CONSECO INC
Form DEFC14A
April 23, 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:

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

CONSECO, INC.

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

(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:

2) Aggregate number of securities to which transaction applies:

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):

4) Proposed maximum aggregate value of transaction:

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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:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

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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.

Management and the Board of Directors respectfully request that you date, sign and return the enclosed WHITE proxy card in the postage-paid envelope so that we receive the WHITE proxy card prior to the Annual Meeting, or, if you prefer, follow the instructions on your WHITE proxy card for submitting a proxy electronically or by telephone. If your shares are held in the name of a bank, broker or other holder of record, please follow the procedures as described in the enclosed WHITE voting form they send to you. By completing signing, dating and returning the Company s accompanying WHITE proxy card, you will revoke any proxy that may have been previously returned to Otter Creek Partners I, LP, Otter Creek Management, Inc., Otter Creek International Ltd and Roger Keith Long (collectively, the Otter Creek Entities). 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 22, 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 23, 2009.

Solicitation of Proxies

The enclosed proxy is solicited by our Board of Directors. Proxies may be solicited by mail, telephone, internet or in person. Proxies may by solicited by the Conseco Directors (including James Prieur, Conseco s Chief Executive Officer) and by Edward Bonach, Conseco s Chief Financial Officer. No additional compensation will be paid to such individuals for the solicitation of proxies. In addition, the Company has retained Georgeson Inc. to assist in soliciting proxies (and providing advisory and related services) for a fee of up to $50,000, plus distribution costs and other out-of-pocket expenses. In its engagement agreement with Georgeson Inc., the Company has agreed not to engage any other proxy solicitation firm in connection with the Annual Meeting and has agreed to engage Georgeson Inc. as its sole proxy solicitor should the Company during the next year become the subject of a threatened or actual hostile contest for control.

All expenses relating to the preparation and mailing to the shareholders of the Notice, this Proxy Statement and the form of proxy are to be paid by Conseco, including the proxy solicitation costs described above. To date Conseco has paid approximately $25,000 relating to the solicitation of proxies for the Annual Meeting, and the Company estimates that its total expenditures in connection with the solicitation of proxies, including the costs of printing and distributing proxy materials to its shareholders, will be approximately $245,000.

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 184,823,258 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.

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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, LP, Otter Creek Management, Inc., Otter Creek International Ltd. and Roger Keith Long (collectively, the Otter Creek Entities) in connection with the nomination of R. Keith Long to be a director of Conseco. The Board of Directors recommends that you **not** sign or return the gold proxy card that may be sent to you by the Otter Creek Entities.

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 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 (SEC) 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.*

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 (19 persons)(11)	3,717,571	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.

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.

(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 1,921,900 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 Conseco 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 Conseco 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., Limited Brands, Inc. and Time Warner Cable Inc.

Debra J. Perry, 58, has served as a director of Conseco 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 Conseco, 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.

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 boards of directors of The Oriental Trading Company and The Riverside Symphonia, and she 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 Entities 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 gold proxy card or otherwise vote for Mr. Long. If you have returned a gold proxy card to Otter Creek, you can revoke it by properly executing and returning the Company s WHITE 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 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.*

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; considering questions of possible conflicts of interest involving board members, executive officers and key employees; and considering corporate strategy including significant acquisitions or divestitures. 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, Ms. Perry and Mr. Hilliard, 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.* 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 2010 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, Mr. Shannon, and Mr. Hilliard 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.*

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.*

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.*

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

Name	**Fees earned or paid in cash(1)**	**Stock awards(2)**	**Total**
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**

Name	Grant Date	Number of Shares of Stock	Fair Value of Stock Awards
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

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 $19.12.

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 Conseco, either directly or as an officer, shareholder or partner of an organization that has a material relationship with Conseco. 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 Conseco. 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 Conseco and served as Executive Chairman from August 2004 until September 2005, the board had previously determined that Mr. Hilliard was not independent, 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*. 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*.

