

HEALTHMARKETS, INC.

EXECUTIVE COMPENSATION COMMITTEE CHARTER

I. ORGANIZATION

There shall be a committee of the Board of Directors (the “Board”) of HealthMarkets, Inc. (the “Company”), which shall be called the Executive Compensation Committee.

II. STATEMENT OF POLICY

The Executive Compensation Committee shall provide assistance to the directors of the Company in fulfilling their responsibility to the shareholders, potential shareholders and investment community to ensure that the Company’s officers, key executives and board members are compensated in accordance with the Company’s total compensation objectives and executive compensation policy. The Committee shall advise, recommend, and approve compensation policies, strategies, and pay levels necessary to support organizational objectives.

The Executive Compensation Committee shall maintain free and open means of communication between and among the Board of Directors, the independent consultants, if any, that may be retained by the Company from time to time to advise the Company, the Company’s internal human resources professionals and the chief executive officer of the Company.

III. COMPOSITION OF EXECUTIVE COMPENSATION COMMITTEE

The Executive Compensation Committee shall consist of no fewer than three members. Each member of the Executive Compensation Committee shall, if deemed appropriate from time to time by the Board or the Executive Compensation Committee, meet the definition of “non-employee” director under Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and “outside” director” for purposes of Section 162(m) of the Internal Revenue Code of 1986. The Board shall appoint the members of the Executive Compensation Committee annually, considering the recommendation of the Compliance & Governance Committee, and further considering the views of the Chairman of the Board and the chief executive officer, as appropriate. The members of the Executive Compensation Committee shall serve until their successors are appointed and qualify and shall designate the Chairman of the Executive Compensation Committee. The Board shall have the power at any time to change the membership of the Executive Compensation Committee and to fill vacancies in it, subject to such new member(s) satisfying the above requirements. Except as expressly provided in this Charter or the Bylaws of the Company, the Executive Compensation Committee shall fix its own rules of procedure.

IV. RESPONSIBILITIES

The Executive Compensation Committee’s policies should remain flexible to react to changing conditions and to ensure the Board and shareholders that (a) the achievement of the overall goals and objectives of the Company can be supported by an appropriate executive compensation policy that may be implemented through an effective total compensation program, and (b) the total compensation program and practices of the Company are of the highest quality and designed with full consideration of all applicable accounting, tax, securities law, and other regulatory requirements.

- CHDB01 1174758.2 041103 1139C
99607574
- CHI-1585763v1

To advance these overall objectives, the Executive Compensation Committee shall:

- Assist the Company in defining an executive total compensation policy that (1) supports the Company's overall business strategy and objectives, (2) attracts and retains key executives, (3) links total compensation with business objectives and organizational performance during both favorable and unfavorable business and economic climates, and (4) provides competitive total compensation opportunities at a reasonable cost while enhancing the creation of shareholder value.
- Act on behalf of the Board in setting executive compensation policy, administering compensation plans approved by the Board and shareholders, and making decisions or developing recommendations for the Board with respect to the compensation of Company executives.
- Review and recommend to the full Board for approval the annual base salary levels, annual incentive opportunity levels, long-term incentive opportunity levels, executive perquisites, employment agreements (if and when appropriate), change in control provisions/agreements (if and when appropriate), benefits, and supplemental benefits of the chief executive officer and other key executives of the Company as appropriate.
- Evaluate annually chief executive officer and other key executives' compensation levels and payouts against (a) performance goals and objectives established by the Executive Compensation Committee upon the advice and recommendation of management, and (b) an appropriate peer group and have sole authority to determine the CEO's compensation level based on this evaluation
- Evaluate, from time to time, the compensation to be paid to directors for their service on the Board or any committee thereof.
- Review and comment on the Company's strategic and financial plans to determine their relationship to the compensation program.
- Administer the compensation program for the chief executive officer and other key executive officers to ensure consistency with executive compensation policy.
- Review and recommend for approval appropriate and targeted incentive compensation plans and equity-based compensation plans to the Board that (a) are consistent with executive compensation policy, and (b) monitor the appropriateness of payouts under alternative business scenarios.
- Adopt, administer, approve and ratify awards under the incentive compensation plans and equity-based plans, including amendments to the awards made under any such plans, and revise and monitor awards under such plans.
- Review, as and when appropriate, the retirement plans of the Company and determine any differences between plan objectives, needs, and current benefit levels, approve any amendments, and review the results of the retirement plan investments for compliance with organization policies, tax law, Employee Retirement Income Security Act of 1974 (ERISA), and related legal requirements.

- Review the group health care benefits provided against benefits provided by other organizations in the same industry, and evaluate the sharing of risk and funding for any self-administered benefits plans as well as the cost and effectiveness of plan administration.
- Have the sole authority to select, retain and terminate, as and when appropriate, independent compensation consultants or other internal or external legal, accounting or other advisers to advise the Executive Compensation Committee in connection with the evaluation of director or executive officer compensation and shall have the sole authority to approve the consultant's or adviser's fees and other retention terms.
- Assure appropriate disclosures with respect to the Company's compensation policies are made in the Company's filings with the Securities and Exchange Commission, as required, including without limitation inclusion of a Compensation Discussion and Analysis and a Compensation Committee Report in the Company's proxy statement or information statement distributed in connection with the Company's Annual Meeting of Stockholders.
- Advise the Board on components of outside director's pay (retainer, fees, long-term incentive plans, benefits and perquisites).
- Keep abreast of current developments in executive compensation outside the Company.
- Make regular reports of its activities to the Board. The Board or the Compliance & Governance Committee of the Board shall annually review the performance of the Executive Compensation Committee.
- Review and assess the adequacy of this Charter periodically and recommend any proposed changes to the Board for approval.
- Form and delegate to subcommittees when appropriate.