

NAMIC BENCHMARKING SOLUTIONS



[PC] **NAMIC[®]**
PROPERTY/CASUALTY
COMPENSATION SURVEY

2019 EXECUTIVE SUMMARY
COMPILED BY MCLAGAN

Sponsored by: 
THE CARLISLE GROUP
An Executive Search & Recruitment Firm

www.namic.org



CORPORATE SPONSOR



The Carlisle Group (TCG) can help you discover, engage, hire and retain the exceptional talent your company deserves! TCG's unsurpassed industry knowledge, significant hands-on experience and relentless pursuit of our candidates' and clients' best interests makes TCG the clear choice for your search and consultant needs. Our extensive portfolio of Insurance Clients includes: Mutual Companies, Agents, Brokers, Wholesalers, along with Small, Regional, and National Carriers. TCG's interconnected portfolio, unique 7-Step Recruiting Process, Intelligent Services and Global Partnerships empower The Carlisle Group to deliver a true 360° solution.

For more information, please visit www.tcgreruit.com

IN PARTNERSHIP WITH



McLagan provides tailored talent, rewards, and performance expertise to financial services firms across the globe. Since 1966, McLagan has partnered with the largest and smallest financial services firms to help them make data-driven decisions to hire, retain, and engage the top talent for keeping the global economy running. McLagan compensation surveys are the most comprehensive, in-depth source of rewards data covering over 150 countries from more than 2,500 clients. Their consultants work with hundreds of firms annually to design total rewards programs and benchmark financial performance for boards of directors, executives, employees, and sales professionals. McLagan is a part of Aon plc (NYSE: AON).

For more information, please visit mclagan.aon.com.

NAMIC membership includes more than 1,400 member companies. The association supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers. NAMIC members write \$268 billion in annual premiums.



ABOUT NAMIC

NAMIC membership includes more than 1,400 member companies. The association supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers.

NAMIC member companies write \$268 billion in annual premiums. Our members account for 59 percent of homeowners, 46 percent of automobile, and 29 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.

Our educational programs provide board education for governance excellence and enable members to become better leaders of their companies and the industry. Our business services offer valuable operations support to participating member 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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TO OUR TRUSTED INDUSTRY PARTNERS:

The Carlisle Group (TCG) is proud again to sponsor the 2019 NAMIC Property Casualty Compensation Survey. The survey is a valuable tool that allows companies to accurately evaluate their compensation levels to ensure that they are attracting and retaining the top talent available to them.

Unemployment continues to be at an historic low with a jobless rate of 3.7 percent, which marks a half-century low, according to the U. S. Bureau of Labor Statistics. The number of unemployed individuals remained unchanged at approximately 6.1 million; however, according to CNBC, economists continue to forecast that the jobless rate will shrink even further to 3.6 percent. While the economy is making modest gains, we are finding that many insurance companies, especially mutual organizations, are keeping their salary levels below their stock carrier competitors. All companies continue to be challenged not only to bring on new talent, but more importantly, to retain their current associates in order to maintain the organization's ongoing success.

With the war for talent still raging, we are seeing many companies get creative in finding ways to incent their current workforce. We are seeing more and more organizations offering flexible work schedules and the ability to work from home as a retention incentive. However, it still is critical for insurance companies to ensure that the compensation levels of their associates are staying current with the market demands.

TCG continues to believe that an employer will win with a proactive approach to retention versus being reactive. Are you considering creative methods to developing and incentivizing your employees? Some examples could include internship programs, mentoring, job shadowing, succession planning, retention bonuses at all levels, or flexible work environments (telecommute, work from home, part-time schedule) to allow for greater focus on work-life balance.

Also, we are finding that many small carriers who previously did not have incentive bonus programs are introducing them as an added incentive. These programs are typically based both on the profitability of the organization and also tied to individual performance. Additionally, we are seeing that more and more organizations are incorporating long-term incentive plans designed to be paid out over several years as an effective use of a retention strategy.

