

HealthMarkets, Inc.  
Form DEF 14C  
April 30, 2007

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14C INFORMATION

Information Statement Pursuant to Section 14(c) of the Securities  
Exchange Act of 1934 (Amendment No. )

Check the appropriate box:

- Preliminary Information Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))
- Definitive Information Statement

HealthMarkets, Inc.

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(Name of Registrant As Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11(1) Title of each class of securities to which transaction applies:

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- Fee paid previously with preliminary materials.
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- 

(2) Form, Schedule or Registration Statement No.:

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(4) Date Filed:

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**INFORMATION STATEMENT**

May 1, 2007

Dear Fellow Stockholder:

I cordially invite you to attend the 2007 Annual Meeting of Stockholders of HealthMarkets, Inc. The meeting this year will be held at 10:00 a.m., Central Daylight Time, on Wednesday, May 23, 2007, at the offices of HealthMarkets, Inc., 9151 Boulevard 26, North Richland Hills, Texas. The attached notice of annual meeting and Information Statement describes the items currently anticipated to be acted upon by the stockholders at the Annual Meeting. **Please note that no proxies will be solicited by the Board of Directors in connection with the meeting.**

One of the purposes of the Information Statement is to give you important information regarding HealthMarkets Board of Directors and executive management. We urge you to read the Information Statement carefully.

On behalf of the management and directors of HealthMarkets, Inc., I want to thank you for your continued support and confidence in HealthMarkets. We look forward to seeing you at the 2007 Annual Meeting.

Sincerely,

WILLIAM J. GEDWED

*President and Chief Executive Officer*

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**9151 BOULEVARD 26  
NORTH RICHLAND HILLS, TEXAS 76180**

**NOTICE OF ANNUAL MEETING**

*Dear Stockholder:*

You are cordially invited to attend the 2007 Annual Meeting of Stockholders of HealthMarkets, Inc. to be held on Wednesday, May 23, 2007 at 10:00 a.m., Central Daylight Time, at the Company's offices located at 9151 Boulevard 26, North Richland Hills, Texas 76180.

This Information Statement is being delivered in connection with the following matters:

1. Electing ten (10) directors to serve until our next annual stockholders' meeting,
2. Approving the amendment of HealthMarkets' Certificate of Incorporation to permit the redemption of Class A-2 Common Stock outstanding for less than six (6) months where such redemption is permitted under the Company's agent stock accumulation plans,
3. Ratifying the appointment of KPMG LLP to serve as HealthMarkets' independent registered public accounting firm, and
4. Any other matters that may properly come before the Annual Meeting or any postponement or its adjournment.

Members of HealthMarkets' Board of Directors and stockholders holding approximately 88.6% of our outstanding Common Stock as of March 30, 2007, have indicated that they intend to vote in favor of electing the proposed slate of directors, approving the amendment of HealthMarkets' Certificate of Incorporation, and ratifying the appointment of the Company's independent registered public accountants. Therefore, the proposals will be assured of receiving the required vote and will be approved at the Annual Meeting and will become effective immediately following the Annual Meeting.

By Order of the Board of Directors,

PEGGY G. SIMPSON  
*Corporate Secretary*

Date: May 1, 2007

**WE ARE NOT ASKING YOU FOR A PROXY AND  
YOU ARE REQUESTED NOT TO SEND US A PROXY.**

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**INFORMATION STATEMENT FOR THE 2007 ANNUAL MEETING  
OF STOCKHOLDERS TO BE HELD MAY 23, 2007**

**General**

This Information Statement is being distributed in connection with the 2007 Annual Meeting of Stockholders (the Annual Meeting ) of HealthMarkets, Inc., a Delaware corporation ( we , our , us or other words of similar import), to held at our offices located at 9151 Boulevard 26, North Richland Hills, Texas on May 23, 2007, at 10:00 a.m., Central Daylight Time.

This Information Statement includes information relating to the proposals to be voted on at the meeting, the voting process, compensation of directors and our most highly paid officers, and other required information.

