report to shareholders are available at [www.proxyvote.com](http://www.proxyvote.com).

**Table of Contents****SECURITIES OWNERSHIP**

The following table sets forth certain information concerning the beneficial ownership of our common stock as of March 16, 2009 (except as otherwise noted) by each person known to us who beneficially owns more than 5% of the outstanding shares of our common stock, each of our directors, each of our current executive officers that are named in the Summary Compensation Table on page 23 and all of our current directors and executive officers as a group.

| Title of Class | Name of Beneficial Owner  | Shares Beneficially Owned |            |
|----------------|---|---------------------------|------------|
|                |   | Number                    | Percentage |
| Common stock   | Columbia Wanger Asset Management, L.P.(1)                           | 26,489,000                | 14.3       |
| Common stock   | Steel Partners II, L.P.(2)  | 14,801,460                | 8.0        |
| Common stock   | Hotchkis and Wiley Capital Management, LLC(3)                       | 12,024,641                | 6.5        |
| Common stock   | R. Glenn Hilliard(4)  | 1,565,294                 | *          |
| Common stock   | Donna A. James  | 10,807                    | *          |
| Common stock   | Debra J. Perry(5)   | 40,381                    | *          |
| Common stock   | C. James Prieur(6)  | 795,000                   | *          |
| Common stock   | Philip R. Roberts(5)  | 43,907                    | *          |
| Common stock   | Neal C. Schneider(5)  | 41,407                    | *          |
| Common stock   | Michael S. Shannon(5)   | 126,866                   | *          |
| Common stock   | Michael T. Tokarz(5)  | 38,907                    | *          |
| Common stock   | John G. Turner(5)   | 46,907                    | *          |
| Common stock   | Doreen A. Wright  | 12,307                    | *          |
| Common stock   | Edward J. Bonach(7)   | 97,000                    | *          |
| Common stock   | Eric R. Johnson(8)  | 242,237                   | *          |
| Common stock   | Scott R. Perry(9)   | 142,898                   | *          |
| Common stock   | Steven M. Stecher(10)   | 92,975                    |            |
| Common stock   | All directors and executive officers as a group<br>(19 persons)(11) | 3,721,571                 | 2.0        |

\* Less than 1%.

- (1) Based solely on the Amendment No. 3 to Schedule 13G filed with the SEC on January 27, 2009 by Columbia Wanger Asset Management, L.P. The Amendment No. 3 to Schedule 13G reports sole power to vote or direct the vote of 26,104,000 shares and sole power to dispose or direct the disposition of 26,489,000 shares. The business address for Columbia Wanger Asset Management, L.P. is 227 West Monroe Street, Suite 3000, Chicago, IL 60606.
- (2) Based solely on the Amendment No. 7 to Schedule 13D filed with the SEC on January 5, 2009 by Steel Partners II, L.P. The business address for Steel Partners II, L.P. is 590 Madison Avenue, 32nd Floor, New York, NY 10022.
- (3) Based solely on the Amendment No. 3 to Schedule 13G filed with the SEC on February 13, 2009 by Hotchkis and Wiley Capital Management, LLC. The Amendment No. 3 to Schedule 13G reports sole power to vote or direct the vote of 8,168,541 shares and sole power to dispose or to direct the disposition of 12,024,641 shares.

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The business address for Hotchkis and Wiley Capital Management, LLC is 725 S. Figueroa Street, 39th Floor, Los Angeles, CA 90017.

- (4) Includes 98,119 shares held by a family charitable foundation, of which Mr. Hilliard is a trustee. He disclaims beneficial ownership of such shares. Also includes options, exercisable currently or within 60 days of March 16, 2009, to purchase 755,000 shares of common stock.
- (5) Includes options, exercisable currently or within 60 days of March 16, 2009, to purchase 15,400 shares of common stock.