Another hiring trend we are beginning to see is companies giving serious consideration to hiring older workers. On average, the length of time an employee stays in a job is 4.6 years, according to a recent Economic News Release from the Bureau of Labor and Statistics. Knowing this, companies are beginning to realize that it is easier to attract a 58-year-old with a steady employment history than a 30-year-old "job hopper."



However, there are many companies that are still under the impression that they should hire younger employees with the longest runway in their careers, even though today's economy tells us differently. The truth is that the median tenure for workers ages 25 to 34 is 3.2 years as compared with the median tenure for employees ages 65 and over, which is 10.3 years.

Often times, these companies want to overlook the more tenured employee who can bring experience and demonstrated talent to their organizations and who will likely stay far longer than the "30-something" who has his or her sights on leaving as soon as a better opportunity comes along. These hiring leaders mistakenly believe that a younger employee will work for them longer.

The reality is that younger workers tend to change jobs every three to five years, seeking the reward of higher compensation and also gaining a broader base of skills. Many hiring leaders think that they can somehow encourage these younger workers to stay and are disappointed when they don't retain them. What's worse is, by focusing only on the younger workers in their candidate pools, they are inadvertently discriminating against the older workers.

The fact is that employees are working longer, and older workers (ages 65 and older) are the fastest-growing segment of the workforce. Employees currently in their late 40s or early 50s will likely work for another 20-plus years, especially since pensions are on the decline and people are needing to work longer in order to fund their eventual retirement.

Even with all these statistics, most companies have not changed their hiring practices and are losing out on some of the most talented workers available. The companies that recognize this shift in finding talent may be the ones who are able to obtain the best workers and experience the least amount of turnover.

In closing, as one of the premier executive search and consulting firms for the property/casualty industry, we are seeing that organizations who are creative in their hiring practices and prioritize their retention strategy are indeed winning in today's market.

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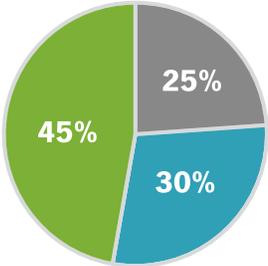


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McLagan is pleased to be partnering with NAMIC again in conducting this year's Property/Casualty Compensation Survey. The survey is comprehensive in scope covering the majority of roles within a carrier. Overall, approximately 120 companies participated in this year's survey, reporting pay data for more than 60,000 employees. The participants span a wide scale range and include both mutual and stock companies. Given the robust participation, we are able to deliver results that provide a thorough perspective on pay.

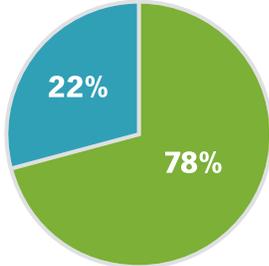
PARTICIPANT PROFILE:
DIRECT WRITTEN PREMIUMS (\$000'S)

