

## CONSECO, INC.

### CHARTER OF THE AUDIT AND ENTERPRISE RISK COMMITTEE OF THE BOARD OF DIRECTORS

#### **Purpose**

The Audit and Enterprise Risk Committee of the Board of Directors is responsible for assisting the Board in fulfilling its oversight responsibility with respect to:

- The integrity of the Company's financial statements, public disclosures and financial reporting process;
- The appointment, performance, independence and qualifications of the Company's independent auditors;
- The performance of the Company's internal audit function;
- Compliance by the Company with applicable legal and regulatory requirements; and
- Risk assessment and risk management.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

The Committee will provide an open avenue of communication among the directors, the independent auditors, the internal auditors, and the management of the Company.

#### **Membership**

The Committee shall consist of at least three members of the Board. The Board shall designate one member of the Committee as its chairperson.

Committee members shall satisfy the independence, financial literacy and expertise requirements of applicable stock exchanges, Section 10A of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities and Exchange Commission. The chairperson shall qualify as an "audit committee financial expert" under applicable SEC rules. Each member's independence shall be determined by the full Board.

Committee members may not accept any compensation from the Company either directly or indirectly other than compensation as a Board member or a member of any Board committee. Committee members shall not simultaneously serve on the audit committees of more than two other public companies, unless the Board determines that such simultaneous service would not impair the ability of such director to effectively serve on the Committee and discloses such determination in the proxy statement.

#### **Authority**

The Committee shall have the authority to conduct any investigation appropriate to fulfilling its responsibilities under this Charter. In performing its duties under this Charter the Committee shall have the power to retain, at the

Company's expense, outside legal, accounting, consulting or other experts it deems necessary to advise the Committee and assist it in fulfilling its duties and responsibilities. The Committee, in its discretion, may request any officer or employee of the Company, or the Company's outside counsel or independent auditor, to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee and to provide pertinent information as necessary.

### **Meetings and Reports**

The Committee shall meet at least four times annually or more frequently as circumstances dictate. Meetings may be in person or by telephone as needed to conduct the business of the Committee. The Committee may take action by unanimous written consent of the members in the absence of a meeting. The Committee shall meet periodically with management, the internal auditors, the independent auditor and others it may deem appropriate in separate executive sessions.

The Committee shall report its activities periodically to the Board of Directors with such recommendations as the Committee may deem appropriate. The Committee shall maintain minutes of its meetings.

### **Responsibilities and Duties**

The Committee shall perform the following functions and may carry out additional functions and adopt additional policies and procedures in furtherance of the purpose of the Committee outlined above, as may be appropriate in light of changing business, legislative, regulatory or other conditions, or as may be delegated to the Committee by the Board from time to time.

### ***Financial Statements, Public Disclosures, and Financial Reporting Process***

- Prepare the report the SEC requires to be included in the Company's annual proxy statement.
- Review and discuss, prior to public dissemination, the annual audited and quarterly unaudited financial statements with management and the independent auditor, including major issues regarding accounting, disclosure, and auditing procedures and practices as well as the adequacy of internal controls that could materially affect the Company's financial statements. In addition, the review shall include the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations." Based on the annual review and discussions, make a recommendation to the Board whether the Company's annual financial statements should be filed with the SEC in the Annual Report on Form 10-K.
- Review and discuss earnings releases, including the use of non-GAAP financial measures to the extent permitted, as well as financial information and earnings guidance provided to analysts and rating agencies, though this may be done generally (i.e., discussion of the types of information to be disclosed and the type of presentation to be made) and the Committee need not discuss in advance each earnings release or each instance in which the Company may provide financial information or earnings guidance or use non-GAAP financial measures.
- Consider the independent auditor's judgments about the quality (not just the acceptability) and appropriateness of the Company's accounting principles. Review and discuss reports from the independent auditors on:
  - All critical accounting policies and practices to be used.