This Information Statement is being furnished to our stockholders for informational purposes only, and we will bear all of the costs of the preparation and dissemination of this Information Statement. Each person who is receiving this Information Statement also is receiving a copy of our Annual Report on Form 10-K for the year ended December 31, 2006. We intend to commence distribution of this Information Statement, together with the notice and any accompanying materials, on or about May 1, 2007.

Our Board of Directors has approved, and has recommended that the stockholders approve, the following proposals (collectively, the Proposals ):

1. The election of the slate of ten (10) directors proposed by our Nominating Committee to serve until the next annual meeting of stockholders and until their respective successors are chosen and qualified;
2. The amendment of HealthMarkets Certificate of Incorporation to permit the redemption of Class A-2 Common Stock outstanding for less than six (6) months where such redemption is permitted under the Company s agent stock accumulation plans;
3. The ratification of the selection of KPMG LLP as the Company s independent registered public accountants to audit the accounts of the Company for the fiscal year ending December 31, 2007; and
4. Such other business as may properly come before the meeting or any adjournments or postponements thereof.

**Merger**

On April 5, 2006, HealthMarkets, Inc. (formerly UICI) completed its merger (the Merger ) providing for the acquisition of the Company by affiliates of a group of private equity investors, including The Blackstone Group, Goldman Sachs Capital Partners and DLJ Merchant Banking Partners. The stock ownership of each of these private equity firms is set forth below under the caption Security Ownership of Certain Beneficial Owners and Management. As a result of the Merger, holders of record on April 5, 2006 of HealthMarkets common shares (other than shares held by certain members of management and shares held through HealthMarkets agent stock accumulation plans) received \$37.00 in cash per share.

In the transaction, HealthMarkets public shareholders received aggregate consideration of approximately \$1.6 billion, of which approximately \$985.0 million was contributed as equity by the private equity investors. The balance of the Merger consideration was financed with the proceeds of a \$500.0 million term loan facility extended by a group of banks, the proceeds of \$100.0 million of trust preferred securities issued in a private placement, and Company cash on

hand in the amount of approximately \$42.8 million.

**Voting**

The Board of Directors has selected the close of business on March 30, 2007 (the Record Date ) as the time for determining the holders of record of our Class A-1 Common Stock and Class A-2 Common Stock, par value

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\$0.01 per share (collectively, Common Stock ), entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement thereof. Shares of Common Stock outstanding on the record date are the only securities that entitle holders to vote at the annual meeting or any adjournment or postponement thereof. Each share of Class A-1 Common Stock and Class A-2 Common Stock is entitled to one vote per share on all matters to be presented at the meeting.

Members of the Board of Directors, members of management and other significant holders of our Class A-1 Common Stock (collectively, the Consenting Stockholders ) own a total of 26,900,160 shares, or approximately 88.6% of our total voting power. Because the Consenting Stockholders have indicated that they will vote in favor of all of the Proposals and because such Consenting Stockholders control more than a majority of the voting power, the Proposals are assured of receiving the required vote and being adopted and, thus, we are not soliciting any proxies.

Stockholders attending the Annual Meeting are welcome to vote at the annual meeting and may address any matters that may properly come before the meeting.

### **How Many Shares of HealthMarkets Common Stock were Outstanding as of the Record Date?**

As of March 30, 2007, our record date, 30,355,947 shares of our Common Stock were issued and 30,354,995 shares were outstanding, consisting of 26,900,160 shares of Class A-1 Common Stock and 3,454,835 shares of Class A-2 Common Stock. Each share owned entitles the holder to one vote for each share so held. A list of our Stockholders entitled to vote is available at our executive offices at 9151 Boulevard 26, North Richland Hills, Texas 76180. The telephone number of our executive offices is (817) 255-5200.

### **How Many Shares are needed to constitute a Quorum at the meeting?**

The presence, in person or by proxy, of stockholders holding at least a majority of the voting power are necessary to constitute a quorum at the Annual Meeting. However, the stockholders present at the Annual Meeting may adjourn the meeting despite the absence of a quorum.

