CONSECO INC
Form DEF 14A
April 19, 2006

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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:

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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 23, 2006

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 10:00 a.m., local time, on May 23, 2006, for the following purposes:

1. To elect eight directors, each for a one-year term ending in 2007;

2. To ratify the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for 2006; and

3. 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 April 4, 2006, 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, *Assistant Secretary*

April 12, 2006
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, 530 College Drive, Carmel, Indiana on May 23, 2006, at 10:00 a.m., local time. It is expected that this Proxy Statement and proxy will be mailed to the shareholders on or about April 20, 2006. **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) and for the ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for

2006 (Proposal 2). 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 April 4, 2006, will be entitled to vote at the meeting. On such record date, Conseco had 152,826,798 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 ratification of the appointment of our independent registered public accounting firm (Proposal 2) 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 Proposal 2.

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SECURITIES OWNERSHIP

The following table sets forth certain information concerning the beneficial ownership of our common stock as of April 4, 2006 (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 14 and all of our directors and executive officers as a group.

		Shares Beneficially Owned	
Title of Class	**Name of Beneficial Owner**	**Number**	**Percentage**
Common stock	Lord, Abbett & Co., LLC(1)	11,113,513	7.4%
Common stock	Massachusetts Financial Services Company(2)	9,632,791	6.3
Common stock	Hotchkis and Wiley Capital Management, LLC(3)	8,033,448	5.3
Common stock	R. Glenn Hilliard(4)	1,107,802	*
Common stock	William S. Kirsch(5)	518,750	*
Common stock	Debra J. Perry(6)	13,173	*
Common stock	Philip R. Roberts(7)	20,032	*
Common stock	Neal C. Schneider(7)	20,032	*
Common stock	Michael S. Shannon(7)	30,032	*
Preferred stock, Class B		8,000	*
Common stock	Michael T. Tokarz(7)	20,032	*
Common stock	John G. Turner(7)	21,032	*
Common stock	Eugene M. Bullis(8)	318,589	*
Common stock	James E. Hohmann(9)	150,000	*
Common stock	Eric R. Johnson(10)	138,511	*
Common stock	John R. Kline(11)	92,341	*
Common stock	All directors and executive officers as a group (12 persons)(12)	2,450,326	1.6%

* Less than 1%.

(1) Based solely on the Amendment No. 1 to Schedule 13G filed with the SEC on February 1, 2006 by Lord Abbett & Co., LLC. The business address for Lord Abbett & Co., LLC is 90 Hudson Street, Jersey City, NJ 07302.

(2) Based solely on the Amendment No. 1 to Schedule 13G filed with the SEC on February 14, 2006 by Massachusetts Financial Services Company. Includes 142,365 shares resulting from the assumed conversion of our 3.50% convertible debentures due 2035. The business address for Massachusetts Financial Services Company is 500 Boylston Street, Boston, MA 02116.

(3) Based solely on the Schedule 13G filed with the SEC on February 13, 2006 by Hotchkis and Wiley Capital Management, LLC. 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 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 April 4, 2006, to purchase 418,333 shares of common stock.

(5) Includes options, exercisable currently or within 60 days of April 4, 2006, to purchase 118,750 shares of common stock.

(6) Includes options, exercisable currently or within 60 days of April 4, 2006, to purchase 6,034 shares of common stock.

(7) Includes options, exercisable currently or within 60 days of April 4, 2006, to purchase 9,367 shares of common stock.

(8) Includes options, exercisable currently or within 60 days of April 4, 2006, to purchase 125,000 shares of common stock.

(9) Includes options, exercisable currently or within 60 days of April 4, 2006, to purchase 50,000 shares of common stock.

(10) Includes options, exercisable currently or within 60 days of April 4, 2006, to purchase 75,000 shares of common stock.

(11) Includes options, exercisable currently or within 60 days of April 4, 2006, to purchase 50,000 shares of common stock.

(12) Includes 1,038,213 shares of restricted stock which have not yet vested and options, exercisable currently or within 60 days of April 4, 2006, to purchase an aggregate of 889,952 shares of common stock held by directors and executive officers.

