

**NAMIC**

NATIONAL ASSOCIATION OF  
MUTUAL INSURANCE COMPANIES

# 2023 NAMIC

## EXECUTIVE PAY PRACTICES STUDY EXECUTIVE SUMMARY

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McLagan is part of the Human Capital Solutions practice at Aon and provides tailored talent, rewards, and performance expertise to financial services firms across the globe. McLagan compensation surveys are the most comprehensive, in-depth source of rewards data covering over 150 countries from more than 2,500 clients.

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## ABOUT NAMIC

NAMIC is the largest property/casualty insurance trade association in the country, with more than 1,500 member companies. NAMIC supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers.

NAMIC member companies serve millions of policyholders and write more than \$357 billion in annual premiums. Our members account for 69 percent of homeowners, 56 percent of automobile, and 31 percent of the business insurance markets.

Through our advocacy programs we promote public policy solutions that benefit NAMIC member companies and the policyholders they serve and foster greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies.

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Special thank you to NAMIC's Property/Casualty Conference Board of Directors for its leadership and support of this project.

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## INDUSTRY PERSPECTIVE: SECURING STRONG EXECUTIVES FOR A SUCCESSFUL FUTURE

*By: Mike Abate, Managing Director, The Jacobson Group*

The insurance industry has been in a state of transformation throughout the past three years. We've experienced the height of a global pandemic, the most challenging labor market on record, and now, what looks like the beginning of a more stable future. Leaders have managed through the shift to fully virtual environments, "the Great Resignation," and evolving employee/employer relationship dynamics. As mutuals define their future expectations and calibrate to post-pandemic norms, having the right leadership in place is essential.

However, the roles of today's executives have evolved, as they are not only responsible for owning business strategy and priorities; they must also visibly demonstrate corporate values and culture in environments that are largely virtual. At the same time, the ability to inspire productivity and innovation while fostering a sense of loyalty across multiple locations, personalities, and time zones is essential. Whether you're recruiting for this talent or building it from within, it's vital to retain and grow leaders by offering competitive compensation while also being intentional with development opportunities; providing a sense of meaning and purpose; and offering flexibility in where, when, and how work gets done.

### CHANGING EXPECTATIONS

The pandemic has played a unique role in transforming business as we know it. Previously, employee attitudes and expectations have largely ebbed and flowed along with the health of the economy. However, the pandemic has caused a fundamental shift in professionals' values and priorities. Despite a looming recession, it's unlikely some of these sentiments will change – especially around desired flexibility and work-life balance. Currently, 92 percent of insurers are offering hybrid work options<sup>1</sup>; those that maintain rigid requirements are likely to lose out on top talent – regardless of salary. Be thoughtful with in-office work, and grant flexibility in hours and locations when possible, encouraging those at the helm to lead by example and set the tone that permeates throughout all organizational ranks.

### SUPPORT FOR SUCCESS

Many of today's leaders have never had formal training around managing and motivating teams within virtual and hybrid environments. However, being able to foster connections and engagement across locations and varying work styles may not come naturally – and successful in-person tactics do not always directly translate. Ensure you're providing the tools, coaching, and support to help individuals hone their management styles to be effective in the current environment. This not only increases team productivity, but also contributes to engagement and retention across the entire organization.

<sup>1</sup> The Jacobson Group and Aon-Ward Q1 2023 Insurance Labor Market Study, <https://content.jacobsononline.com/2023-q1-laborstudyresults>



