

CONSECO INC
Form DEF 14A
July 26, 2005

OMB APPROVAL

OMB Number:	3235-0059
Expires:	February 28, 2006
Estimated average burden hours per response	12.75

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
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- 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):

- No fee required.
- 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:

5) Total fee paid:

o Fee paid previously with preliminary materials.

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:

4) Date Filed:

SEC 1913 (02-02)

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Conseco, Inc.
11825 North Pennsylvania Street
Carmel, Indiana 46032
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held August 29, 2005

Notice Is Hereby Given That the Annual Meeting of Shareholders of Conseco, Inc. (the Company), will be held at the Conseco Conference Center, 530 College Drive, Carmel, Indiana, at 11:00 a.m., local time, on August 29, 2005, for the following purposes:

1. To elect eight directors, each for a one-year term ending in 2006;
2. To approve the Conseco, Inc. 2003 Amended and Restated Long-Term Incentive Plan;
3. To approve the Conseco, Inc. 2005 Pay for Performance Incentive Plan;
4. To ratify the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for 2005; 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 July 12, 2005, 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*

July 25, 2005
Carmel, Indiana

TABLE OF CONTENTS

	Page
Securities Ownership	2
Proposal 1 Election of Directors	4
Board Committees	5
Director Compensation	6
Board Meetings and Attendance	6
Director Independence	6
Code of Ethics	7
Corporate Governance Guidelines	7
Communications with Directors	7
Compensation Committee Interlocks	7
Copies of Corporate Documents	7
Executive Compensation	7
Report of the Human Resources and Compensation Committee	7
Performance Graph	10
Summary Compensation Table	11
Employment Agreements	12
Certain Relationships and Related Transactions	16
Stock Options	16
Proposal 2 Approval of 2003 Amended and Restated Long-Term Incentive Plan	18
Proposal 3 Approval of the 2005 Pay for Performance Incentive Plan	27
Proposal 4 Ratification of the Appointment of Our Independent Registered Public Accounting Firm	29
Fees Paid to PricewaterhouseCoopers LLP	29
Pre-Approval Policy	29
Report of the Audit and Enterprise Risk Committee	29
Section 16(a) Beneficial Ownership Reporting Compliance	31
Shareholder Proposals for 2006 Annual Meeting	31
Annual Report	31
Other Matters	32
Exhibit A 2003 Amended and Restated Long-Term Incentive Plan	A-1
Exhibit B 2005 Pay for Performance Incentive Plan	B-1

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, 530 College Drive, Carmel, Indiana on August 29, 2005, at 11:00 a.m., local time. It is expected that this Proxy Statement and proxy will be mailed to the shareholders on or about July 26, 2005. **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, 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 nominees for director (Proposal 1), for the approval of the Conseco, Inc. 2003 Amended and Restated Long-Term Incentive Plan (Proposal 2), for the approval of the Conseco, Inc. 2005 Pay for Performance Incentive Plan (Proposal 3) and for the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2005 (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 (Common Stock) as of the close of business on July 12, 2005, will be entitled to vote at the meeting. On such record date, Conseco had 152,953,421 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.

The election of directors (Proposal 1) 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 eight nominees who receive the greatest number of votes cast will be elected as directors of the Company. The vote required to approve the adoption of the 2003 Long-Term Incentive Plan (Proposal 2), the 2005 Pay for Performance Incentive Plan (Proposal 3) and 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 provided a quorum is present. 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. As a result, abstentions from voting or broker non-votes will have the same legal effect as voting against Proposals 2, 3 and 4.

SECURITIES OWNERSHIP

The following table sets forth certain information concerning the beneficial ownership of our common stock as of July 12, 2005 (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 11 and all of our directors and executive officers as a group.

Title of Class	Name and Address	Shares Beneficially Owned	
		Number	Percentage
Common stock	Massachusetts Financial Services Company(1)	9,672,070	6.4%
Common stock	Lord, Abnett & Co., LLC(2)	9,093,975	6.0
Common stock	FMR Corp.(3)	7,724,616	5.1
Common stock	R. Glenn Hilliard(4)	1,271,452	*
Common stock	William S. Kirsch(5)	500,000	*
Common stock	Debra J. Perry(6)	7,351	*
Common stock	Philip R. Roberts(6)	10,877	*
Common stock	Neal C. Schneider(6)	10,877	*
Common stock	Michael S. Shannon(6)	20,877	*
Preferred stock, Class B		8,000	*
Common stock	Michael T. Tokarz(6)	10,877	*
Common stock	John G. Turner(6)	11,877	*
Common stock	Eugene M. Bullis(7)	312,500	*
Common stock	James E. Hohmann	100,000	*
Common stock	Eric R. Johnson(8)	112,500	*
Common stock	John R. Kline(9)	75,000	*
Common stock	All directors and executive officers as a group (12 persons)(10)	2,444,188	1.6

* Less than 1%.