### **What Vote is Required to Approve the Proposals?**

A plurality of the votes cast is required to elect directors. For all of the other Proposals, the affirmative vote of the holders of a majority of the voting power of the shares present or represented by proxy is required to approve the other Proposals. Abstentions will have the same effect as votes against the Proposals, although abstentions will count toward the presence of a quorum.

### **Why Isn't HealthMarkets Required to Solicit Proxies for the Proposals?**

As indicated above, the Consenting Stockholders have indicated they will vote in favor of the Proposals, thereby ensuring that such Proposals will be adopted. Therefore, the solicitation of proxies is not necessary, and, in order to eliminate the costs and management time involved, our Board of Directors has decided not to solicit proxies.

### **When Will Each Proposal Become Effective?**

The Proposals will be effective immediately following the completion of the 2007 Annual Meeting, which is at least 20 days after the mailing of this Information Statement. We are mailing this Statement on or about May 1, 2007 and will hold our Annual Meeting on May 23, 2007.

### **How Can Stockholders Participate in the Meeting?**



Each stockholder of record as of the record date can participate in the Annual Meeting personally or through another person or persons designated to act for such stockholder by proxy.

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**How Will Our Stockholders Know When the Proposals are Effective?**

Those stockholders that attend the Annual Meeting will be notified then of the effectiveness of the Proposals. In addition, we will notify our stockholders of the effective dates of the Proposals described in this Information Statement when we file our Form 10-Q for the quarter ended June 30, 2007, which will be the first Quarterly Report on Form 10-Q following the Annual Meeting.

**Who Will Pay for the Costs Associated with this Information Statement?**

HealthMarkets will pay all costs associated with distributing this Information Statement, including the costs of printing and mailing.

**No additional action is required by you in connection with the Proposals. However, Section 14(c) of the Exchange Act requires the mailing to our stockholders of the information set forth in this Information Statement at least twenty (20) days prior to the earliest date on which the corporate action may be taken.**

**PROPOSAL 1**

**ELECTION OF DIRECTORS**

**Election of Directors**

Ten (10) directors will be elected at the Annual Meeting, each of whom is expected to serve until our next annual meeting of stockholders and until his successor has been duly elected and qualified. All of the nominees are currently directors of the Company, and each nominee has consented to being named as a nominee and to serve, if elected.

In connection with the Merger, we entered into a stockholders agreement with various investment affiliates of The Blackstone Group, Goldman Sachs Capital Partners and DLJ Merchant Banking (the Private Equity Stockholders), as well as certain management stockholders. The Stockholders Agreement provides that the Board of Directors of the Company consist of the following:

up to six directors nominated or designated by the investment affiliates of Blackstone and any permitted transferee thereof (collectively, the Blackstone Investor Group);

up to two directors nominated or designated by the investment affiliates of Goldman Sachs and any permitted transferee thereof (collectively, the GS Investor Group);

up to one director nominated or designated by the investment affiliates of DLJ Merchant Banking and any permitted transferee thereof (collectively, the DLJ Investor Group, and each of the Blackstone Investor Group, the GS Investor Group and the DLJ Investor Group, a Private Equity Investor Group);

one member of management, which we refer to as the management director, to be nominated by Private Equity Stockholders holding a majority of the Class A-1 Common Stock held by Private Equity Stockholders; and

additional directors, including directors who may be considered independent under various SEC and stock exchange definitions to the extent deemed necessary or advisable.

The allocation of board representation to the Private Equity Investor Groups will be reduced as the ownership interest of Class A-1 Common Stock of such Private Equity Investor Group is reduced. The Blackstone Investor Group will have the ability to designate a majority of the directors for so long as it holds a majority of the shares of Class A-1 Common Stock issued to the Private Equity Stockholders in the Merger. Each Private Equity Investor Group will lose its right to designate directors entirely when its ownership of shares of Class A-1 Common Stock is less than the greater of (i) five percent of the shares of Class A-1 Common Stock issued to the Private Equity Stockholders in the Merger and (ii) three percent of the then-outstanding shares of Class A-1 Common Stock.

