

CURRENT LANDSCAPE OF EXECUTIVE COMPENSATION PLANS

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AGENDA

Review the current state.

Explore and discuss the NAMIC Executive Compensation Study.

Weave in executive compensation...create a living and breathing workforce strategy.





“...good people, top executives in general, are intrinsically motivated, but incentives provide a powerful messaging and focusing device. In addition, the market for executive labor is generally willing to pay more for an executive that produces great performance.”

- Robin A. Ferracone
Fair Pay, Fair Play: Aligning Executive Performance and Pay



OPENING REMARKS

Compensation strategy is simply **one component** of the overall workforce strategy.

We cannot overstate the importance of a **shared understanding** of workforce philosophy.

Mutuals embody an over-arching opportunity, providing top performers a meaningful sense of purpose and **work/life harmony**.



REVIEW THE
CURRENT STATE.





CURRENT STATE OF THE INDUSTRY

NAMIC's Executive Compensation Study showed that most mutual insurance companies are growing.

Job responsibilities have broadened considerably, and the pace at which jobs change has also increased dramatically.

The war for talent is real!





CURRENT WORKFORCE

Workers 45 and over account for **48 percent** of the insurance industry's workforce. This means about half of the industry's workforce will be retired or on the verge of retirement within the next 15 years!

Gen X represents the smallest segment of the workforce and there is a scarcity of skilled talent following them.

The competitive market for skilled executive-level talent is growing!



SHIFTING DYNAMICS

Never in the modern world have there been **four generations in the workplace**; all bring vastly different beliefs, expectations and values.

Never has a generation entered the workplace using such **advanced technologies** as those adopted by its employers.

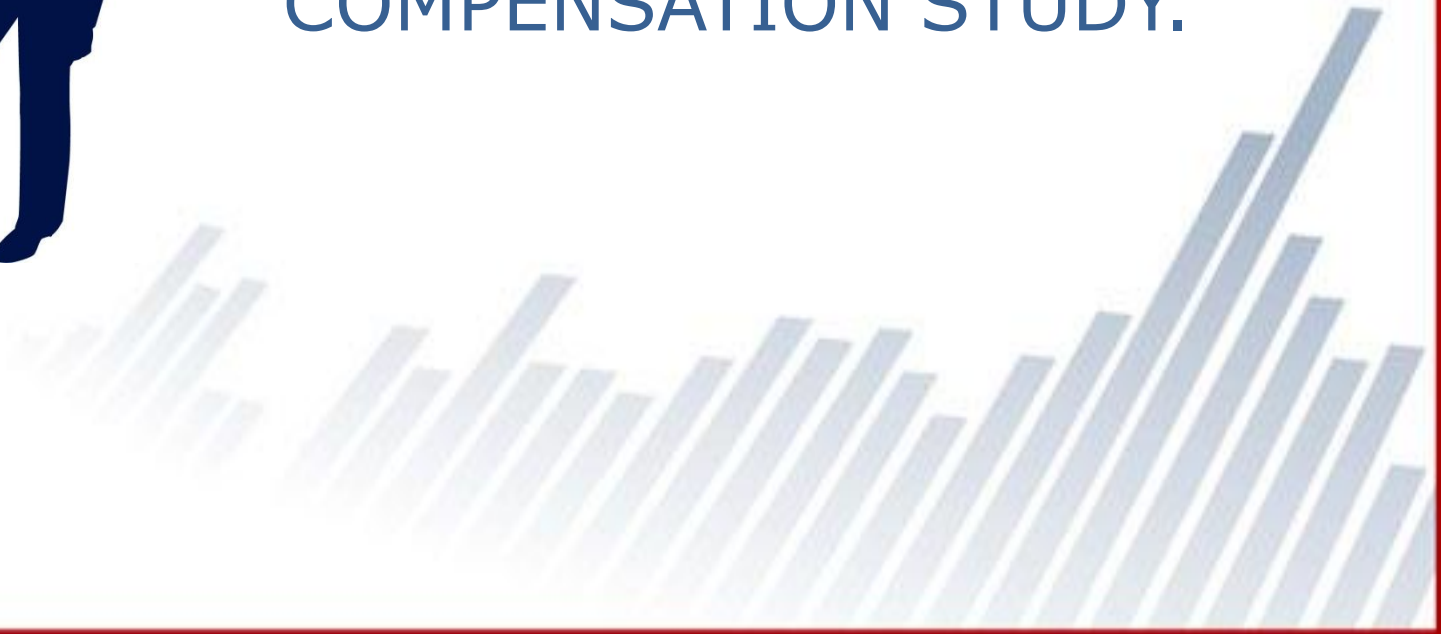
Never has technology made it so **easy to connect** anyone, anywhere for collaboration.