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*, 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.

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*.

In making executive compensation decisions, the Committee receives advice from its independent compensation consultant; Pearl Meyer & Partners ***(PM&P***) was hired by and reported directly to the Committee until October 2008. At that time, Hewitt Associates was hired by the Committee and replaced

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PM&P. Both independent consultants perform all services for our Company at the Committee s direction and may be terminated without notice by the Committee at any time. Neither PM&P nor Hewitt Associates had a prior relationship with the CEO or any of our Company s executive officers at the time of their hiring.

Though retained directly by the Committee, the compensation consultant often interacts with our executive officers, specifically the CEO, EVP of Human Resources, General Counsel and CFO, and their staffs to provide the Committee with relevant compensation and performance data for our executives and the Company. In addition, the consultant may seek direct input and feedback from management in preparing their consulting work product prior to presentation to the Committee to confirm information, identify data questions, exchange ideas or other similar issues.

As requested by the Committee, in 2008, the independent consultants services to the Committee included:

- Providing competitive analysis of executive officer, including NEO, total compensation elements;
- Conducting equity grant market studies;
- Reviewing NEO promotion packages; and
- Attending Committee meetings, in person and telephonically.

The Committee received advice from PM&P regarding 2008 executive compensation issues, plans, and competitive compensation levels. Hewitt Associates LLC provided advice leading to decisions regarding 2009 compensation.

In making its decisions, the Committee collects and considers input from multiple sources. The Committee may ask senior executive officers or non-Committee Board members to attend Committee meetings where executive compensation and Company and individual performance are discussed and evaluated. During these meetings, executives provide insight, suggestions or recommendations regarding executive compensation. Deliberations generally occur with input from the compensation advisor, members of management and other Board members. However, only the independent Committee members vote on decisions made regarding executive compensation, which is typically done in executive session, with no members of management present.

Compensation Program Design / Pay for Performance Objectives

The Committee strives to provide a clear, understandable reward design that allows the Company to attract and retain the executive talent required to continue to improve the Company s performance and build long-term shareholder value. To achieve this, our programs are designed to:

- Reward sustainable operational and productivity performance. This means that (i) we set performance goals under our Pay for Performance (***P4P***) plan at levels that represent targeted performance levels on key financial metrics and (ii) we set multi-year performance goals for our Performance Share (***P-Share***) awards;
- Integrate with the company wide annual performance management program of goal setting and formal evaluation;
- Consider internal equity among colleagues in determining compensation levels, in addition to the objective review of external factors. This means that while the Committee examines competitive pay data for specific positions, market data is not the sole factor considered in setting pay levels. The Committee also considers factors such as Conseco s organizational structure, and the relative roles and responsibilities of individuals. The

Committee believes that this approach fosters an environment of cooperation among executives that improves sales growth, profitability, and customer satisfaction;

Provide for discretion to make adjustments and modifications based on how well individual associates meet our performance standards for expected achievement of business results, as well as upholding our values and behaviors; and

Offer the opportunity to earn above-market pay when Company and individual performance exceed expectations.

In setting target executive compensation opportunities, our Committee looks at Total Annual Cash Compensation (**TAC**), which is comprised of base salary and target incentive; and Total Direct Compensation (**TDC**), which is the sum of TAC and long-term incentives. Our long-term incentives include annual stock option awards as well as P-Share awards. Our Committee intends to compensate our executive group at approximately the 50th percentile (meaning within a range of +/- 15% of the 50th percentile) for the achievement of target performance, with additional compensation opportunities up to the 75th percentile of the market for the achievement of superior results.

The following tables provide information about the level of 2008 Total Annual Cash (TAC) and Total Direct Compensation (TDC) opportunities for our NEOs.