Generally, each director will have one vote. However, if the Blackstone Investor Group nominates or designates fewer than the maximum number of directors to which it is entitled, then the Blackstone Investor

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Group's directors will have aggregate voting power on board matters equal to the maximum number of directors that the Blackstone Investor Group is entitled to nominate or designate divided by the number of directors they have actually nominated or designated.

The Blackstone Investor Group has designated Chinh E. Chu and Matthew S. Kabaker for nomination as directors. The GS Investor Group has designated Adrian M. Jones and Nathaniel M. Zilkha for nomination as directors. The DLJ Investor Group has designated Kamil M. Salame for nomination as a director. William J. Gedwed has been designated as the management director. Messrs. Allen F. Wise, Mural R. Josephson, Andrew S. Kahr and Steven J. Shulman have been designated as additional directors.

**THE BOARD OF DIRECTORS HAS NOMINATED THE FOLLOWING SLATE OF DIRECTORS TO HEALTHMARKETS BOARD AND HAS RECOMMENDED APPROVAL OF THEIR ELECTION TO SERVE UNTIL THE NEXT ANNUAL MEETING OF ITS STOCKHOLDERS IN 2008 OR UNTIL THEIR RESPECTIVE SUCCESSORS ARE ELECTED AND QUALIFIED. IF A NOMINEE IS UNAVAILABLE FOR ELECTION, THE BOARD MAY REDUCE THE NUMBER OF DIRECTORS TO BE ELECTED AT THE MEETING.**

Name	Age	Background	Year First Elected Director
Allen F. Wise	64	Mr. Wise was elected a director and chairman of the Board of Directors of HealthMarkets in July 2006. Mr. Wise does not serve on any committees of the Board. He also serves as chairman of the board of directors of Coventry Health Care, a national managed health care company based in Bethesda, Md. For eight years Mr. Wise served as Coventry Health Care's president and chief executive officer. Prior to his tenure at Coventry Health Care, he was executive vice president at UnitedHealth Group, Inc., and its predecessor, MetraHealth Companies, Inc. Earlier in his career, Mr. Wise served as president and chief executive officer of Wise Health System, a health care investment company; president and chief executive officer of Keystone Health Plan; and served as chief operating officer of Independence Blue Cross. Mr. Wise is a director of Magellan Health Services, Inc. (a manager of behavioral health and radiology benefits).	2006
William J. Gedwed	51	Mr. Gedwed has been a director of the Company since June 2000 and has served as President and Chief Executive Officer since July 1, 2003. Mr. Gedwed is a member of the Executive Committee and the Nominating Committee of the Board. Mr. Gedwed also currently serves as	2000

Chairman and Director of The MEGA Life and Health Insurance Company, Mid-West National Life Insurance Company of Tennessee, The Chesapeake Life Insurance Company and Fidelity First Insurance Company (subsidiaries of the Company). Mr. Gedwed currently serves as a Director of NMC Holdings, Inc. and Motor Club Investors Inc. He also served as a director and/or executive officer of other subsidiaries of NMC Holdings, Inc. until December 2005.

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<b>Name</b>	<b>Age</b>	<b>Background</b>	<b>Year First Elected Director</b>
<b>Chinh E. Chu</b>	40	Mr. Chu has been a director of the Company since April 2006 and served as Chairman of the Board from April 2006 until July 2006. Mr. Chu is a member of the Executive Committee, Executive Compensation Committee, Compliance & Governance Committee and Nominating Committee of the Board. Mr. Chu is a Senior Managing Director of The Blackstone Group LP, which he joined in 1990. Mr. Chu received a BS in Finance from the University of Buffalo. He currently serves as a director of Celanese Corporation, Nalco Holdings LLC, SunGard Data Systems, Inc., Graham Packaging Holdings Company, Financial Guaranty Insurance Company and Encore Medical Corporation.	2006
<b>Adrian M. Jones</b>	42	Mr. Jones has been a director of the Company since April 2006. Mr. Jones is a member of the Executive Committee, Executive Compensation Committee, Compliance & Governance Committee and Investment Committee of the Board. Mr. Jones has been a Managing Director of Goldman, Sachs & Co. since 2002. Mr. Jones joined Goldman, Sachs & Co.'s Investment Banking Division in 1994 and moved to its Merchant Banking Division in 1998. Before joining Goldman Sachs, Mr. Jones served as a lieutenant in the Irish Army and worked at Bank of Boston. Mr. Jones earned a BA from University College Galway, an MA in Economics from University College Dublin and an MBA from Harvard Business School. Mr. Jones currently serves on the boards of directors of Burger King Corporation, Autocam Corporation and Signature Hospital Holdings.	2006

