DIRECTOR COMPENSATION
Excerpt from Mutual Company Governance White Paper

Board Compensation

Until recently, board compensation for many mutual insurance companies was not a significant issue. The increasing demands of service placed on directors has, however, raised expectations for director compensation. Mutual company director compensation generally takes the form of either cash or non-cash benefits. The compensation provided to directors often consists of one or more of the following:

**Cash retainers**: Regular fees for board or committee service (separate from meeting fees).

**Meeting fees**: Fees paid only for attendance at board or committee meetings.

**Leadership fees**: Fees paid in addition to any of the above for assuming lead director, chairman or committee chairman responsibilities.

**Benefits**: Travel expenses, access to company benefit programs, event attendance.

A more expanded description of benefits afforded directors of mutual companies includes: health insurance, life insurance, accidental death insurance, disability insurance, retirement plans, spousal travel, matching charitable gift programs, expense reimbursements, and deferred compensation arrangements.

To maintain competitive and purposeful compensation practices, boards can establish specific factors to be used in setting director compensation. These compensable factors can include: attendance at meetings, leadership positions assumed, time spent on board matters outside of meetings, special qualities or skills, etc. If a board wishes to address possible changes in its director compensation it may wish to consider the following issues:

- What is the right combination of cash and non-cash compensation?
- How will company performance factor in board compensation, if at all?
- What compensable factors apply?
- How will the board transition from its current compensation program to the new one?
- Who is responsible to review the compensation of directors and recommend changes?
- What criteria and what input will we use regarding director compensation?
- How often should director compensation be reviewed?