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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 current Class I Directors and the current Class II Directors expire at our 2006 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 are now elected annually for one-year terms. 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, 49, 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. Mr. Kirsch also serves on the Board of Trustees of Northwestern University, the Board of Directors of Children s Inner City Education Fund, the Board of Advisors of Sun Capital, the Dean s Circle and the Board of Visitors of Stanford Law School and the Board of Directors of Boise Cascade LLC.

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 2001, 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, 64, 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, 56, 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., and Dakota Growers Pasta Companies, Inc.

Nominees for Election as Class II Directors:

R. Glenn Hilliard, 63, 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 director of Alea Group Holdings (Bermuda) Ltd. and Trustee of Nations Separate Account Trust (73 funds).

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 2003.

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, and he has served as Managing Director of KSL Capital Partners since 2005. 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, 66, joined our board of directors in September 2003. Mr. Turner has been chairman of Hillcrest Capital Partners, a private equity investment firm since 2002. Mr. Turner served as chairman and CEO of ReliaStar Financial Corp. from 1991 until it was acquired by ING in 2000. After the acquisition he became vice chairman and a member of the executive committee for ING Americas until his retirement in 2002. Mr. Turner is a director of Hormel Foods Corporation and ING Funds.

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 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 11 occasions in 2005. 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 three meetings during 2005. 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 2007 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 11 occasions in 2005. 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 Messrs. Kirsch, Schneider and Roberts, with Mr. Roberts serving as chairman of the committee. The committee met on five occasions in 2005. 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. 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 including first class airfare incurred in connection with the

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performance of their responsibilities as directors. The compensation paid in 2005 to our non-employee directors is summarized in the table below:

Compensation of Non-Employee Directors

Name	Total	Fees Paid in Cash	Stock Awards(1)	All Other Compensation
R. Glenn Hilliard(2)	$ 175,996	$ 32,003	$ 104,993	$ 39,000
Debra J. Perry	154,995	85,000	69,995	0
Philip R. Roberts	174,995	105,000	69,995	0
Neal C. Schneider	184,995	115,000	69,995	0
Michael S. Shannon	159,995	90,000	69,995	0
Michael T. Tokarz	159,995	90,000	69,995	0
John G. Turner	174,995	105,000	69,995	0

(1) On November 30, 2005, the non-employee directors received shares of Conseco common stock in payment of the equity portion of their annual director fee. All non-employee directors other than Mr. Hilliard received 3,122 shares of common stock with a market value on that date of $69,995. Effective September 2005, for serving as non-executive chairman, Mr. Hilliard receives an annual fee equal to 150% of the annual fee paid to the other non-employee directors. Accordingly, he received 4,683 shares of common stock on November 30, 2005.

(2) The cash director fees and stock awards shown for Mr. Hilliard were paid during the period from September 10, 2005 through December 31, 2005 when he served as non-executive chairman. See the description above regarding the terms of Mr. Hilliard s agreement with the Company and see the Summary Compensation Table on page 14 for information regarding compensation received by Mr. Hilliard in all capacities during 2005. The other compensation shown above for Mr. Hilliard represents the amount paid to him as reimbursement for office expenses.

Board Meetings and Attendance

During 2005, the board of directors met on 12 occasions. All directors attended at least 75 percent of the aggregate meetings of the board and the committees on which they served. The non-management 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. 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.

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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 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 2005.

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 2005, 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.

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EXECUTIVE COMPENSATION

Report of the Human Resources and Compensation Committee on Executive Compensation

Duties and Responsibilities

The Human Resources and Compensation Committee of Conseco 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 its 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. To ensure that the Company can attract and retain the best talent, the Compensation Committee annually reviews pay data for other companies of similar size and industry focus. For executives, the market analysis is based primarily on a review of 15 companies (the Peer Group), supplemented by financial services and general industry survey data. For 2005, the Peer Group included the following companies: AFLAC Incorporated, Amerus Group Co., Assurant, Inc., AXIS Capital Holdings Limited, Delphi Financial Group, Inc., Jefferson-Pilot Corporation, Genworth Financial, Inc., Lincoln National Corporation, Nationwide Financial Services, Inc., The Phoenix Companies, Inc., Protective Life Corporation, StanCorp Financial Group, Inc., Torchmark Corporation, UnumProvident Corporation and XL Capital Ltd. In general, the Compensation Committee sets target compensation (i.e., the expected compensation earned for target performance) for executives at median competitive levels, relative to the market data described above. 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.