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- (6) Includes options, exercisable currently or within 60 days of March 16, 2009, to purchase 325,000 shares of common stock.
- (7) Includes options, exercisable currently or within 60 days of March 16, 2009, to purchase 40,000 shares of common stock.
- (8) Includes options, exercisable currently or within 60 days of March 16, 2009, to purchase 194,000 shares of common stock.
- (9) Includes options, exercisable currently or within 60 days of March 16, 2009, to purchase 105,500 shares of common stock.
- (10) Includes options, exercisable currently or within 60 days of March 16, 2009, to purchase 77,500 shares of common stock.
- (11) Includes options, exercisable currently or within 60 days of March 16, 2009, to purchase an aggregate of 1,925,900 shares of common stock held by directors and executive officers.

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**PROPOSAL 1**

**ELECTION OF DIRECTORS**

Nine individuals will be elected to the board of directors for one-year terms expiring at the 2010 annual meeting of shareholders. The nominees listed below are currently members of the board of directors. One current director, Michael Shannon, has informed the board that he will be stepping down as a director on May 11, 2009. The board has elected not to fill his seat on the board and has agreed to reduce the number of directors to nine after his resignation. All directors will serve until their successors are duly elected and qualified.

**Board Nominees**

Unless authority is specifically withheld, the shares of common stock represented by the enclosed form of proxy will be voted in favor of all board nominees identified below. Should any of the nominees become unable to accept election, the persons named in the proxy will exercise their voting power in favor of such person or persons as the board of directors of Consecoco may recommend. All of the nominees have consented to being named in this Proxy Statement and to serve if elected. The board of directors knows of no reason why any of its nominees would be unable to accept election.

Set forth below is information regarding each person nominated by the board of directors for election as a director.

*Nominees for Election as Directors:*

**Donna A. James**, 51, has been a director of Consecoco since May 2007. Since 2006 Ms. James has been President and managing director of Lardon & Associates, a business and executive advisory services firm. Before retiring in 2006, Ms. James worked in various capacities with Nationwide Mutual Insurance Company and its public company subsidiary, Nationwide Financial Services, Inc., beginning in 1981, including President, Nationwide Strategic Investments (2003-2006), Executive Vice President and Chief administrative Officer (2000-2003) and Senior Vice President and Chief Human Resources Officer (1998-2000). She is also a director of Coca-Cola Enterprises, Inc. and Limited Brands, Inc.

**Debra J. Perry**, 57, has served as a director of Consecoco since June 2004. Since 2008 Ms. Perry has been the managing member of Perry Consulting LLC. From 1992-2004, she was a senior executive at Moody's Investors Service and Moody's Corporation. During her career there, she served as Chief Administrative Officer and Chief Credit Officer, and had responsibility for several ratings groups, including Americas Corporate Finance, Leverage Finance, Public Finance, and Finance, Securities and Insurance. Until recently, Ms. Perry served on the board of MBIA Inc., the largest financial guaranty insurance company. At the request of the MBIA board, she became a consultant to its Credit Risk Committee to refine and implement the company's risk strategy as part of a five-year transformation plan. Ms. Perry is also a director of Korn/Ferry International.

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**C. James Prieur**, 57, has been chief executive officer and a director since September 2006. Before joining Consecoco, Mr. Prieur had been with Sun Life Financial since 1979. He began his career in private placements, then equity and fixed income portfolio management, rising to vice president of investments for Canada in 1988, and then vice president of investments for the U.S. in 1992. In 1997 he was named senior vice president and general manager for all U.S. operations, and became corporate president and chief operating officer in 1999.

**Philip R. Roberts**, 67, joined our board of directors in September 2003. Mr. Roberts is retired. From 2000 until 2007, Mr. Roberts was principal of Roberts Ventures L.L.C., consultant for merger and acquisition and product development for investment management firms. From 1996 until 2000, Mr. Roberts served as chief investment officer of trust business for Mellon Financial Corporation and headed its institutional asset management businesses from 1990 to 1996.