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Name	Age	Background	Year First Elected Director
<b>Mural R. Josephson</b>	58	<p>Mr. Josephson has been a director of the Company since May 2003 and is a member of the Audit Committee and Executive Compensation Committee of the Board. Following his retirement in October 2002 as Senior Vice President and Chief Financial Officer of Lumbermens Mutual Casualty Company (the lead company of Kemper Insurance Companies), Mr. Josephson has served as a consultant to various financial institutions. In July 1998, Mr. Josephson retired as a partner with KPMG LLP after 28 years with the firm.</p> <p>Mr. Josephson is a licensed Certified Public Accountant in the State of Illinois, and is a member of the American Institute of Certified Public Accountants. He has served as a director of Omni Youth Services (a non-profit social welfare agency located in Buffalo Grove, Illinois) since October 2003, as a director of SeaBright Insurance Holdings, Inc. (a publicly-traded company providing multi-jurisdictional workers compensation insurance) since February 2004, as a director of PXRE Group Ltd. (a publicly-traded company providing primarily catastrophe and risk excess reinsurance products and services) since August 2004 and as a director of ALPS Corporation and its wholly-owned subsidiary, Attorneys Liability Protection Society, Inc. (a privately-held insurance company that writes attorney errors and omissions coverage) since January 1, 2006.</p> <p>Mr. Josephson received his B.S. in Accountancy from Northern Illinois University in 1970.</p>	2003
<b>Matthew S. Kabaker</b>	30	<p>Mr. Kabaker has been a director of the Company since April 2006. Mr. Kabaker is a member of the Audit Committee, Investment Committee, Compliance &amp; Governance Committee, and Executive Compensation Committee of the Board. Mr. Kabaker is a Principal of The Blackstone Group, which he joined in 1998. Mr. Kabaker received a BA in Philosophy, Politics &amp; Economics from the University of Pennsylvania. Mr. Kabaker currently serves on the boards of directors of TRW</p>	2006

Automotive, Financial Guaranty Insurance  
Company, Ariel Reinsurance Holdings and  
Michaels Stores, Inc.



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<b>Name</b>	<b>Age</b>	<b>Background</b>	<b>Year First Elected Director</b>
<b>Andrew S. Kahr</b>	66	Mr. Kahr has been a director of the Company since August 2006. Mr. Kahr is employed by Global Financial Innovation, SA, St. Moritz, Switzerland. He served as a financial services consultant with Eden Properties, SA, St. Moritz, Switzerland from March 2003 to October 2006. Following his retirement as chairman and chief executive officer of Providian Corporation in 1986, Mr. Kahr served as a financial services consultant with Sodemo, SA, St. Moritz, Switzerland, from February 1986 until March 2003. Mr. Kahr holds a BA from Harvard College and a Ph.D. in Mathematics from the Massachusetts Institute of Technology.	2006
<b>Kamil M. Salame</b>	38	Mr. Salame has been a director of the Company since April 2006. Mr. Salame is a member of the Executive Committee, Nominating Committee, and Investment Committee of the Board. Mr. Salame is a partner of DLJ Merchant Banking Partners, the leveraged buyout business of Credit Suisse's asset management business. Mr. Salame joined DLJ Merchant Banking Partners in 1997. Previously, he was a member of DLJ's Leveraged Finance Group. Mr. Salame is a director of Aspen Insurance Holdings Limited, Merrill Corporation, Professional Career Development Institute, LLC and US Express Leasing, Inc. Mr. Salame received a JD from Columbia Law School, an MBA from Columbia Business School and a BS from Georgetown University.	2006
<b>Steven J. Shulman</b>	55	Mr. Shulman began serving as a director of the Company in July 2006. Mr. Shulman is a member of the Executive Compensation Committee of the Board. He also serves as chairman and chief executive officer of Magellan Health Services, Inc. (a manager of behavioral health and radiology benefits). Prior to joining Magellan Health Services, Mr. Shulman founded IHCG, an early-stage healthcare technology venture fund, and served as its Chairman and Chief Executive Officer from 2000 to 2002. Prior to IHCG, he was employed by	2006