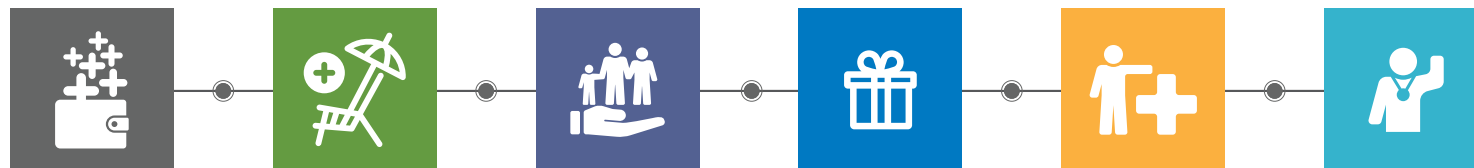
## EMPHASIS ON EMOTIONAL INTELLIGENCE

Emotionally intelligent leaders are more likely to have strong internal relationships, contribute to productive problem-solving and effectively work through conflict. The ability to have difficult and respectful conversations – especially in virtual settings, where physical cues and body language are minimized – often sets the greatest leaders apart. Organizations may consider providing formal emotional intelligence training, while encouraging ongoing practice and growth at all levels, including middle management and individual contributors.

## COMPREHENSIVE AND BROAD SUCCESSION PLANNING

The industry’s workforce is aging, with 25 percent of insurance professionals at ages 55 and older.<sup>2</sup> However, 38 percent of insurers have no formal succession plans in place.<sup>3</sup> While CEO and executive-level succession planning is a key focus for most organizations, it’s also important to think past the top-tier of leadership and into director and middle management roles. Identify your high-potential employees and consider how they can be given the exposure, growth opportunities, and challenges that can mold them into tomorrow’s executives.

The Jacobson Group is proud to once again sponsor the NAMIC Executive Pay Practices Study. This study offers a valuable look at compensation practices and benchmarks within mutual insurance organizations. As the industry settles into new ways of working, strong leadership and a focus on the future is essential. By leveraging the insights from these findings, mutual companies can create comprehensive and relevant compensation plans, helping attract and retain the talent that will move their organizations forward.



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<sup>2</sup> U.S. Bureau of Labor Statistics, <https://www.bls.gov/cps/cpsaat18b.htm>

<sup>3</sup> The Jacobson Group 2022 Insurance Industry Succession Planning Study, <https://content.jacobsononline.com/2022-insurance-succession-planning-study-results>



# AON

Aon is the leading provider of compensation benchmarking and market practice studies for the insurance industry. In addition to our annual survey practice, we provide localized industry expertise across the globe to help our clients make better decisions about their talent and reward strategy – providing guidance to ensure that these strategies are best aligned with short- and long-term business goals within the context of regional and local market requirements and regulations.

## INTRODUCTION

### OVERVIEW

Executive management compensation often includes more than just a base salary and annual bonus. Long-term incentives, deferred compensation, SERPs, and a variety of other benefits and perquisites are all part of the equation. To gather information on industry trends with respect to executive benefits and other factors included in total compensation, Aon, on behalf of NAMIC and sponsored by The Jacobson Group, conducted a survey of executive pay practices at U.S. property/casualty carriers.

This report presents the findings of the in-depth survey of executive management team pay practices conducted in early 2023.

### BENCHMARK GROUPS

A diverse group of 26 insurance carriers participated in the survey. Participants are listed on the following page. Results are calculated using the total number of participant responses to each survey topic.



## PARTICIPANT PROFILE

	Overall Benchmark	Large Company Benchmark	Small Company Benchmark
Number of Firms	26	14	12
<b>Type of Legal Entities Supported</b>			
Property & Casualty	96%	100%	92%
Life-Health-Annuity	12%	21%	0%
Other	15%	14%	17%
<b>Premium Analysis</b>			
2021 Direct Written Premium	\$547M	\$850M	\$194M

## PARTICIPANTS

Brotherhood Mutual Insurance Company  
 Builders Insurance Group, Inc.  
 Builders Mutual Insurance Company  
 Columbia Insurance Group  
 Farm Bureau Insurance Idaho  
 Germania Insurance  
 Goodville Mutual Insurance Group  
 Grange Insurance Association  
 HAI Group