**Michael T. Tokarz**, 59, joined our board of directors in September 2003. Mr. Tokarz is the chairman of MVC Capital, Inc. (a registered investment company). In addition, he has been a managing member of the Tokarz Group, LLC (venture capital investments) since 2002. He was a general partner with Kohlberg Kravis Roberts & Co. from 1985 until he retired in 2002. Mr. Tokarz is chairman of Walter Industries, Inc. and is also a director of IDEX Corp. and Dakota Growers Pasta Companies, Inc.

**R. Glenn Hilliard**, 66, has served as chairman of our board of directors since September 2003. During the period from August 2004 until September 2005, he served as executive chairman and at all other times since September 2003 he has served as non-executive Chairman. Mr. Hilliard has been chairman and chief executive officer of Hilliard Group, LLC, an investment and consulting firm, since 2003. From 1999 until his retirement in 2003, Mr. Hilliard served as chairman, chief executive officer and a member of the executive committee for ING Americas. From 1994 to 1999 he was chairman and CEO of ING North America. Mr. Hilliard is a Trustee of Columbia Funds Series Trust, Columbia Funds Master Investment Trust, Columbia Funds Variable Insurance Trust I (formerly Nations Separate Account Trust) and Banc of America Funds Trust.

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*Neal C. Schneider*, 64, joined our board of directors in September 2003. Between 2002 and 2003, Mr. Schneider was a partner of Smart and Associates, LLP, a business advisory and accounting firm. Between 2000 and 2002, he was an independent consultant. Until his retirement in 2000, Mr. Schneider spent 34 years with Arthur Andersen & Co., including service as partner in charge of the Worldwide Insurance Industry Practice and the North American Financial Service Practice. Mr. Schneider has been chairman of the board of PMA Capital Corporation since 2003.

*John G. Turner*, 69, joined our board of directors in September 2003. Mr. Turner has been chairman of Hillcrest Capital Partners, a private equity investment firm since 2002. Mr. Turner served as chairman and CEO of ReliaStar Financial Corp. from 1991 until it was acquired by ING in 2000. After the acquisition he became vice chairman and a member of the executive committee for ING Americas until his retirement in 2002. Mr. Turner is a director of Hormel Foods Corporation and ING Funds.

*Doreen A. Wright*, 52, joined our board of directors in May 2007. Ms. Wright was Senior Vice President and Chief Information Officer of Campbell Soup Company from 2001 until her retirement in 2008. Prior to joining Campbell Soup Company, she was Executive Vice President and Chief Information Officer at Nabisco, Inc. from 1999-2001. From 1995 through 1998, Ms. Wright was Senior Vice President, Operations and Systems for Prudential Insurance Company's Prudential Investment Group. From 1984 until 1994, she held various leadership positions at Bankers Trust Company as a Managing Director and Senior Vice President of numerous large-scale institutional customer service and technology groups. Ms. Wright serves on the board of directors of The Riverside Symphonia, is a trustee of the Campbell Soup Foundation and previously served on the board of directors of The Yankee Candle Company.

**THE BOARD RECOMMENDS THAT YOU VOTE FOR THE ELECTION TO THE BOARD OF EACH OF THE COMPANY'S DIRECTOR NOMINEES LISTED ABOVE**

**Otter Creek Nominee**

On March 20, 2009, Conseco received notice from Otter Creek Partners I, L.P., by its General Partner, Otter Creek Management, Inc. of its nomination of R. Keith Long to stand for election to the Conseco Board of Directors. If you receive proxy solicitation materials from Otter Creek, the Board of Directors unanimously recommends that you NOT return the proxy card or otherwise vote for Mr. Long. If you have returned a proxy card to Otter Creek, you can revoke it by properly executing and returning the Company's proxy card, or, if you hold your shares in street name, then by following the voting instruction form that was forwarded to you.