Never has it been possible to acquire, use and seamlessly integrate talent from around the world. **The global workforce** is today's reality.

Never before has society put as much pressure on organizations to be **socially-responsible**: the key differentiator for mutuals!



EXPLORE AND DISCUSS
THE NAMIC EXECUTIVE
COMPENSATION STUDY.

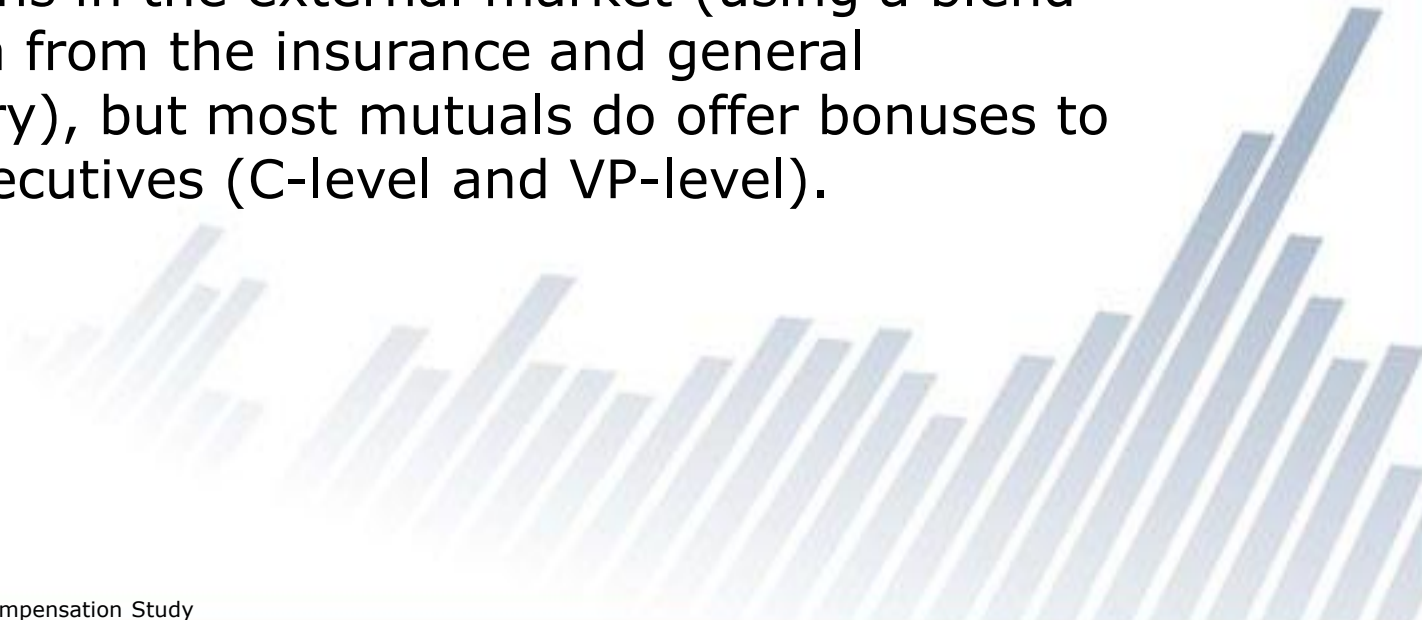




CURRENT TRENDS IN COMPENSATION AMONG NAMIC COMPANIES

Merit increases were “on target” with increases at companies within the insurance and financial sector reported in the WorldatWork Salary Budget Survey.