Indiana Farmers Insurance  
 MAG Mutual Insurance Company  
 Maine Employers' Mutual Insurance Company  
 Merchants Bonding Company  
 Merchants Insurance Group  
 Mutual Benefit Group  
 Mutual of Enumclaw Insurance Company  
 NJM Insurance  
 Ohio Mutual Insurance Group

Pennsylvania Lumbermens Mutual Insurance  
 Pioneer State Mutual Insurance Company  
 Rockingham Insurance Company  
 Shelter Insurance  
 Society Insurance  
 Texas Lawyers' Insurance Exchange  
 Vermont Mutual Insurance Group  
 West Bend Mutual Insurance Company



McLagan is pleased to be partnering with NAMIC and The Jacobson Group to conduct this year's Executive Pay Practices Study. When used in conjunction with the Property/Casualty Compensation Survey, participants understand the complete picture of the executive team's total compensation package, including actual market compensation for executive positions and the measures and components of performance, funding, and perquisites for these roles.

Below is a brief summary of the study findings. To purchase the report, please contact Drew Anderson at [drew.anderson11@aon.com](mailto:drew.anderson11@aon.com)

**KEY HIGHLIGHTS**



**COMPENSATION STRATEGY**

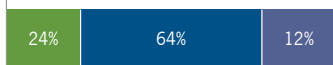
- Only **10 percent** of companies made changes to their executive compensation programs in 2022.
- **58 percent** of companies reviewed salary, annual, and long-term plans in 2022.

**ANNUAL INCENTIVE PLAN**

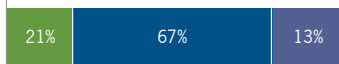
When comparing mutual and stock companies, both firm types used between three to four metrics, on average, when evaluating annual incentive programs.

**COMPENSATION COMPETITIVENESS**

Our executive compensation program is competitive within the industry

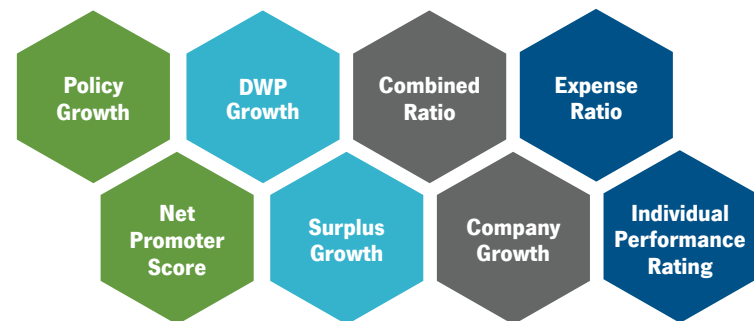


Our compensation policies attract, motivate, and retain talent



- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

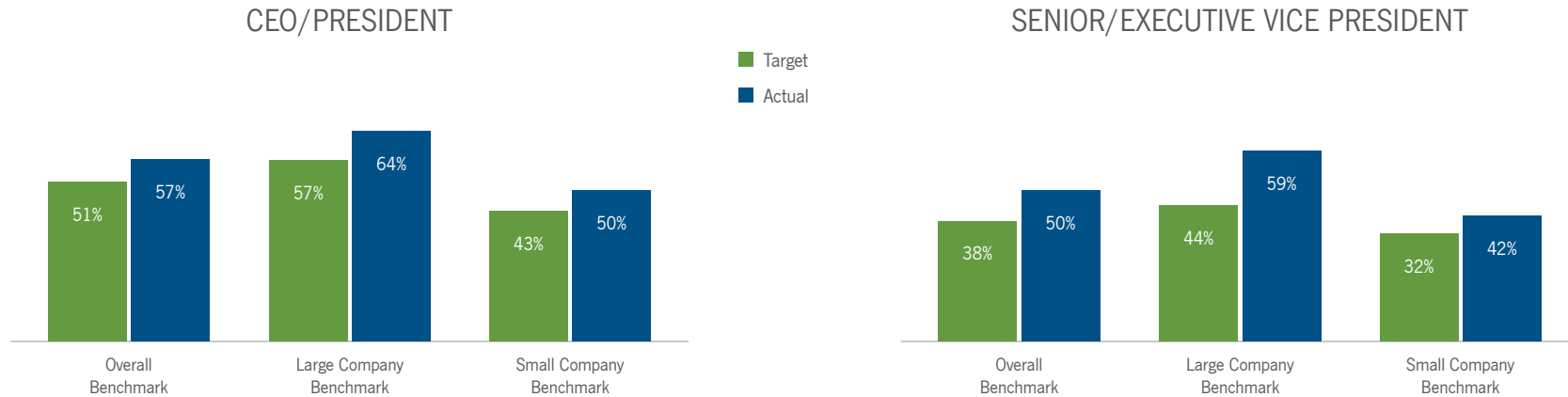
**MOST POPULAR PERFORMANCE METRICS FOR AIP**