**Board Committees**

*Audit and Enterprise Risk Committee.* The Audit and Enterprise Risk Committee's functions, among others, are to recommend the appointment of independent accountants; review the arrangements for and scope of the audit by the independent accountants; review the independence of the independent accountants; consider the adequacy of the system of internal accounting controls and review any proposed corrective actions; review and monitor the Company's compliance with legal and regulatory requirements; and discuss with management

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and the independent accountants our draft annual and quarterly financial statements and key accounting and/or reporting matters. The Audit and Enterprise Risk Committee currently consists of Mr. Schneider, Mr. Roberts, Mr. Turner and Ms. Wright, with Mr. Schneider serving as chairman of the committee and as audit committee financial expert, as defined under Securities and Exchange Commission rules promulgated under the Sarbanes-Oxley Act. All current members of the Audit and Enterprise Risk Committee are independent within the meaning of the regulations adopted by the Securities and Exchange Commission and the listing requirements adopted by the New York Stock Exchange regarding audit committee membership. The current members also satisfy the financial literacy qualifications of the New York Stock Exchange listing standards. The committee met on 18 occasions in 2008. A copy of the Audit and Enterprise Risk Committee's charter is available on our website at [www.conseco.com](http://www.conseco.com).

***Governance and Strategy Committee.*** The Governance and Strategy Committee is responsible for, among other things, establishing criteria for board membership; considering, recommending and recruiting candidates to fill new positions on the board; reviewing candidates recommended by shareholders; and considering questions of possible conflicts of interest involving board members, executive officers and key employees. It is also responsible for developing principles of corporate governance and recommending them to the board for its approval and adoption, and reviewing periodically these principles of corporate governance to insure that they remain relevant and are being complied with. The Governance and Strategy Committee currently consists of Mr. Tokarz, Mr. Shannon and Ms. Perry, with Mr. Tokarz serving as chairman of the committee. All current members of the Governance and Strategy Committee are independent within the meaning of the listing requirements adopted by the New York Stock Exchange regarding nominating committee membership. The committee held four meetings during 2008. A copy of the Governance and Strategy Committee's charter is available on our website at [www.conseco.com](http://www.conseco.com). The Governance and Strategy Committee does not have a written policy regarding shareholder nominations for director candidates. The Governance and Strategy Committee will, however, consider candidates for director nominees put forward by shareholders. See Shareholder Proposals for 2009 Annual Meeting for a description of the advance notice procedures for shareholder nominations for directors.

***Human Resources and Compensation Committee.*** The Human Resources and Compensation Committee is responsible for, among other things, approving overall compensation policy; recommending to the board the compensation of the chief executive officer and other senior officers; and reviewing and administering our incentive compensation and equity award plans. The Human Resources and Compensation Committee currently consists of Ms. Perry, Ms. James, Mr. Tokarz and Mr. Shannon, with Ms. Perry serving as committee chair. All current members of the Human Resources and Compensation Committee are independent within the meaning of the listing requirements adopted by the New York Stock Exchange regarding compensation committee membership. The committee met on seven occasions in 2008. A copy of the Human Resources and Compensation Committee's charter is available on our website at [www.conseco.com](http://www.conseco.com).

***Investment Committee.*** The Investment Committee is responsible for, among other things, reviewing investment policies, strategies and programs; reviewing the procedures which Conseco utilizes in determining that funds are invested in accordance with policies and limits approved by it; and reviewing the quality and performance of our investment portfolios and the alignment of asset duration to liabilities. The Investment Committee currently consists of Mr. Prieur, Mr. Schneider, Mr. Roberts and Mr. Turner, with Mr. Roberts serving as chairman of the committee. The committee met on three occasions in 2008. A copy of the Investment Committee's charter is available on our website at [www.conseco.com](http://www.conseco.com).

***Executive Committee.*** Subject to the requirements of applicable law, including our certificate of incorporation and bylaws, the Executive Committee is responsible for exercising, as necessary, the authority of the board of directors in the management of our business affairs during intervals between board meetings. The Executive Committee currently consists of Mr. Hilliard, Mr. Prieur and Mr. Turner, with Mr. Turner serving as chairman of the committee. A copy of the Executive Committee's charter is available on our website at [www.conseco.com](http://www.conseco.com).