Executives of mutual companies do **not receive the same amount in bonuses** as similar positions in the external market (using a blend of data from the insurance and general industry), but most mutuals do offer bonuses to top executives (C-level and VP-level).





CURRENT TRENDS IN COMPENSATION AMONG NAMIC COMPANIES

Most NAMIC companies **offer perquisites to their CEO**, including:

- Company car or allowance
- Supplemental medical or group life insurance
- Tuition reimbursement
- Travel expenses for spouses



CURRENT TRENDS IN COMPENSATION AMONG NAMIC COMPANIES

NAMIC companies offer defined benefit and retiree medical insurance with higher frequency than the external market.

The majority of NAMIC companies have a PTO policy.





MUTUAL REALITY VS. CORPORATE REALITY



How can we, as an industry,
capitalize on the advantages
of mutuality?





ROUNDTABLE DISCUSSION



We are facing deep competition for talent and customers from stock companies; how can we address the stock company as “competitor”?





WEAVE IN EXECUTIVE
COMPENSATION...CREATE A
LIVING AND BREATHING
WORKFORCE STRATEGY.

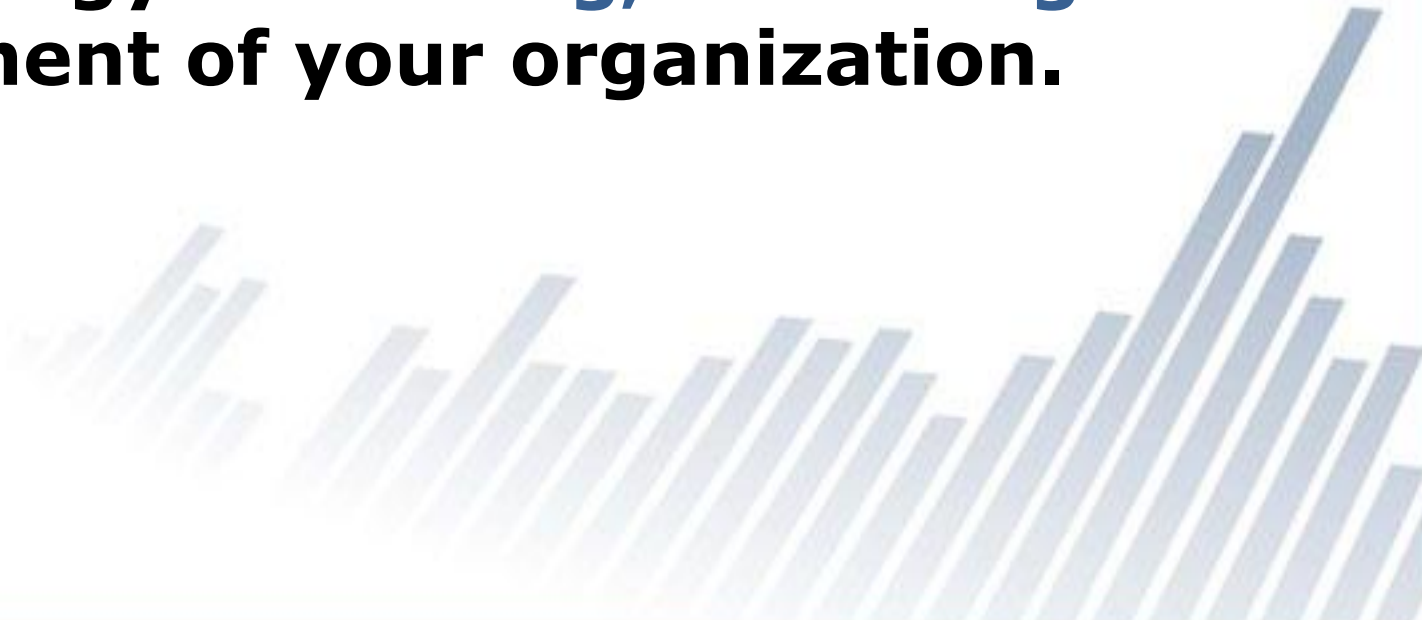




REMEMBER

This is **only information** – the resulting decisions and actions are up to you!