## ANNUAL INCENTIVE PROGRAM COMPENSATION

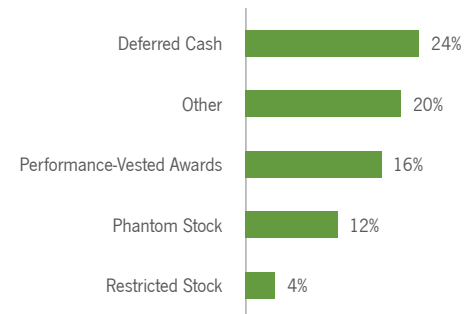
When comparing target and actual payout, participating companies typically paid above target for the 2021 performance year.



## LONG-TERM INCENTIVE PLAN

- Of participating companies, **72 percent** offer a long-term incentive plan to executives.
- Of those companies, approximately **89 percent** of companies granted a long-term incentive to executives for the 2021 performance year (granted in 2022).

### LONG-TERM INCENTIVE PLAN VEHICLES

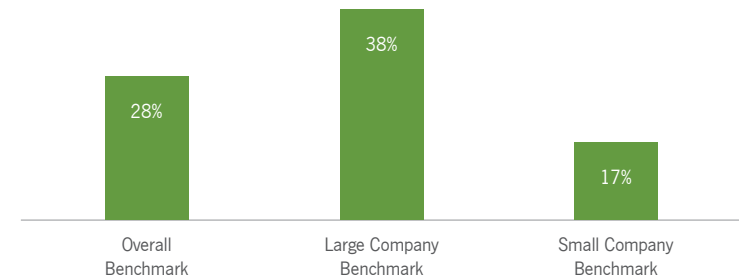


## RETIREMENT BENEFITS

### PLAN TYPES

- Of participating companies, only **28 percent** offer a defined benefit plan that is still accruing benefits.
- **92 percent** of companies offer a defined contribution plan to their executive team members.
- **64 percent** of companies offer a non-qualified deferred compensation plan.

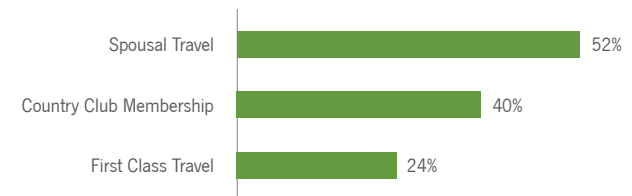
PERCENT OF FIRMS THAT HAVE SUPPLEMENTAL EXECUTIVE RETIREMENT PLANS (SERPS)



## OTHER PERQUISITES

Spousal travel, country club membership, and monthly car allowance are the most prevalent executive perquisites at participating companies.

PREVALENCE OF OTHER PERQUISITES





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Partner with an executive search and staffing firm with more than 50 years of success in the insurance space. Exclusively dedicated to insurance, The Jacobson Group offers unparalleled industry knowledge and an extensive network. Our talent is helping insurance organizations find the right professionals across all levels and functions. Let us help you find yours.

Jacobson is proud to sponsor the NAMIC Executive Pay Practices Study.

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