**Table of Contents****Director Compensation**

For serving as Non-Executive Chairman, Mr. Hilliard receives a fee equal to 175% of the base cash fees and equity awards paid to the other non-employee directors. Our non-employee directors currently receive an annual cash retainer of \$70,000. The chairs of the Audit and Enterprise Risk Committee and the Human Resources and Compensation Committee each currently receive an additional annual cash fee of \$30,000, and directors who chair one of our other board committees receive an additional annual cash fee of \$20,000. Each member of the Audit and Enterprise Risk Committee (including the chairman) receives an additional annual cash retainer of \$15,000. Cash fees are paid quarterly in advance. Our non-employee directors have also been entitled to receive \$70,000 in annual equity awards. The amount of fees paid to our non-employee directors has not changed since it was first set in September 2003, except for a \$10,000 increase implemented in 2007 in the additional fee paid to the chair of the Human Resources and Compensation Committee. The Board's policy is to review and set the compensation of the non-employee directors each year at the annual Board meeting and to make equity awards to those directors at that time. Directors are reimbursed for out-of-pocket expenses, including first-class airfare, incurred in connection with the performance of their responsibilities as directors. The compensation paid in 2008 to our non-employee directors is summarized in the table below:

**DIRECTOR COMPENSATION IN 2008**

| <b>Name</b>        | <b>Fees<br/>earned or<br/>paid in<br/>cash(1)</b> | <b>Stock<br/>awards(2)</b> | <b>Total</b> |
|--------------------|---|----------------------------|--------------|
| R. Glenn Hilliard  | \$ 122,500  | \$ 122,385                 | \$ 244,885   |
| Donna A. James     | 70,000  | 69,938                     | 139,938      |
| Debra J. Perry     | 100,000   | 69,938                     | 169,938      |
| Philip R. Roberts  | 105,000   | 69,938                     | 174,938      |
| Neal C. Schneider  | 115,000   | 69,938                     | 184,938      |
| Michael S. Shannon | 70,000  | 69,938                     | 139,938      |
| Michael T. Tokarz  | 90,000  | 69,938                     | 159,938      |
| John G. Turner     | 105,000   | 69,938                     | 174,938      |
| Doreen A. Wright   | 85,000  | 69,938                     | 154,938      |

- (1) This column represents the amount of cash compensation paid in 2008 for Board service, for service on the Audit and Enterprise Risk Committee and for chairing a committee.
- (2) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the fair value of stock awards, in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004) Share-Based Payment ( SFAS 123R ). Set forth below is the grant date fair value of each stock award to the non-employee directors in 2008, computed in accordance with SFAS 123R.

**Stock  
Awards: Grant Date**

| <b>Name</b>        | <b>Grant Date</b> | <b>Number of Shares of Stock</b> | <b>Fair Value of Stock Awards</b> |
|--------------------|-------------------|----------------------------------|-----------------------------------|
| R. Glenn Hilliard  | 5/21/08           | 10,937                           | \$ 122,385                        |
| Donna A. James     | 5/21/08           | 6,250                            | 69,938                            |
| Debra J. Perry     | 5/21/08           | 6,250                            | 69,938                            |
| Philip R. Roberts  | 5/21/08           | 6,250                            | 69,938                            |
| Neal C. Schneider  | 5/21/08           | 6,250                            | 69,938                            |
| Michael S. Shannon | 5/21/08           | 6,250                            | 69,938                            |
| Michael T. Tokarz  | 5/21/08           | 6,250                            | 69,938                            |
| John G. Turner     | 5/21/08           | 6,250                            | 69,938                            |
| Doreen A. Wright   | 5/21/08           | 6,250                            | 69,938                            |

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The directors have the following number of options outstanding at December 31, 2008: Mr. Hilliard (755,000); Ms. Perry (15,400), Mr. Roberts (15,400), Mr. Schneider (15,400), Mr. Shannon (15,400), Mr. Tokarz (15,400) and Mr. Turner (15,400). The average exercise price for the options held by the directors is \$ .