Prudential Healthcare, Inc. as its Chairman, President and Chief Executive Officer from 1997 to 1999. Mr. Shulman co-founded Value Health, Inc., a New York Stock Exchange-listed specialty managed health care company, and served as President of its Pharmacy and Disease Management Group and director from 1991 to 1997.

Mr. Shulman is a member of the board of directors of IHCG, Digital Insurance (a private employee benefit service company).

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Name	Age	Background	Year First Elected Director
Nathaniel M. Zilkha	31	Mr. Zilkha has been a director of the Company since April 2006. Mr. Zilkha is a member of the Audit Committee of the Board. Mr. Zilkha has been a Vice President of Goldman, Sachs & Co., since 2004. For the last five years, he has worked in the Principal Investment Area of Goldman, Sachs & Co., where he focuses on investments in healthcare services, life sciences and medical devices. Mr. Zilkha holds a BA from Princeton University. Mr. Zilkha currently serves on the boards of directors of XLHealth Corporation, Signature Hospital Holdings, Diveo Broadband Networks, Inc. and iHealth Technologies, Inc.	2006

**INFORMATION ABOUT THE BOARD OF DIRECTORS****Director Compensation for the 2006 Fiscal Year**

The following table shows the compensation paid to our directors for their services during the fiscal year ended December 31, 2006. Directors who are our employees do not receive additional compensation for their services as directors. Accordingly, Mr. Gedwed receives, and Mr. Reed received, no compensation for their services as directors. Messrs. Chu, Jones, Kabaker, Salame and Zilkha, members of our Board designated by the Private Equity Stockholders, are not considered to be independent and therefore also do not receive compensation for their services. We provide our independent directors with an annual retainer for Board and Committee membership and have, historically, awarded stock option grants to our independent directors. We reimburse all directors for travel and lodging expenses they incur in connection with their attendance at directors' meetings and meetings of the stockholders of the Company.

Name	Fees		Non-Equity Incentive		Change in Pension Value and	Nonqualified Compensation		Total (\$)
	Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)(12)	Compensation (\$)	Deferred Compensation	All Other Compensation (\$)		
Allen F. Wise(1)	100,000		85,012(6)				185,012	

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Steven J. Shulman(2)	62,500	9,168(7)		71,668
Mural R. Josephson(3)	152,750	13,459(8)		166,209
Andrew S. Kahr(4)	75,000	3,301(9)		78,301
Dennis C. McCuiston(5)	56,750	1,018(10)	300,000(11)	357,768
Richard T. Mockler(5)	21,000	118(10)	300,000(11)	321,118
R.H. Mick Thompson(5)	47,000		300,000(11)	347,000
Chinh E. Chu				
Adrian M. Jones				
Matthew S. Kabaker				
Kamil M. Salame				
Nathaniel M. Zilkha				

(1) Elected a director effective July 1, 2006. Mr. Wise receives an annual retainer for Board membership of \$200,000.

(2) Elected a director effective June 9, 2006. Mr. Shulman receives annual retainers for the following: Board membership \$100,000; Executive Compensation Committee membership \$25,000.