Fiscal 2008 Base Salary and Target Total Annual Cash Compensation (TAC)

Named Executive Officer	Fiscal Year 2008 Base Salary	Percent Increase in Fiscal 2008 Base Salary Over Fiscal 2007	Annual Incentive Target Percent for Fiscal 2008	Fiscal Year 2008 Total Target Annual Cash Compensation	Percent Increase in Fiscal 2008 Total Annual Cash Over Fiscal 2007
James Prieur Chief Executive Officer	$ 900,000	0%	125%	$ 2,025,000	0%
Edward Bonach Executive Vice President, Chief Financial Officer	472,500	5%	100%	945,000	5%
Eric Johnson President, 40 / 86 Advisors	500,000	0%	100%	1,000,000	0%
Scott Perry President, Bankers Life & Casualty	441,324	4%	100%	882,648	4%
Steven Stecher President, Conseco Insurance Group	412,000	3%	100%	824,000	3%

Summary of Total Direct Compensation (TDC) Opportunities

Named Executive Officer	Fiscal 2008 Threshold TDC	Fiscal 2008 Target TDC	Fiscal 2008 Maximum TDC

James Prieur	$ 2,339,000	$ 3,239,000	$ 6,228,010
Edward Bonach	848,925	1,203,300	1,808,800
Eric Johnson	754,150	1,129,150	1,748,400
Scott Perry	758,295	1,089,288	1,679,200
Steven Stecher	712,980	1,021,980	1,438,980

Notwithstanding the Company s stated position, based on the Company s stock price performance and the number of available shares, the Committee made a purposeful decision to provide lower-than-competitive equity grants. Threshold TDC opportunity includes base salary, plus threshold annual incentive award plus the value of stock options. Target TDC opportunity includes base salary plus target annual incentive award plus stock options. Maximum TDC opportunity includes base salary plus 150% of target annual incentive award plus the value of stock options and Performance Shares.

Compensation Peer Companies

The Committee assesses competitive market compensation using a number of sources. The primary data source used in setting 2008 competitive market levels for our NEOs is the information publicly disclosed by the companies in the S&P Life and Health Insurance Index and the Russell 3000 Life Insurance Industry Index

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(together, the **Peer Group**). As of December 31, 2008, the Peer Group consisted of the 17 companies listed below; however, if changes are made to the indices, the Committee anticipates that the Peer Group will reflect those changes. The Committee periodically reviews the Peer Group to ensure the companies are appropriate for both pay and performance comparisons. The Committee chose these publicly disclosed indices because they include organizations which best represent our Company s business mix, and which compete with our Company for shareholder investment. Furthermore, the makeup of these indices will self-adjust as consolidation occurs in the industry.

Peer company information is supplemented with general and industry specific survey data from Towers Perrin that provides position-based compensation levels across broad industry segments. For corporate staff positions, such as the EVP, Human Resources, we consider survey data based on companies of similar size, with less emphasis on industry specific data. However, for industry specific positions, such as a Chief Actuary, we consider insurance industry survey data for positions with similar size.

S&P Supercomposite Life & Health and the Russell 3000 Life Insurance Indices

AFLAC Incorporated
American Equity Investment Life Holding Company
Citizens Inc.
Delphi Financial Group, Inc.
Kansas City Life Insurance Company
Lincoln National Corporation
Life Partners Holdings MetLife, Inc.
National Western Life Insurance Company
The Phoenix Companies, Inc.
Presidential Life Corporation
Principal Financial Group, Inc.
Protective Life Corporation
Prudential Financial, Inc.
StanCorp Financial Group, Inc.
Torchmark Corporation
Universal American Financial Corp.
Unum Group

While aggregate pay levels are consistent with the compensation philosophy stated above, it is possible that pay levels for specific individuals may be above or below the targeted competitive benchmark based on a number of factors. While competitive market data is used as a reference point, we avoid automatic adjustments based on annual competitive benchmarking data, since we believe a given executive s compensation should also reflect Company-specific factors such as the importance of the role within the organization, the compensation for other positions at the same level, and individual factors such as experience, expertise, personal performance and tenure.