## **Board Meetings and Attendance**

During 2008, the board of directors met on 14 occasions. Of the nine directors nominated for re-election, eight had perfect attendance at the meetings of the board and the meetings of the committees on which they served. The other director attended 21 of 25 meetings during the year. The independent directors regularly meet in executive session without the CEO or any other member of management. Mr. Hilliard presides at such executive sessions.

## **Director Independence**

The Board annually determines the independence of directors based on a review by the directors. Although the board of directors has not adopted categorical standards of materiality for independence purposes, no director is considered independent unless the board has determined that he or she has no material relationship with Consecoco, either directly or as an officer, shareholder or partner of an organization that has a material relationship with Consecoco. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others. The board considers the New York Stock Exchange guidelines in making its determination regarding independence and the materiality of any relationships with Consecoco. Under the NYSE corporate governance standards, a director is not independent if he or she has been an employee or executive officer of the Company within the last three years. Because Mr. Hilliard was employed by Consecoco and served as Executive Chairman from August 2004 until September 2005, the board had previously determined that Mr. Hilliard was not independent at this time, consistent with rules of the New York Stock Exchange. In October 2008 the board reconsidered Mr. Hilliard's status and relationship with the Company and determined that due to the passage of more than three years since his brief employment by the Company and the absence of any material relationship with the Company that he should be considered an independent director. The board has determined that all current directors other than Mr. Prieur are independent.

## **Approval of Related Party Transactions**

Transactions and agreements with related persons (directors and executive officers or members of their immediate families or shareholders owning five percent or more of the Company's outstanding stock) that meet the minimum threshold for disclosure in the proxy statement under applicable SEC rules (generally transactions involving amounts exceeding \$120,000 in which a related person has a direct or indirect material interest) must be approved by the board of directors or a committee comprised solely of independent directors. In considering the transaction or agreement, the board or committee will consider all relevant factors including the business reason for the transaction, available alternatives on comparable terms, actual or apparent conflicts of interest and the overall fairness of the transaction to the Company. Any proposed transactions that might be considered a related person transaction are to be raised with the Chairman of the Board or the Chairman of the Governance and Strategy Committee. They will jointly determine whether the proposed transaction should be considered by the full board (recusing any directors with conflicts) or by a board committee of independent directors. Related person transactions are to be approved in advance whenever practicable, but if not approved in advance are to be ratified (if the board or committee considers it appropriate to do so) as soon as practicable after the transaction.

Various Company policies and procedures, including the Code of Business Conduct and Ethics and annual questionnaires completed by all company directors, officers and employees, require disclosure of transactions or relationships that may constitute conflicts of interest or otherwise require disclosure under applicable SEC rules. Any related person transactions that are identified under these additional policies and procedures are to be considered under

the policy and procedures described above.

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**Code of Ethics**

We have adopted a Code of Business Conduct and Ethics that applies to all officers, directors and employees regarding their obligations in the conduct of the Company's affairs. A copy of the Code of Business Conduct and Ethics is available on our website at [www.conseco.com](http://www.conseco.com). Within the time period specified by the SEC and the New York Stock Exchange, we will post on our website any amendment to our Code of Business Conduct and Ethics and any waiver applicable to our principal executive officer, principal financial officer or principal accounting officer.

**Corporate Governance Guidelines**

Conseco is committed to best practices in corporate governance. Upon the recommendation of the Governance and Strategy Committee, Conseco adopted a set of Conseco Board Governance Operating Guidelines. A copy of the Conseco Board Governance Operating Guidelines is available on our website at [www.conseco.com](http://www.conseco.com).