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- (3) Mr. Josephson receives annual retainers for the following: Board membership \$100,000; Chairmanship of the Audit Committee \$50,000; Executive Compensation Committee membership \$25,000
- (4) Elected a director effective August 30, 2006. Mr. Kahr receives an annual retainer for Board membership of \$150,000
- (5) Ceased being a director effective April 5, 2006.
- (6) 74,323 options were outstanding at December 31, 2006.
- (7) 6,757 options were outstanding at December 31, 2006.
- (8) 4,045 options were outstanding at December 31, 2006. Excludes cash payment of \$87,991 in connection with the Merger whereby options to purchase shares were cancelled and converted into the right to receive payment equal to the difference between \$37.00 and the exercise price of the options.
- (9) 4,200 options were outstanding at December 31, 2006.
- (10) No options were outstanding at December 31, 2006.
- (11) Represents \$150,000 paid and \$150,000 accrued to Messrs. McCuiston, Mockler and Thompson, respectively, under Consulting Agreements entered into in June 2006.
- (12) Calculated in accordance with Statement of Financial Accounting Standards 123R. Represents compensation expense recognized in 2006 for financial statement reporting purposes. Excludes cash payments made to Messrs. McCuiston and Mockler in the amount of \$2,851 and \$31,938, respectively, in connection with the Merger whereby options to purchase shares were cancelled and converted into the right to receive payment equal to the difference between \$37.00 and the exercise price of the options.

## **Director Independence**

The Board has determined that Messrs. Wise, Shulman, Kahr and Josephson are independent, as that term is defined under the listing standards of the New York Stock Exchange. Mr. Gedwed is not independent due to his affiliation with the Company. At the time he served on the Board, Mr. Reed also was not considered independent due to his affiliation with the Company. Messrs. Chu, Jones, Kabaker, Salame and Zilkha are not independent due to their respective affiliations with the Private Equity Stockholders.

## **Annual Meeting Attendance**

We encourage but do not require our directors to attend the Annual Meeting of Stockholders. Two (2) of the Company's then directors attended the Annual Stockholder Meeting held October 12, 2006.

## **Stockholder Communication with Our Board**

All current members of the Company's Board are listed under the heading More About Our Company on the Company's website ([www.healthmarkets.com](http://www.healthmarkets.com)). Stockholders may communicate directly with the HealthMarkets Board of Directors, including the Chairman of the Audit Committee, the Chairman of the Nominating Committee and/or the non-management directors individually or as a group. All communications should be directed to our Corporate

Secretary, c/o HealthMarkets, Inc., 9151 Boulevard 26, North Richland Hills, TX 76180. In addition, we maintain contact information, both telephone and email, on our website under the heading Contact Us. The envelope should clearly indicate the person or persons to whom the Corporate Secretary should forward the communication.

Communications will be distributed to the Board, or to any individual director or directors as appropriate, depending on the facts and circumstances outlined in the communications, with the exception of spam, business solicitations and advertisements, product inquiries and suggestions, resumes and other forms of job inquiries, surveys, and obvious junk and mass mailings.

### **Board Meetings, Attendance, and Executive Sessions**

During the fiscal year ended December 31, 2006, the Board of Directors met eight (8) times and took action on other occasions by unanimous consent of its members. Each member of the Board of Directors who held such position in 2006 attended at least 75% in the aggregate of all meetings of the Board and any committee on which

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such Board Member served. The Board met in executive session during all regularly scheduled meetings, without management present, and plans to continue that practice going forward.

**Board Committees**

To assist the Board in the discharge of its responsibilities, the Company has established a standing Audit Committee, Executive Committee, Investment Committee, Compliance & Governance Committee, Nominating Committee, and Executive Compensation Committee. The following chart shows the composition of the committees of the Board of Directors and the number of meetings held by each committee during fiscal year 2006.

<b>Director</b>	<b>Audit</b>	<b>Executive</b>	<b>Investment</b>	<b>Compliance &amp; Governance</b>	<b>Nominating</b>	<b>Executive Compensation</b>
Allen F. Wise						
William J. Gedwed		x			x	