- GREATER THAN \$750M
- \$250M TO \$750M
- LESS THAN \$250M



PARTICIPANT PROFILE:
OWNERSHIP

- STOCK
- MUTUAL



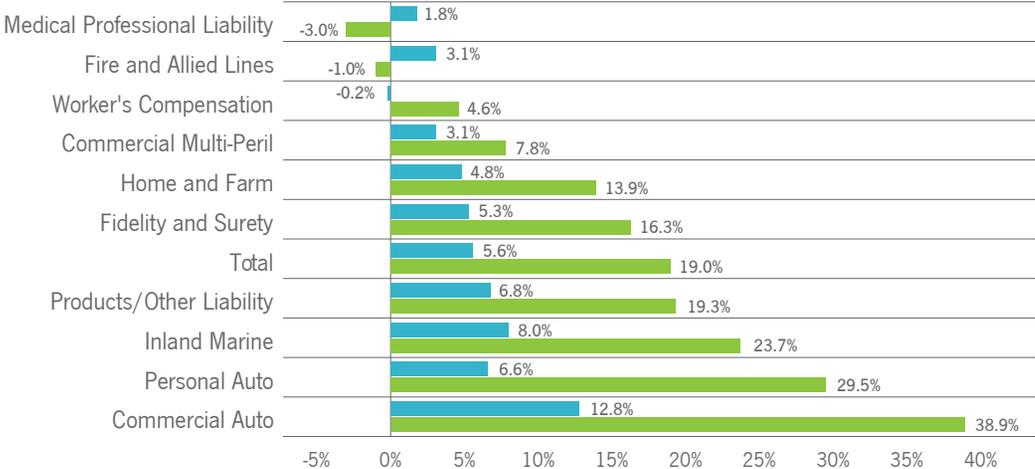
BROAD MARKET TRENDS

Coming off one of the highest combined ratio's in recent history, the US Property/Casualty Insurance industry experienced significant growth and lower losses in 2018 leading to a combined ratio of 99.6. Premium growth stayed positive in 2018, led by personal and commercial auto.

PARTICIPANT INDUSTRY COMPARISON

2017 DIRECT WRITTEN PREMIUM GROWTH

- 1 YEAR PREMIUM GROWTH
- 5 YEAR PREMIUM GROWTH



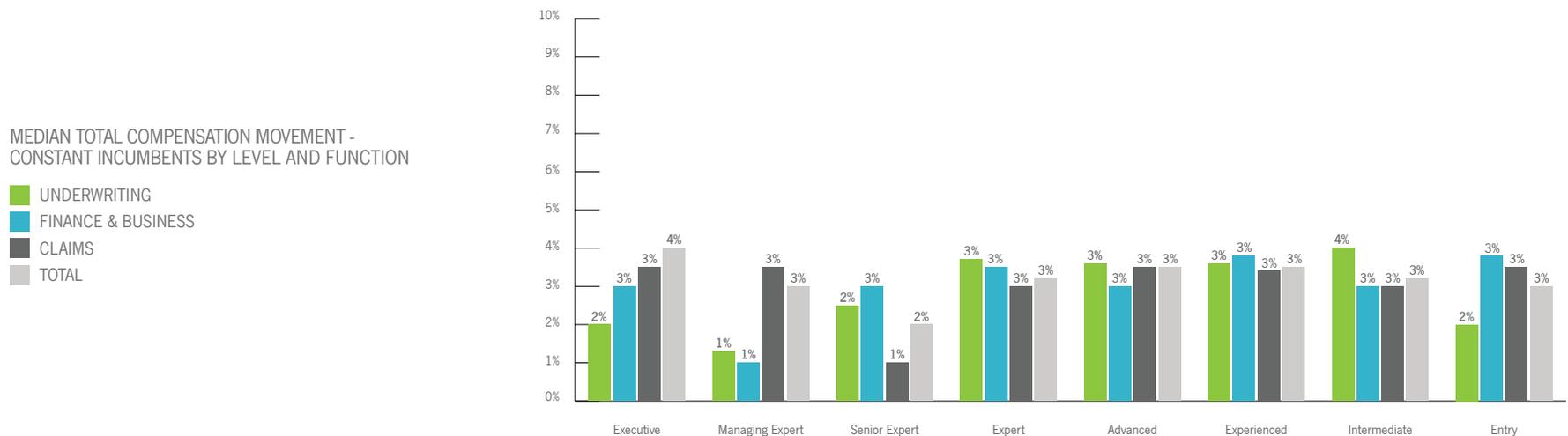
With the continued growth of insurtech and technological advancement in the industry, it is no surprise that Technology roles are indicated as both an area where firms anticipate hiring efforts to be directed moving forward as well as some of the most difficult roles to fill. Firms have indicated that technology is critical for future success, focusing on the development of customer-facing initiatives that improve awareness and accessibility for both existing policyholders and digital prospects as well as decision-oriented initiatives that offer faster, more effective pricing and operational efficiencies. To further these initiatives, new executive roles such as a Chief Customer Officer have begun to emerge.