Realized total compensation in any year may be significantly above or below the target compensation levels depending on whether our incentive goals were attained and whether shareholder value was created. In some cases, the amount and structure of compensation results from negotiations with executives at the time they were hired, which may reflect competitive pressures to attract and hire quality managerial talent in the insurance industry. To help attract and retain such talent, the Committee also seeks to provide a level of benefits in line with those of comparable publicly traded companies, though avoids matching such benefits item by item.

Pay Levels

All employees target total compensation, including our NEOs, is determined based on a number of factors, including each individual s role and responsibilities within our Company, the individual s experience and expertise, the pay levels for peers within the Company, the pay levels for similar job functions in the marketplace, the individual s business unit, and our Company as a whole. The Committee is responsible for approving all compensation programs for our executive officers. In determining executive compensation, the Committee considers all forms of compensation and benefits, and uses appropriate tools such as tally sheets and market studies to review the value delivered to each executive through each element of pay.

Tally sheets provide a vehicle for the Committee to examine the external market practices and compare them to our internal evaluations and decisions.

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Our tally sheets capture and report:

- Competitive external market data on a base salary, total annual cash and total remuneration basis;
- Individual total annual cash compensation including annual salary, target bonus opportunity, and actual bonus paid;
- Long-term equity grants, the vesting status, and their current value at a hypothetical established price; and
- Employment contract terms and conditions.

Pay Elements

Total Annual Cash Compensation

Base Salaries

In establishing base salaries, the Committee begins by targeting the 50th percentile, and adjusts upwards or downwards as appropriate to reflect each position s responsibilities, individual s experience level, unique skills or competencies. Base salaries generally range from as low as 25th percentile (for recently promoted employees or those who otherwise lack experience) to as high as the 75th percentile (for a high performer with best in class industry experience). While salaries outside this range may occur, they are few. Annual review of employees base pay levels are determined based upon numerous factors, including

- Job responsibilities;
- Impact on the development and achievement of our strategic initiatives;
- Competitive labor market pressures;
- Company performance for the prior 12 months;
- Individual performance for the prior 12 months, as expressed on the employee s performance review; and
- Salaries paid for comparable positions within our identified compensation peer group.

No specific weighting of these factors is used. However, given our desire for a performance-based culture the Committee s use of its discretion generally results in increases for our top performers, and little or no increases for average or lower performing employees.

Annual Incentive Program

Our annual incentive plan, the P4P Plan, was approved by our shareholders in 2005, and is designed to focus on and reward achievement of annual performance goals. It is the broadest of our management incentive programs, covering approximately 625 employees in 2008, including all of our executive officers, and payable in cash. Senior executives including NEOs are assigned to one of two incentive opportunities (expressed as a percentage of base salary). Consistent with our Company s pay level strategy, these annual incentive levels are set to generate target annual cash compensation (*i.e.*, the sum of base salary plus target annual incentive amount) at competitive market median levels.

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Set forth below are the threshold, target and maximum payouts for each of our NEOs under the P4P Plan.

Named Executive Officer	Threshold Payout (as% of Salary)	Target Payout (as% of Salary)	Maximum Payout (as% of Salary)
James Prieur	31.25%	125%	250%
Edward Bonach	25%	100%	200%
Eric Johnson	25%	100%	200%
Scott Perry	25%	100%	200%
Steven Stecher	25%	100%	200%

In 2008, our P4P payout was based on weighted scorecard tabulation across a variety of performance metrics that focused on profitable growth, managing expenses and utilization of capital. The financial metrics measured were earnings per share, EBIT, value of new business, combined operating expense and additional business unit financial measurements. Limiting the number of metrics to four enhances simplicity and effectiveness of the incentive plan. The program is designed to pay above market-median levels when the Company exceeds target performance.