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The Compensation Committee believes it is important to assess each element of the executive pay package in relation to the overall compensation and benefits program. As part of the evaluation process, the Compensation Committee reviews tally sheets for each of the executive officers. The tally sheets provide the committee members with complete historical information on each executive regarding promotions, pay increases, bonus awards, equity grants, as well as current in-the-money value of all vested and unvested equity holdings, benefits and perquisites, and estimates of contingent, event-based compensation such as severance or change-in-control payments. The Compensation Committee considers all of this information, in combination with market data, in making decisions regarding changes to Company programs or individual pay levels.

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 adopted a pay-for-performance incentive plan designed to reward the Company s executive officers and other officers for the achievement of specified individual and company goals that are established at the beginning of the year. This plan, the 2005 Pay for Performance (P4P) Incentive Plan, was approved by the shareholders at the 2005 annual meeting. As with salaries, the Compensation Committee generally sets the P4P target award levels such that the combination of salary and target bonus approximates median competitive levels. P4P awards are based on a combination of overall Company performance and, where appropriate, business unit or individual performance. For 2005, the Company-wide performance measures used for the P4P Plan were based on earnings per share, new annualized premiums and expenses. The actual P4P bonuses earned by the named executive officers for 2005 performance are shown in the Summary Compensation Table on page 14, and were paid in the first quarter of 2006. For each of the named executive officers other than Mr. Johnson, the P4P bonus for 2005 performance was based on a combination of the Company-wide performance measures and individual performance. For Mr. Johnson, his P4P bonus was based on earnings per share, statutory yield on the investment portfolio, asset valuation reserve gains and losses and individual performance. For 2006, the Compensation Committee has again selected earnings per share, new annualized premiums and expenses as the Company-wide P4P performance measures and has selected investment related goals for Mr. Johnson similar to 2005.

Equity-Based Compensation. The Compensation Committee believes that equity compensation is an integral part of the executive compensation package. Equity awards are made under the 2003 Amended and Restated Long-Term Incentive Plan (the 2003 Plan), which was approved by the shareholders at the 2005 annual meeting. The 2003 Plan was structured to give the Compensation Committee significant flexibility to respond to the needs of the Company by permitting a variety of equity vehicles, including stock options, stock appreciation rights (SARs), restricted stock, restricted stock units (RSUs) and performance shares and units. The 2003 Plan does not permit repricing of options without prior shareholder approval, nor does it permit the use of discounted options.

Upon its emergence from bankruptcy in 2003, the Company made a number of multi-year up front grants to executives. The Compensation Committee has determined that a program of annual equity grants is more appropriate at the current time. Consistent with the Compensation Committee s pay-for-performance philosophy and stated competitive positioning, the equity program for executives will consist primarily of:

> ***Stock Options.*** Stock options are granted with an exercise price equal to the stock price on the date of grant. The options generally have a 10-year term and vest equally over four years. In general, annual stock option grant levels are set to deliver total direct compensation (the sum of salary, target bonus and the grant date Black-Scholes option value) that approximates competitive median levels.

Performance Shares. Performance shares (P-Shares) are designed to provide top quartile total direct compensation opportunity (when combined with salary, bonus and option value) for the achievement of pre-determined goals. P-Share vesting will be contingent upon the achievement of multi-year performance goals. For 2005, only Mr. Kirsch received P-shares, as described below. The Committee expects to extend the use of P-Shares as part of the 2006 annual grant cycle.

Restricted Stock. The Committee expects that time-vesting restricted stock may be used from time to time for specific recruiting or retention situations.

During 2005, the Compensation Committee approved total awards of 520,500 stock options, 75,000 P-Shares and 143,415 restricted shares to 42 individuals, including one of the named executive officers. As of December 31, 2005, there were 3,536,075 shares of common stock to be issued upon exercise of outstanding options or units granted under the 2003 Plan, and an additional 4,246,802 shares remained available for awards under the 2003 Plan. On such date there were approximately 151 million shares of common stock outstanding.