- (1) Based solely on the Schedule 13G filed with the SEC on February 9, 2005 by Massachusetts Financial Services Company. Includes 336,840 shares resulting from the assumed conversion of shares of our Class B convertible preferred stock. The business address for Massachusetts Financial Services Company is 500 Boylston Street, Boston, MA 02116.
- (2) Based solely on the Schedule 13G filed with the SEC on February 14, 2005 by Lord Abnett & Co., LLC. The business address for Lord Abnett & Co., LLC is 90 Hudson Street, Jersey City, NJ 07302.
- (3) Based solely on Amendment No. 1 to Schedule 13G filed with the SEC on February 14, 2004 by FMR Corp. on behalf of a group. Includes 905,916 shares resulting from the assumed conversion of shares of our class B convertible preferred stock. The Schedule 13G states that FMR Corp. beneficially owns 7,724,616 shares of our common stock, of which it has sole voting power with respect to 7,300 shares and sole dispositive power with respect to all the shares. As described in the Schedule 13G, various other persons, including Edward C. Johnson 3d, Abigail P. Johnson and Fidelity Management & Research Company, among others, have sole voting and/or dispositive power over varying amounts of our common stock. The business address for FMR Corp. is 82

Devonshire Street, Boston, MA 02109.

- (4) Includes 98,119 shares held by a 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 July 12, 2005, to purchase 418,333 shares of common stock.
- (5) Includes options, exercisable currently or within 60 days of July 12, 2005, to purchase 100,000 shares of common stock.

- (6) Includes options, exercisable currently or within 60 days of July 12, 2005, to purchase 3,334 shares of common stock.
- (7) Includes options, exercisable currently or within 60 days of July 12, 2005, to purchase 62,500 shares of common stock.
- (8) Includes options, exercisable currently or within 60 days of July 12, 2005, to purchase 37,500 shares of common stock.
- (9) Includes options, exercisable currently or within 60 days of July 12, 2005, to purchase 25,000 shares of common stock.
- (10) Includes 1,483,434 shares of restricted stock which have not yet vested and options, exercisable currently or within 60 days of July 12, 2005, to purchase an aggregate of 663,337 shares of common stock held by directors and executive officers.

PROPOSAL 1
ELECTION OF DIRECTORS

Our board of directors is currently comprised of eight members, divided into two classes as follows: Messrs. Kirsch, Roberts and Tokarz and Ms. Perry are Class I Directors, and Messrs. Hilliard, Schneider, Shannon and Turner are Class II Directors. The terms of office of the Class I Directors and the Class II Directors expire at our 2005 annual meeting of shareholders. Other than the term of office of the initial Class II Directors (which was two years), the term of office of each class of directors will expire at the next succeeding annual meeting of shareholders. Accordingly, all directors will be elected annually for one-year terms, beginning with the 2005 annual meeting of shareholders. All directors will serve until their successors are duly elected and qualified.

Unless authority is specifically withheld, the shares of Common Stock represented by the enclosed form of proxy will be voted in favor of all nominees. 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.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH OF THE NOMINEES FOR DIRECTOR.

Set forth below is information regarding each person nominated for election as a Class I or Class II Director.

Nominees for Election as Class I Directors:

William S. Kirsch, 48, has been president and chief executive officer and director since August 2004. From September 2003 until August 2004 he served as executive vice president, general counsel and secretary of Conseco. Mr. Kirsch was with the law firm of Kirkland & Ellis LLP from 1981 until 2004.

Debra J. Perry, 54, has served as a director of Conseco since June 2004. From 2001 until 2004, she served as senior managing director of global ratings and research at Moody's Investors Service. From 1999 until 2000, Ms. Perry served as chief administrative officer of Moody's Corporation and from 1992 until 1999 she served in a variety of management positions with Moody's including group managing director of the Finance, Securities and Insurance Group (which rated all non-bank financial institutions worldwide). Ms. Perry is also a director of MBIA Inc.

Philip R. Roberts, 63, joined our board of directors in September 2003. Since 2000, Mr. Roberts has been 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, 55, 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 also a director of Walter Industries, Inc, IDEX Corp., Dakota Growers Pasta Companies, Inc., Vitality Foodservice, Inc., Nexstar Financial Corp., United Fixtures Company and Stonewater Control Systems, Inc.