**Communications with Directors**

Shareholders and other interested parties wishing to communicate directly with Conseco's board of directors or any one or more individual members (including the presiding director or the non-management directors as a group) are welcome to do so by writing to the Conseco Corporate Secretary, 11825 North Pennsylvania Street, Carmel, Indiana, 46032. The Corporate Secretary will forward any communications to the director or directors specified by the shareholder.

In addition, Conseco has a policy that all directors attend the annual meeting of shareholders. All of our directors attended the annual meeting of shareholders held in 2008.

**Compensation Committee Interlocks and Insider Participation**

Ms. James, Mr. Shannon, Mr. Tokarz and Ms. Perry served on the Human Resources and Compensation Committee throughout 2008. Mr. Hilliard was added to the committee on January 20, 2009. None of the members of the Human Resources and Compensation Committee is or has been one of our officers or employees, except for Mr. Hilliard as described above. None of our executive officers serves, or served during 2008, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or Human Resources and Compensation Committee.

**Copies of Corporate Documents**

In addition to being available on our website at [www.conseco.com](http://www.conseco.com), we will provide to any person, without charge, a printed copy of our committee charters, Code of Ethics and Board of Governance Operating Guidelines upon request to Conseco Investor Relations, 11825 N. Pennsylvania Street, Carmel, Indiana 46032; telephone (317) 817-2893 or email [ir@conseco.com](mailto:ir@conseco.com).

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**EXECUTIVE COMPENSATION**

**COMPENSATION DISCUSSION AND ANALYSIS**

**Compensation Objectives**

Conseco's executive compensation program is designed to reinforce our commitment to our mission and core values by embedding them in all that we do. Our values of Integrity and Customer Focus are essential to all of our customer interactions, and our values of Excellence and Teamwork are essential to how we work. These values, along with the results and behaviors that drive our individual performance, provide the foundation for all our people policies and practices, including our compensation philosophy and programs. Specifically, the following are goals of our program:

Align the interests of our executive officers with those of our shareholders through focusing on shareholder value creation.

Promote a pay-for-performance culture that rewards both overall Company performance and individual accountability.

**Strategy**

The Human Resources and Compensation Committee (the *Committee*) of the Board of Directors, which is comprised solely of independent, non-employee Directors of Conseco, has developed a comprehensive compensation and benefits strategy that rewards Company and individual performance which will drive our long-term success. The strategy is designed to:

Place a significant amount of total compensation at risk in the form of variable pay. This means that for executive officers, a major portion of their total compensation is tied to either financial or stock price performance. As illustrated in our Summary Compensation Table on page 23, base salaries for our named executive officers ( *NEOs* ) represent between 25% and 45% of their target total compensation, with the remaining amount comprised of at-risk variable pay in the forms of the annual incentive plan and the long-term incentive programs.

Provide target compensation opportunities commensurate with the market, and actual compensation earned commensurate with Company and the individual's performance. This means that the executive's relative pay opportunities are assessed vis-à-vis relative performance. If performance goals are met or exceeded, pay should be at or above target. Similarly, if performance targets are not satisfied, total actual compensation earned could trail targeted levels.

Focus on attracting and retaining top talent. This means that while we believe compensation should have a strong performance link, we also believe the Company benefits from creating a team of tenured, seasoned professionals with significant industry experience. To encourage this long-term commitment, we historically have granted awards of stock options that vest over three to four years, and performance shares and restricted stock which are eligible for delivery after no less than two years.

**Role of the Compensation Committee**

The Committee determines the elements and amount of compensation for our executive officers and provides overall guidance for our employee compensation policies and programs. Five members of our Board of Directors sit on the Committee, each of whom is an independent director under the New York Stock Exchange listing requirements, the exchange upon which our stock trades. Other Board members may also participate in our consideration of how we pay our employees. The Committee's function is more fully described in its charter which has been approved by our full Board of Directors, and can be found on our website at [www.conseco.com](http://www.conseco.com).