PAY TRENDS

Given the continued improved business environment over the past few years, it is not surprising that pay increased in our survey data on a constant incumbent basis. When focusing on data from companies that participated in the survey for the past two years, almost all companies saw constant incumbent total pay increase, with the typical company having a total compensation advance of about 5 percent. Additionally, typical salary expense increased at a 3 percent rate. The following pages present graphs that illustrate statistics on constant incumbent pay movement for both select functions and job levels.

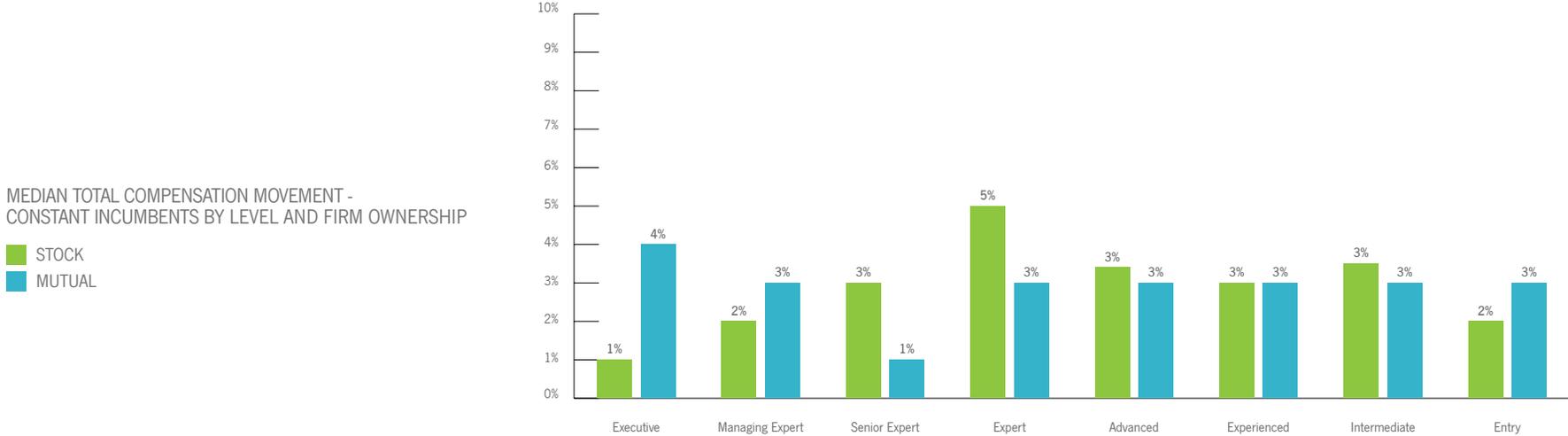
2017 TO 2018 TOTAL COMPENSATION MOVEMENT

Similar to prior years, a typical person in the property/casualty industry had their total compensation increase by 3 percent from 2017 to 2018. For individuals in most functions, the median increase in total compensation ranged from 3 percent to 4 percent. When looking at total compensation movement on a job level basis, there was not much pay movement variation across levels, with virtually all levels experiencing a median total compensation increase of 3 percent.