Named Executive Officer	Metric - Weighting	Metric - Weighting	Metric - Weighting	Metric - Weighting
James Prieur	EPS - 40%	Combined Value of New Business - 20%	Combined Operating Expense - 20%	Combined EBIT - 20%
Edward Bonach	EPS - 40%	Combined Value of New Business - 20%	Combined Operating Expense - 20%	Combined EBIT - 20%
Eric Johnson	EPS - 40%	GAAP Yield - 30%	Investment Income - 30%	
Scott Perry	EPS - 40%	Business Unit Value of New Business - 20%	Business Unit EBIT - 20%	Business Unit Operating ROE - 20%
Steven Stecher	EPS - 40%	Business Unit Value of New Business - 20%	Business Unit EBIT - 20%	Business Unit Operating ROE - 20%

2008 Performance targets for our corporate plan metrics included EPS of $1.25, Combined Value of New Business (VNB) of $77.9 million, Combined Operating Expense of $633.1 million, and Combined EBIT of $104.0 million. In addition, performance targets for our 40/86 business unit included GAAP Yield of 5.79% and GAAP Investment Income of $1.416 billion. VNB calculates the present value of expected profits from product sales. The selection of VNB is based on the Company s desire to have an increased focus on product profitability as opposed to top-line sales.

Aggregate awards for 2008 were below target, as performance during this period, including EPS and combined operating expense, did not meet target performance levels established by the Committee at the beginning of the year.

Though our Company has a large net operating loss carry forward (as a result of our emergence from bankruptcy in 2003), the Committee continues to administer the P4P and Long Term Incentive Plans so that payments qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code. However, the Committee does reserve the right to make discretionary awards to the extent it deems it necessary or advisable to do so.

We believe that our annual incentive plan meets the requirements of section 162(m) of the Internal Revenue Code.

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Fiscal 2008 P4P Actual Bonuses

Named Executive Officer	Amount
James Prieur(1)	$ 0
Edward Bonach	263,040
Eric Johnson	141,223
Scott Perry	126,868
Steven Stecher	170,172

(1) Mr. Prieur requested to the Committee that he not receive his 2008 P4P calculated bonus.

Total Direct Compensation

Long-Term Incentive Program

As previously discussed, Total Direct Compensation is comprised of Total Annual Cash Compensation and long-term incentives. The Committee uses long-term incentives to balance the short-term focus of the P4P program by tying rewards to performance achieved over multi-year periods. Under the 2003 Amended and Restated Long-Term Incentive Plan (the ***LTIP***), the Committee may grant a variety of long-term incentive vehicles, including stock options, stock appreciation rights, restricted stock or restricted stock units, and performance shares or units, settled in cash or stock. The Company is progressively migrating away from a long-term compensation scheme that relied on grants of stock options and restricted stock to a current program which will continue to use stock options (or other appreciation rights), and performance share use, and substantially decrease use of restricted stock grants, except in special circumstances. In 2008 the NEOs received only stock options and P-Shares except for an inducement grant made to Mr. Stecher in connection with his promotion.

Our Committee believes that combining these two types of awards (i.e., options and performance shares) provides significant incentive to perform while retaining our key executives. Also, using multi-year awards settled in stock helps balance the cash-based focus of our short-term pay programs (i.e., base salary and annual incentives).

This provides for a competitive award program and adopts a market-recognized best practice for the Company to attract and retain executive talent. Stock option grants vest in equal installments over three to four years, and performance shares are measured over a three-year performance period at which time they will vest only if the financial goals have been achieved. Unless otherwise noted, grants to our NEOs have vesting schedules identical to other executives. To receive the awards, employees must continue to work for the Company through the vesting dates.

Our current granting process involves developing option grant ranges (by position level) for groups of executives. Within these general grant guidelines, individual awards may be adjusted up or down to reflect the performance of the executive and his or her potential to contribute to the success of our initiatives to create shareholder value and other individual considerations. The Committee also assesses aggregate share usage and dilution levels in comparison to the peer group companies and general industry norms. Through this method, the Committee believes it is mindful of total cost, competitive within the market, promoting internal equity among colleagues, and reinforcing our philosophy of pay for performance.