The Compensation Committee has approved a policy to conform to Institutional Shareholder Services (ISS) burn rate guidelines which limit annual equity grant levels. The average annual burn rate for the three-year period of 2005, 2006 and 2007 will not 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 will apply to shares issued under the 2003 Plan. The burn rate will be calculated as (i) the number of shares granted in each fiscal year by the Compensation Committee and reported in the Company s periodic reports filed with the Securities and Exchange Commission, including (a) stock options, (b) stock-settled stock appreciation rights, (c) restricted stock (units) and (d) performance shares actually earned or deferred, 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 will not be included in the calculation of the burn rate. For the purpose of the calculation, one full value share (such as a share of restricted stock) may equal up to four option shares, as calculated consistent with ISS policy regarding the volatility of Conseco common stock, which may change from year to year. Using ISS methodology, the Company s burn rate for 2005 was .72%.

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. One of the named executive officers (Mr. Bullis), has a supplemental retirement provision as part of his employment contract. Employment contracts and change in control provisions for the named executive officers are described on pages 16-19 of this proxy statement. Information regarding supplemental benefits and perquisites for named executive officers is included in the Summary Compensation Table on page 14 of this proxy statement.

Compensation of the Chief Executive Officer

On August 12, 2004, the Company entered into an employment agreement with William Kirsch to serve as the Company s Chief Executive Officer. The Company and Mr. Kirsch recognized that the August 2004 agreement was an interim agreement and agreed to negotiate in good faith to replace the agreement in 2005, with a goal of adjusting Mr. Kirsch s compensation and terms to make them competitive with those applicable to chief executive officers of companies of like size and type. The Compensation Committee engaged an independent compensation consulting firm to review competitive CEO compensation levels. The Compensation Committee s goal was to provide Mr. Kirsch with compensation that was approximately equal to the median CEO compensation, with an opportunity through performance-based equity incentives to achieve total compensation in the top quartile.

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After analysis of competitive compensation data and negotiations with Mr. Kirsch, the Compensation Committee and Mr. Kirsch agreed to an amended and restated employment agreement in September 2005 that included the following key terms:

- an increase in the base salary for Mr. Kirsch from $800,000 to $975,000, effective May 1, 2005;
- an increase in his target bonus from 100% of his base salary to no less than 125% of his base salary, with a maximum bonus of 250% of his target bonus; and
- an extension of the term of the agreement until December 31, 2009 (previously August 12, 2009).

As part of its review of the compensation for Mr. Kirsch and in addition to the changes in annual cash compensation that were reflected in his amended employment agreement, the Compensation Committee reviewed the equity-based compensation for Mr. Kirsch as compared to the peer CEO group. Based on that review, the Compensation Committee made an additional award of 75,000 options (vesting over four years) to Mr. Kirsch in November 2005 in order to bring his equity compensation in line with median equity compensation for the peer CEO group. In order to provide Mr. Kirsch with an opportunity to achieve total compensation in the top quartile of the peer CEO group, the Compensation Committee also awarded 75,000 performance units to him in November 2005 under the 2003 Plan. Each performance unit represents the right to receive one share of Conseco common stock upon satisfaction of the specified performance goals based on the Company s operating return on equity for the years 2006-2008. The performance share units vest over the three year period only if targeted levels of return on equity are achieved.

The Compensation Committee also recognized that most companies other than Conseco provide some type of supplemental retirement benefit for their CEO. In the amended and restated employment agreement with Mr. Kirsch, the Company agreed to consider in 2006, but is not obligated to adopt, a supplemental defined contribution arrangement for Mr. Kirsch. Such an arrangement is currently being analyzed.

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

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Performance Graph

The Performance Graph below compares Conseco s 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 Conseco s emergence from bankruptcy) through December 31, 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 Conseco 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 Conseco s 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	12/31/05
DJ Life Insurance Index	$ 100	$ 113	$ 137	$ 168
S&P 500 Index	$ 100	$ 110	$ 122	$ 128
Conseco, Inc.	$ 100	$ 107	$ 98	$ 114

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Summary Compensation Table

The following Summary Compensation Table sets forth the cash compensation and certain other compensation paid to our chief executive officer and the other five most highly compensated individuals who served as executive officers of Conseco in 2005 (collectively, the named executive officers) for services rendered during 2005.

	Annual Compensation	Long-Term Compensation Awards		
		Restricted Stock	Number of Securities Underlying Options/SARs	All Other