Treat executive compensation strategy as a **living, breathing element of your organization.**



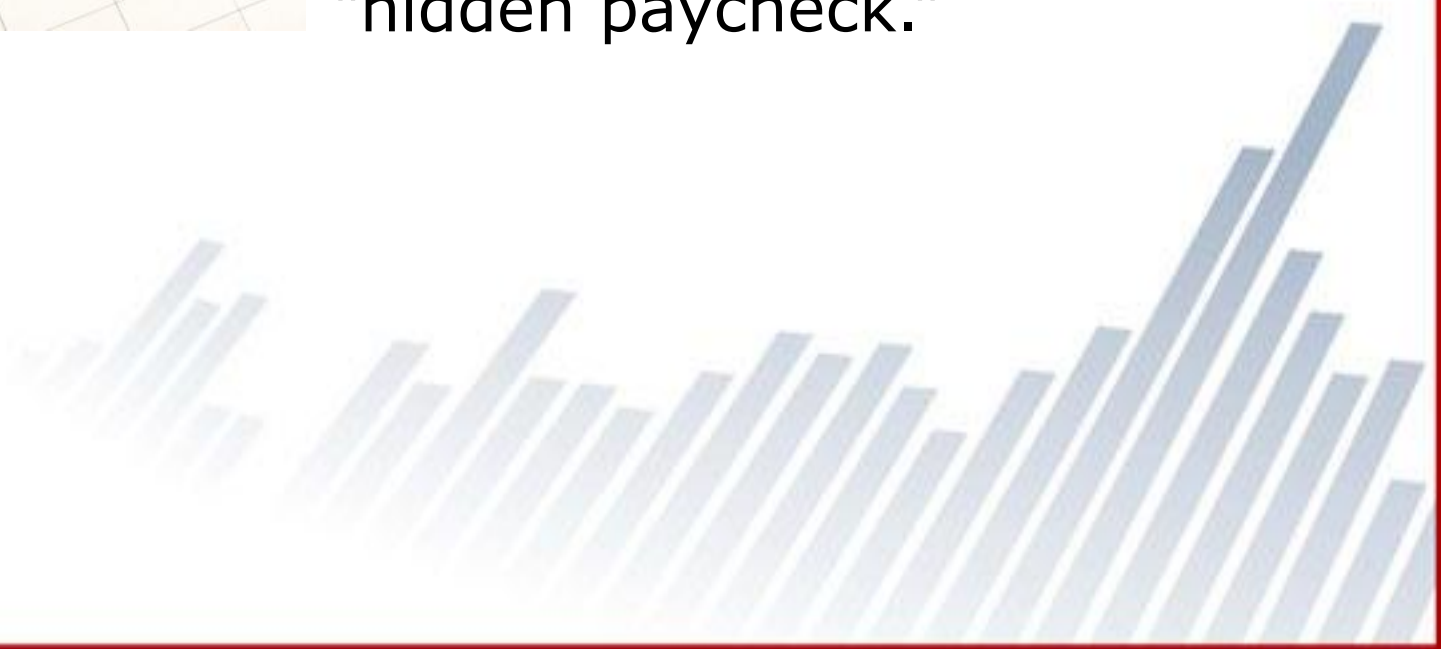


COMPENSATION PHILOSOPHY



We cannot rely on best practices. This is personal, one size does not fit all.

Remember to promote the intangibles for the "hidden paycheck."