Nominees for Election as Class II Directors:

R. Glenn Hilliard, 62, became the non-executive chairman of our board of directors in September 2003 and became executive chairman in August 2004. 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 director of Alea Group Holdings (Bermuda) Ltd. and Trustee of Nations Funds Trust.

Neal C. Schneider, 61, 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 November 2002.

Michael S. Shannon, 47, joined our board of directors in September 2003. Mr. Shannon has served as president and chief executive officer of KSL II Management Operations, LLC, dba KSL Resorts (manager of golf courses and destination resorts in the U.S.) since 2004. He was co-founder of KSL Recreation Corporation and from 1992 to 2004 served as its president and chief executive officer. Mr. Shannon was lead director of ING Americas before joining our board. Mr. Shannon is also a director of ING Direct.

John G. Turner, 65, 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, Shopko Stores, Inc. and ING Funds.

Board Committees

Audit and Enterprise Risk Committee. The Audit and Enterprise Risk Committee's functions, among others, are to recommend the appointment of independent auditors; review the arrangements for and scope of the audit by 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 Messrs. Schneider, Roberts and Turner and Ms. Perry, 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 12 occasions in 2004. 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; 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 Messrs. Tokarz and 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 2004. 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 2006 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 Messrs. Turner, Tokarz and Shannon, with Mr. Shannon serving as chairman of the committee. 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 three occasions in 2004. 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; overseeing the investment of funds 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 Messrs. Kirsch, Schneider and Roberts, with Mr. Roberts serving as chairman of the committee. 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 Messrs. Hilliard, Kirsch and 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

Our non-employee directors receive an annual cash retainer of \$70,000. The chairman of the Audit and Enterprise Risk Committee receives an additional annual cash fee of \$30,000, and directors who serve as chairman of 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 are also entitled to receive \$70,000 in annual equity awards under the Conseco, Inc. 2003 Long-Term Equity Incentive Plan. In addition, the directors (other than Mr. Kirsch and Mr. Hilliard) were awarded a one-time equity grant for joining the Board, consisting of 2,000 shares of restricted common stock and an option to purchase 10,000 shares of common stock. Directors are reimbursed for out-of-pocket expenses incurred in connection with the performance of their responsibilities as directors.

Board Meetings and Attendance

During 2004, the board of directors met on 11 occasions. All directors attended at least 75 percent of the aggregate meetings of the board and the committees on which they served. The independent directors regularly meet in executive session without the CEO or any other member of management. Mr. Hilliard presided at such executive sessions until August 2004 when he became executive chairman. Mr. Turner now presides at such 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 Consecos, either directly or as an officer, shareholder or partner of an organization that has a material relationship with Consecos. 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 Consecos. The board has determined that all current directors other than Mr. Kirsch and Mr. Hilliard are independent.

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.

Corporate Governance Guidelines

Consecos is committed to best practices in corporate governance. Upon the recommendation of the Governance and Strategy Committee, Consecos adopted a set of Consecos Board Governance Operating Guidelines. A copy of the Consecos Board Governance Operating Guidelines is available on our website at www.conseco.com.

Communications with Directors

Shareholders wishing to communicate directly with Consecos's board of directors or any one or more individual members (including the presiding director or the independent directors as a group) are welcome to do so by writing to the Consecos 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, Consecos has a policy that all directors attend the annual meeting of shareholders. All of our directors attended the annual meeting of shareholders held in 2004.

Compensation Committee Interlocks

None of the members of the Human Resources and Compensation Committee is or has been one of our officers or employees. None of our executive officers serves, or served during 2004, 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 Consecos Investor Relations, 11825 N. Pennsylvania Street, Carmel, Indiana 46032; telephone (317) 817-2893 or email ir@conseco.com.

EXECUTIVE COMPENSATION

Report of the Human Resources and Compensation Committee on Executive Compensation

Duties and Responsibilities

The Human Resources and Compensation Committee of Consecos's board of directors, which is composed entirely of independent directors (the Compensation Committee), assists the board in carrying out its responsibilities relating to the compensation of the Company's executives. The Compensation Committee has overall responsibility for approving and evaluating the executive compensation and benefit plans, policies and programs of the Company, including:

Approving the overall compensation and benefits policy of the Company;

Making recommendations to the board of directors with respect to new cash-based and/or equity-based incentive plans;

Administering the Company's annual and long-term incentive plans, and approving awards made thereunder;

Establishing annual and long-term performance goals and objectives for our executive officers and key senior officers;

Evaluating the performance of the CEO, other executive officers and key senior officers in light of performance goals and objectives;

Recommending to the board of directors the compensation of the CEO and approving the compensation of the other executive officers and key senior officers based upon the evaluation of the performance of the CEO and such other officers, respectively;

Approving appointments and promotions of executive officers and key senior officers; and

Preparing an annual performance self-evaluation of the Compensation Committee.