As with base salaries and annual incentive targets, target long-term incentive award levels are set to fall in a range between market median and 75th percentile levels. Stock option awards in combination with TAC are intended to deliver a Total Direct Compensation opportunity that approximates median competitive

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compensation. The following table shows the number of options granted to our NEOs in 2008 and compares the value of their total target annual cash plus options to median competitive compensation.

Fiscal 2008 Stock Option Awards: Comparison of Target Total Direct Compensation Opportunity (TAC plus Options) with 50th Percentile Market Position

Named Executive Officer	Number of Options Granted	Percentage That Target Total Direct Compensation (TAC plus Options) is Above or Below the 50th Percentile
James Prieur	470,000	(9)%
Edward Bonach(1)	100,000	13%
Eric Johnson	50,000	(39)%
Scott Perry	80,000	(34)%
Steven Stecher(2)	80,000	(38)%

(1) The variation represented a broader scope of responsibilities than other CFOs in the peer group.

(2) Mr. Stecher also received a one-time inducement grant of 5,000 restricted shares not included in the analysis above.

As noted earlier, due to the Company s stock price performance and the number of available shares, the Committee made a conscious decision to provide lower-than-competitive equity grants in fiscal 2008.

P-Share vesting is based on the achievement of one-year Operating Return on Equity (ROE) in year three of the performance period and Total Shareholder Return (TSR) results over a three-year performance period. We believe that ROE and TSR are good measures of long term performance and performance relative to our peer companies and appropriately align management incentives with shareholder returns.

In order to receive the entire award, the Company must achieve a 12% ROE or greater, and a TSR ranking at the 75th percentile or above relative to the Peer Group. The ROE hurdle is not directly linked to an industry percentile. However, if achieved it does represent a material and meaningful improvement for our Company. If minimum company thresholds are not achieved over the three-year term, no shares will be vested. We believe that the ROE and TSR hurdles will only be achieved with superior performance on the part of our management team.

As previously discussed, our Committee s intent is to reward superior performance at approximately the 75th percentile of market compensation. We therefore structure P-Share grants so that our executives can earn this higher compensation level if the ROE and TSR hurdles are achieved and the grants vest. The table below shows the number of P-shares awarded to our NEOs in 2008 and the value of their TDC relative to the 75th Percentile compensation assuming that the P-shares are earned.

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Fiscal 2008 Performance Share Awards: Comparison of Maximum Total Direct Compensation Opportunity (TAC plus Options and P-Shares) with 75th Percentile Market Position

Named Executive Officer	Number of P-Shares That May Be Earned	Percentage That Maximum Total Direct Compensation (TAC plus Options and P-Shares)(1) is Above or Below 75th Percentile
James Prieur	230,000	(15)%
Edward Bonach	35,000	(13)%
Eric Johnson	35,000	(48)%
Scott Perry	35,000	(44)%
Steven Stecher	20,000	(52)%

(1) In the event that all performance shares vest, it is expected that a corresponding outstanding level of performance would be reflected in the annual incentive program. Therefore the Total Annual Cash Compensation portion of Total Direct Compensation has been adjusted to reflect this level of performance.

As noted previously, due to the Company s stock price performance and the number of available shares, the Committee made a conscious decision to provide lower-than-competitive equity grants in fiscal 2008.

The Committee reviews and approves individual grants for the NEOs as well as all stock options, P-Shares and restricted stock grants made to other employees. The annual grants are reviewed and approved at the Committee s scheduled meeting at approximately the same time each year and may be granted only with an exercise price at or above the closing market price of the Company s common stock on the date of grant. Interim or off cycle grants are reviewed and approved by the Committee and granted at the closing market price of the Company s common stock on the date of approval. Administration of all equity awards is managed by the human resources department.