- All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramification of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.
  - Other material written communications between the independent auditor and management, such as any management letter.
- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and discuss with management and the independent auditor their impact on Company financial statements.
  - Review and discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards. Discuss at least annually with the independent auditor the matters required to be discussed by *Statement of Auditing Standards No. 61 – Communication with Audit Committees*.
  - Review with the independent auditor any audit problems or difficulties and management's response.
  - Review disclosures made to the Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of disclosure controls and procedures and any fraud involving management or other employees who have a significant role in the Company's internal controls over financial reporting.
  - Resolve any disagreements between management and the independent auditor regarding financial reporting.

### ***Independent Auditors***

- Maintain sole responsibility for the appointment, compensation, retention, termination and oversight of the work of the Company's independent auditors for the purpose of issuing an audit report or related work. Such independent auditors shall report directly to and be ultimately accountable to the Committee.
- Obtain and review a report from the independent auditor at least annually regarding (a) the auditor's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the independent auditor and the Company.
- Review and, in its sole discretion, approve in advance the fees and terms of all audit and all permitted non-audit services to be performed by the independent auditor. The Committee may delegate authority to its Chairperson to grant pre-approvals of permitted non-audit services, provided that the decisions shall be presented to the full Committee at its next regularly scheduled meeting. The independent auditor shall not be retained to perform any non-audit functions prohibited by law, rule, or regulation.
- Obtain a formal written statement, at least annually, from the independent auditor delineating all relationships between the auditor and the Company, consistent with Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, to ensure the independent auditor's independence is affirmed. Discuss with the Board of Directors, if necessary, any relationships between the independent auditor and the Company or any other relationships that may adversely affect the

performance, objectivity, or independence of the independent auditor. Review and evaluate the lead partner of the independent auditor.

- Meet with the independent auditors, internal auditors, and management of the Company to review the scope of the proposed audit for the current year and the audit procedures to be utilized. At the conclusion thereof, review such audit, including any comments or recommendations of the independent auditors and the adequacy and effectiveness of accounting and financial controls and policies and procedures.
- Recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Company.

### ***Internal Auditors***

- Review internal audit's responsibilities and ensure unrestricted access by internal auditors to relevant records, personnel and physical properties.
- Ensure the internal audit function is structured so that it achieves organizational independence and permits full and unrestricted access to the Committee, management, and the Board.
- Review the coordination between the independent public accountants and internal auditors and review the risk assessment processes, scopes and procedures of the Company's internal audit work and whether such risk assessment processes, scopes and procedures are adequate to attain the internal audit objectives as determined by the Company's management and approved by the Committee.
- Review the quality of the composition of the Company's internal audit staff.
- Approve the internal audit charter and any modifications.
- Review and concur in the appointment, replacement, reassignment, or dismissal of the General Auditor.
- Review and approve the annual internal audit plan and budget, and any significant changes to the internal audit plan.
- Review, as appropriate, the results of internal audits and discuss related significant internal control matters with the internal auditors and management, including significant reports to management prepared by the internal auditors and management's responses.

### ***Compliance with Legal and Regulatory Requirements***

- Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company's financial statements or accounting policies.
- Review the Company's compliance function, including compliance with the Company's policies, and review with the Company's General Counsel and General Auditor the adequacy and effectiveness of the Company's procedures to ensure compliance with legal and regulatory requirements.
- Annually receive an update from the General Counsel regarding pending or threatened litigation and instruct the General Counsel to promptly notify the Committee of any legal matters that could have an impact on the Company financial statements.

- Establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters and the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters.

#### ***Review of Risk Management***

- Discuss guidelines and policies to govern the Company's risk assessment and risk management.
- Discuss the Company's major financial risk exposures and evaluate the processes, procedures and controls that management has adopted to monitor and control those risks.

#### ***Other Functions***

- Provide sufficient opportunity for the internal auditors and independent auditors to meet with the members of the Committee without members of management present to discuss any matters that the Committee or these groups believe should be discussed privately with the Committee.
- Periodically review the administration of the Company's pension plans.
- Review and discuss the Committee Charter at least annually and at such other intervals as the Committee or the Board of Directors determines. Recommend any proposed changes to the Board for approval.
- Evaluate its own performance annually.