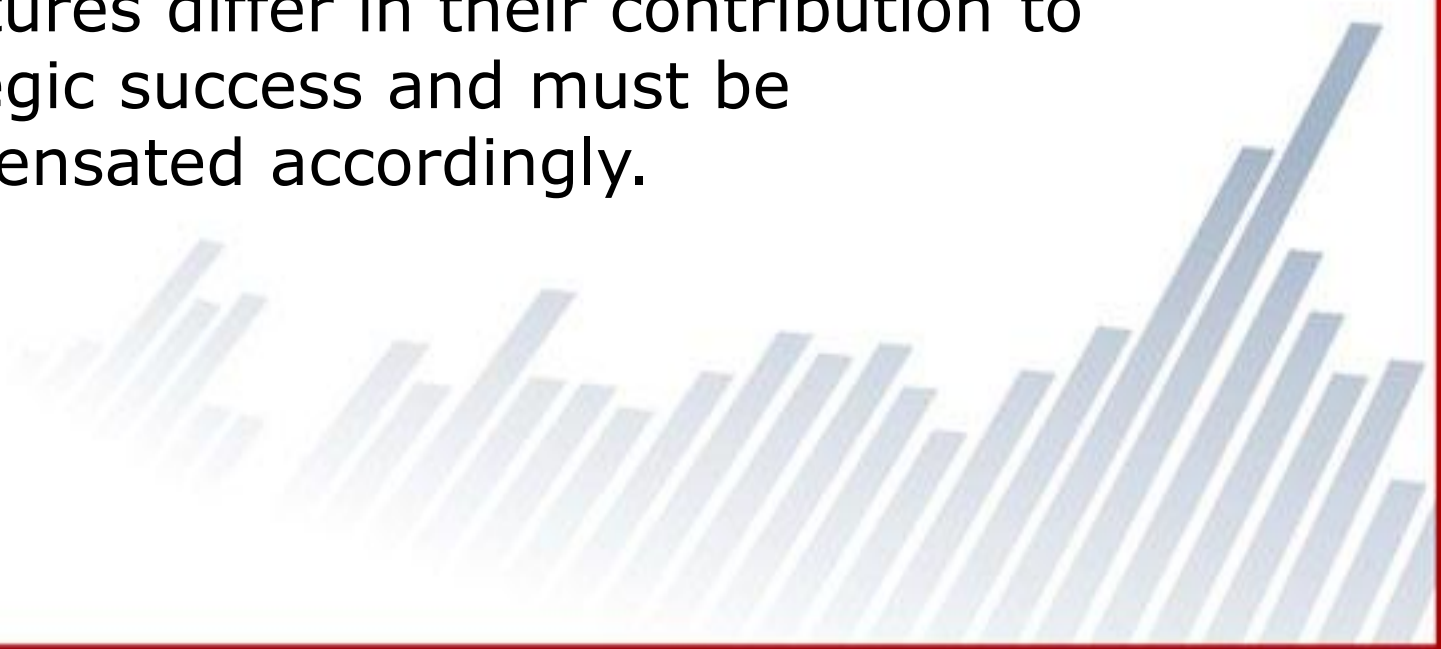




A DIFFERENTIATED WORKFORCE

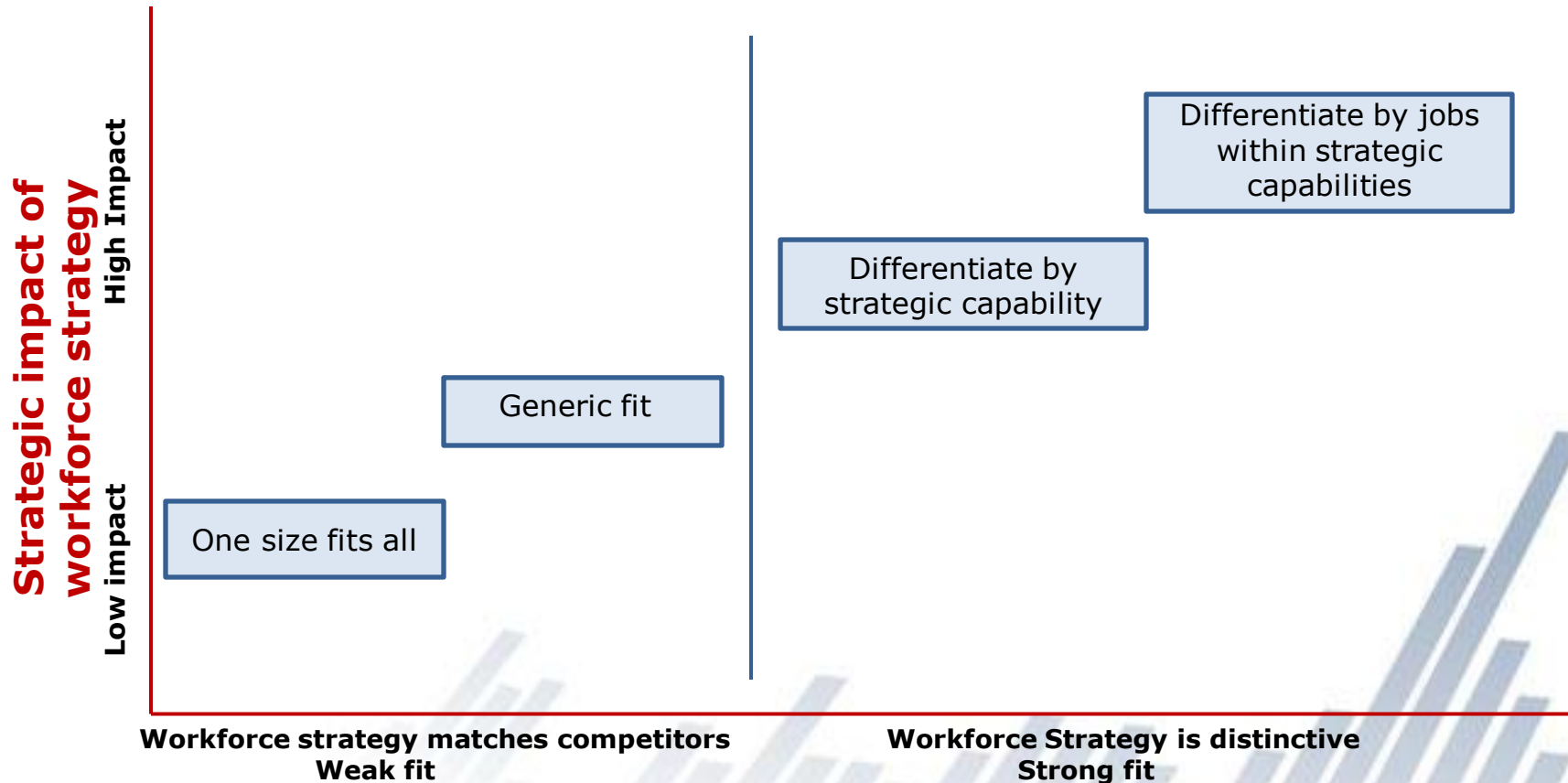
Today's playing field requires differentiation on the inside, especially in terms of recruiting, developing and rewarding our workforce.

Positions within our organizational structures differ in their contribution to strategic success and must be compensated accordingly.





FOUR STAGES OF WORKFORCE DIFFERENTIATION



Fit between strategy and workforce differentiation



MAKE YOUR INCENTIVES SIZZLE

Incentives for strategic talent must be strong, competitive and compelling!

Factor in the non-monetary rewards of mutuality:

- Sense of purpose and belonging
- Attractive work/life harmony
- Socially responsible and civic and community minded





INCENTIVES AND REWARDS

ANNUAL INCENTIVES

Compensate executive for short-term achievements:

- Increasing revenue or market share
- Improving profit margins
- Implementing new strategies
- Developing new products
- Expanding to new markets

LONG-TERM INCENTIVES

Compensate for strategic objectives that maximize corporate value:

- Total return to policy holders
- Reducing overall level of uncertainty and growing policy holder surplus
- Executives must be incentivized to grow leadership capacity with the company—succession planning
- Corporate citizenship: giving back to the community



EXECUTIVE COMPENSATION SHOULD BE...

- Aligned with the organization's values
- Supportive of the mission and vision for the future
- Directly tied to achievement of the company's goals
- Transparent and measurable
- In concert with the long-term best interests of policy holders and other stakeholders





“

Mutual insurers have a proud and significant tradition...while the landscape is different, growth and prosperity is still achieved through people.

”

- Margaret Resce Milkint
2012 NAMIC Executive Compensation Study



QUESTIONS?



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