In 2005, the Committee approved a policy to conform to Risk Metrics Group (RMG), formerly known as Institutional Shareholder Services or ***ISS*** , burn rate guidelines (as they existed at that time) which limit annual equity grant levels. Under the agreement with RMG, our average annual burn rate for the three-year period from January 1, 2005 through December 31, 2007 was not to exceed the greater of two percent of the Company s shares outstanding or the mean of its Global Industry Classification Standards Peer Group (4030 Insurance). This policy applied to shares we issued under the LTIP Plan. Using RMG s methodology, our burn rate is calculated as (i) the number of shares granted in each fiscal year by the Committee and reported in the Company s periodic reports filed with the Securities and Exchange Commission, and includes (a) stock options, (b) stock-settled stock appreciation rights, (c) restricted stock (or units) and (d) performance shares (actually earned or deferred during this time frame), to employees and directors divided by (ii) the fiscal year-end basic shares outstanding. Stock appreciation rights, full value shares settled in cash and performance shares or units settled in cash will not be included in the burn rate calculation. For purposes of performing the calculation consistent with RMG methodology, one full value share (such as a share of restricted stock) may equal up to as many as four option shares. The actual conversion rate is determined by RMG based upon recent volatility of Conseco s common stock, which may change during the commitment period. Our burn rates for

2005, 2006 and 2007 were .81%, 1.59% and 1.10%, respectively, using RMG s calculation methodology. As a result, the Company met its commitment to RMG with respect to the burn rate. In addition, our burn rate for 2008 was 1.01%.

Other Benefits and Perquisites

As employees of the Company, our NEOs are eligible to participate in all of the broad-based Company-sponsored benefits programs on the same basis as other full-time employees. These include the Company s health and welfare benefits (e.g., medical/dental plans, disability plans, life insurance, etc.). The Company does not have any supplemental executive health and welfare programs. Executives may also participate in the Company s 401(k) Plan. During 2006, the Committee approved the adoption of a non-qualified deferred compensation plan. This plan is primarily intended as a restoration plan, giving participants the ability to defer their own compensation above

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the IRS limits imposed on the 401(k) plan. At present, the Company does not make any contribution to the non-qualified deferred compensation plan.

Compensation of Chief Executive Officer

Mr. Prieur s base salary, target incentive, and equity compensation awards for fiscal 2008 were determined in accordance with the compensation philosophy described above, including the policy of targeting our compensation within our peer group. In setting his salary, target incentive and equity compensation, the Committee relied on market competitive pay data and the strong belief that the CEO significantly and directly influences the Company s overall performance.

Based on the competitive placement of his base salary relative to his peers in the market, Mr. Prieur did not receive a base salary increase or change to his target annual incentive opportunity in 2008. Through the delivery of equity, the Committee strengthened the alignment with the shareholders.

Mr. Prieur further demonstrated alignment with shareholders by acquiring 240,000 additional shares of Conseco stock in the open market during 2008. The additional shares brought his total number of shares purchased to 470,000.

Based on the achievement of VNB and operating expense goals, Mr. Prieur s incentive payment for 2008 was calculated at $633,800. However, Mr. Prieur proposed to the Committee that he not receive an incentive payment for 2008 in light of the very difficult operating environment and its impact on Conseco. The Committee accepted his proposal.

Claw Back Rights

Our LTIP contains a Claw Back provision relating to our long-term equity awards: stock options, performance shares and restricted stock awards. Under this claw back provision, if our financial statements are required to be restated as a result of errors, omissions, or fraud, the Committee may, at its discretion, based on the facts and circumstances surrounding the restatement, direct the recovery of all or a portion of an equity award from one or more executives with respect to any fiscal year in which our financial results are negatively affected by such restatement. To do this, we may pursue various ways to recover from one or more executives: (i) seek repayment from the executive; (ii) reduce the amount that would otherwise be payable to the executive under another Company benefit plan; (iii) withhold future equity grants, bonus awards, or salary increases; or (iv) take any combination of these actions.