The Compensation Committee has adopted a written charter. The current charter was approved and adopted in March 2005 and is available on the Company's website at www.conseco.com. To assist in their duties, the Compensation Committee engaged a compensation consulting firm to provide information and advice with respect to the compensation of executive officers and directors in the financial services and insurance industries, as well as with regard to general industry trends.

Compensation Philosophy

The Company's executive compensation program is designed to enable the Company to attract, motivate and retain the executive management needed for achieving the Company's goals. The goal of the Compensation Committee is to align executive compensation with shareholder value by rewarding achievement of financial and other Company goals as well as recognizing individual contributions. In general, the Compensation Committee sets target compensation (i.e., the expected compensation earned for target performance) for executives at median competitive levels, as compared to companies of similar size and industry. The incentive portions of the compensation package are leveraged so as to generate top quartile competitive pay should performance significantly outpace target expectations. As a result, a substantial portion of each executive officer's total compensation is variable, based on the Company's pay-for-performance system.

Components of Compensation

Base Salary. Base salaries are reviewed annually and increased, as appropriate, based on individual performance, company-wide pay levels, market factors and other data that the Compensation Committee deems relevant. On average, the Compensation Committee strives to manage executive salaries at median competitive levels. However, individual salaries may be set above or below median based on the executive's individual performance, experience and expertise.

Bonus Payments. The Company has established a pay-for-performance bonus system designed to reward the Company's executive officers for the achievement of specified individual and company goals that are established at the beginning of the year. This plan, the Pay for Performance (P4P) Incentive Plan, is being submitted to shareholders for their approval at this annual meeting, and is described beginning on page 27 of this proxy statement. For executives, actual P4P awards are based on a combination of overall Company performance and, where appropriate, business unit or individual performance. For 2004, the Company-wide performance measures used for the P4P Plan were based on earnings before interest and taxes (EBIT) and the financial strength ratings from A.M. Best Company for the Company's principal insurance subsidiaries. The actual bonuses earned by the named executive officers for 2004 performance are shown in the Summary Compensation Table on page 11, and were paid in the first quarter of 2005. For 2005, the Compensation Committee has selected earnings per share, new annualized premiums and expenses as the Company-wide P4P performance measures.

Equity-Based Compensation. The Compensation Committee believes that equity compensation is an integral part of the executive compensation package. The 2003 Amended and Restated Long-Term Incentive Plan is being submitted for shareholder approval at this annual meeting and is more fully described beginning on page 18 of this proxy statement. The Amended and Restated Plan does not authorize any additional shares, but does provide

additional flexibility with regard to the types of awards

8

that may be granted and updates certain provisions of the 2003 Plan to be compliant with regulatory changes.

During 2004, the Compensation Committee approved total awards of approximately 3.5 million stock options and 1.9 million restricted shares to employees, including the named executive officers. In general, stock options are granted with a four-year vesting schedule and a 10-year term. Restricted shares generally have a three-year vesting schedule. During 2005, the Compensation Committee will be reviewing the Company's long-term incentive program structure in light of the revision of Financial Accounting Standards No. 123 Share Based Payment which requires the recognition of compensation expense related to equity awards and changes in competitive practices.

Benefits and Perquisites. Executives participate in 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 participate in the Company's 401(k) Plan. Selected executives, including some of the named executive officers, have supplemental retirement provisions as part of their employment contracts. Employment contracts and change in control provisions for named executive officers are described on page 12 of this proxy statement. Information regarding supplemental benefits and perquisites for named executive officers is included in the Summary Compensation Table on page 11 of this proxy statement.

Compensation of the Chief Executive Officer

On August 11, 2004, William Shea resigned as Chief Executive Officer of the Company. His compensation for his partial year of service is included in the Summary Compensation Table on page 11 of this proxy statement. The compensation payments received by Mr. Shea for 2004, including his salary, bonus and severance, were as provided in his employment contract entered into prior to the Company's emergence from bankruptcy, with the approval of the U.S. Bankruptcy Court.