Impact of Tax and Accounting on Compensation Decisions

As a general matter, the Committee considers the various tax and accounting implications of compensation vehicles employed by the Company.

When determining amounts of Long-Term Incentive grants to executives and employees, the Committee considers the accounting cost associated with the grants. Under SFAS 123R, grants of stock options, restricted stock, restricted stock units and other share-based payments result in an accounting charge for the Company. The accounting charge is based on the grant date fair value of the instruments being issued as determined under SFAS 123R. This expense is amortized over the requisite service or vesting period. However, if the award is subject to a performance condition as determined under SFAS 123R, the cost will vary based on our estimate of the number (and ultimately the actual number) of shares that will vest.

Section 162(m) of the Internal Revenue Code generally prohibits any publicly held corporation from taking a federal income tax deduction for compensation paid in excess of $1 million in any taxable year to the chief executive officer and the next four highest compensated officers. Exceptions are made for qualified performance-based compensation, among other things. It is the Committee s policy to maximize the effectiveness of our executive compensation plans in this regard. However, the Committee believes that compensation and benefits decisions should be primarily driven by the needs of the business, rather than by tax policy. Therefore, the Committee may make pay decisions (such as the determination of the CEO s base salary) that result in compensation expense that is not fully deductible under Section 162(m).

Termination and Change in Control Arrangements

Under the terms of our equity-based compensation plans and our employment agreements, the CEO and the other NEOs are entitled to payments and benefits upon the occurrence of specified events including termination of employment for various reasons. The specific terms of these arrangements, as well as an estimate of the compensation that would have been payable had they been triggered as of fiscal year-end, are described in the section entitled Potential Payments Upon Termination or Change in Control Arrangements on page 28. In the case of each employment agreement, the terms of these arrangements were set through the course of negotiations with each of the NEOs, with an eye to internal consistency. In addition, as part of these negotiations, the Compensation Committee also analyzed the terms of the same or similar arrangements for comparable executives employed by companies in our peer group.

The termination of employment provisions of the employment agreements were entered into in order to address competitive concerns when the NEOs were recruited, by providing those individuals with a fixed amount of compensation that would offset the potential risk of leaving their prior employer or foregoing other opportunities in order to join the Company. At the time of entering into these arrangements, the Committee considered the aggregate potential obligations of the Company in the context of the desirability of hiring the individual and the expected compensation upon joining us.

Report of the Human Resources and Compensation Committee

The Human Resources and Compensation Committee has reviewed the Compensation Discussion and Analysis and has discussed it with management. Based on the Committee s review and discussions with management, the Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement. This report is provided by the following independent directors, who comprise the Committee:

Debra J. Perry, Chair
Donna A. James
Michael S. Shannon
Michael T. Tokarz
R. Glenn Hilliard

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Summary Compensation Table for 2008

The following Summary Compensation Table sets forth compensation paid to (i) our chief executive officer during 2008, (ii) our chief financial officer during 2008 and (iii) the other three most highly compensated individuals who served as executive officers of Conseco in 2008 (collectively, the named executive officers) for services rendered during 2008.

SUMMARY COMPENSATION TABLE FOR 2008

Name and Principal Position	Year	Salary	Bonus(1)	Stock Awards(2)	Option Awards(3)	Non-Equity Incentive Plan Compensation(4)	All Other Compensation(5)	Total
James Prieur(6)	2008	$ 900,000		$ 126,231	$ 1,131,782		$ 12,236	$ 2,170,249
Chief Executive Officer	2007	900,000		154,103	921,318	$ 562,500	109,187	2,647,108
	2006	270,000	$ 357,534		226,153		28,114	881,801
Edward Bonach(7)	2008	468,750		197,999	133,280	263,040	7,866	1,070,935
Chief Financial Officer	2007	296,827	553,288	213,574	57,704		49,295	1,170,688
Eric Johnson								