On August 12, 2004, the Company entered into a contract with William Kirsch to serve as the Company's Chief Executive Officer. The key provisions of Mr. Kirsch's contract are detailed on page 12 of this proxy statement. For 2004, Mr. Kirsch's base salary was set at \$800,000. As provided in his agreement, he received a signing bonus of \$1,700,000 and also received \$1,200,000 as an annual bonus for fiscal 2004. As part of the hiring package for Mr. Kirsch, the Company also granted him 400,000 stock options and 400,000 shares of restricted stock. In 2005, the Compensation Committee has worked with its outside consultant to review competitive CEO pay levels.

Section 162(m)

The Compensation Committee is composed of the directors listed below. The board has determined that each of the Compensation Committee members is independent under the New York Stock Exchange Corporate Governance Standards, as well as the Company's Corporate Governance Guidelines. All Compensation Committee determinations that are intended to comply with Section 162(m) of the Internal Revenue Code (the Code) are made by at least two Compensation Committee members who qualify as outside directors under Section 162(m) of the Code. The Compensation Committee intends to seek to structure compensation arrangements for executive officers in a manner that will generally avoid the deduction limitation imposed by Section 162(m) of the Code. However, the Compensation Committee and the board continue to strongly believe that it is important and necessary that the Compensation Committee continue to have the right, in the exercise of its business judgment, to provide arrangements from time to time that may not qualify under Section 162(m) if such arrangements are, in the Compensation Committee's view, in the best interests of the Company and its stockholders, and the Compensation Committee expressly retains that right.

Submitted by the Human Resources and Compensation Committee:

Michael S. Shannon, Chairman

Michael T. Tokarz

John G. Turner

Performance Graph

The Performance Graph below compares Consecos cumulative total shareholder return on its common stock for the period from September 12, 2003 (the first day of trading of the common stock on the New York Stock Exchange after Consecos emergence from bankruptcy) through June 30, 2005 with the cumulative total return of the Standard & Poor's 500 Composite Stock Price Index (the S&P 500 Index) and the Dow Jones Life Insurance Index. The comparison for each of the periods assumes that \$100 was invested on September 12, 2003 in each of Consecos common stock, the stocks included in the S&P 500 Index and the stocks included in the Dow Jones Life Insurance Index and that all dividends were reinvested. The stock performance shown in this graph represents past performance and should not be considered an indication of future performance of Consecos common stock.

**COMPARISON OF CUMULATIVE TOTAL RETURN
AMONG CONSECO, S&P 500 INDEX AND DOW JONES LIFE INSURANCE INDEX**

Cumulative Total Returns	9/12/03	12/31/03	12/31/04	6/30/05
DJ Life Insurance Index	\$ 100	\$ 113	\$ 137	\$ 149
S&P 500 Index	\$ 100	\$ 110	\$ 122	\$ 121
Conseco, Inc.	\$ 100	\$ 107	\$ 98	\$ 108

Summary Compensation Table

The following Summary Compensation Table sets forth the cash compensation and certain other compensation paid to each person who served as chief executive officer and the other five most highly compensated individuals who served as executive officers of Consec in 2004 (collectively, the named executive officers) for services rendered during 2004.

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation	
		Salary	Bonus(1)	Other(2)	Restricted Stock Awards(3)	Number of Securities Underlying Options/SARs (in shares)(4)
William S. Kirsch(6)(7) President and Chief Executive Officer	2004	\$ 296,923	\$ 2,900,071		\$ 6,480,000	400,000
William J. Shea(8) Former President and Chief Executive Officer	2004	671,154	307,500	\$ 105,047	1,707,840	296,000
	2003	1,026,122	2,000,000		13,569,000	500,000
	2002	774,038	1,100,000	87,625		
Eugene M. Bullis(9) Executive Vice President and Chief Financial Officer	2004	600,000	1,140,073	242,556		250,000
	2003	609,135	2,400,000		5,467,500	
	2002	243,590	600,000			
R. Glenn Hilliard(7)(10) Chairman of the Board	2004	1,000,000	1,500,070		4,556,850	255,000
James E. Hohmann(7)(11) Executive Vice President and Chief Administrative Officer	2004	8,654	600,000		1,940,000	200,000
Eric R. Johnson(7)(12) President, 40186 Advisors, Inc.	2004	500,000	925,071			150,000
	2003	505,961	1,600,000		1,640,250	
John R. Kline Senior Vice President and Chief Accounting Officer	2004	275,000	404,602			100,000
	2003	275,000	171,875		1,093,500	
	2002	214,571	1,052,500			

[Additional columns below]

[Continued from above table, first column(s) repeated]

Name and Principal Position	All Other Compensation(5)
William S. Kirsch(6)(7) President and Chief Executive Officer William J. Shea(8)	\$ 517