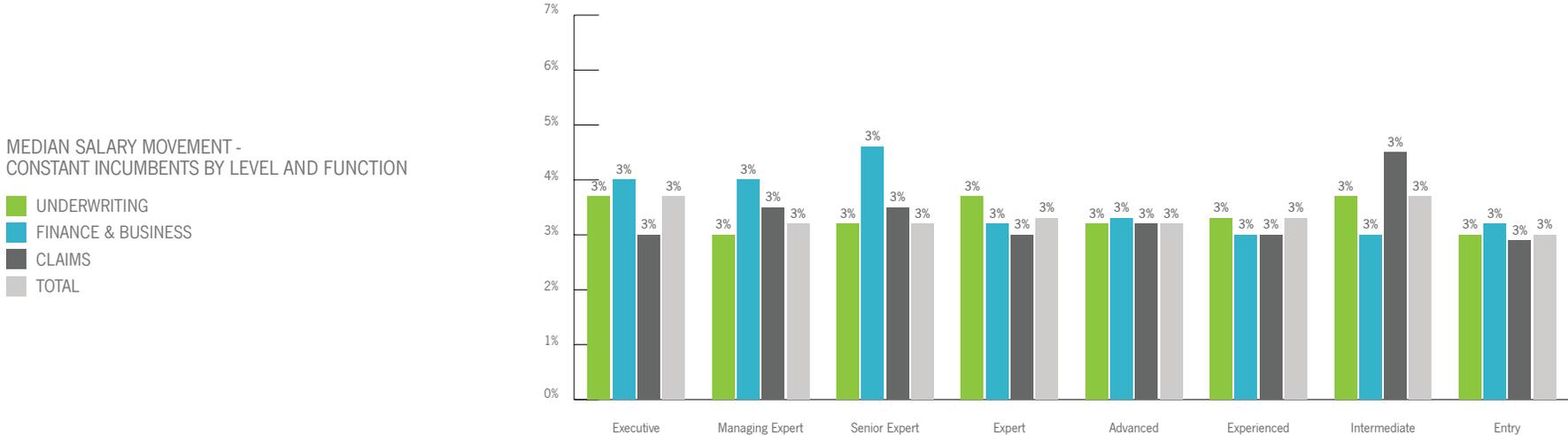
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When looking at total compensation movement by firm ownership, both stock and mutual companies experienced a median total compensation movement of 3 percent, with some variation.

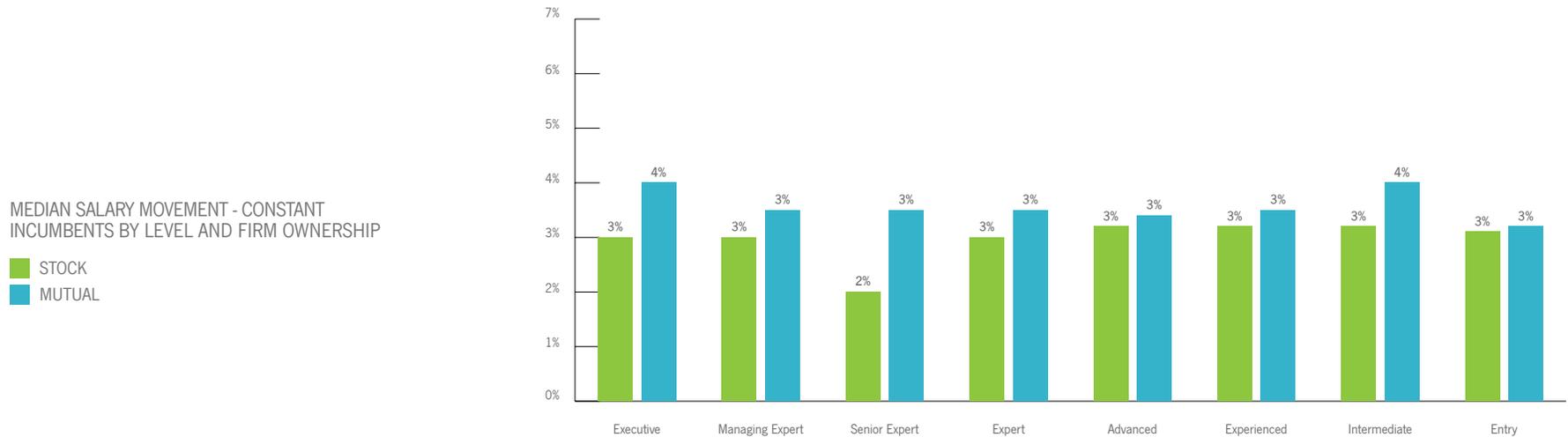


2018 TO 2019 SALARY MOVEMENT

Not straying from the trend we have seen in recent years, companies increased salary expense in 2019 by about 3 percent. Salary movement was relatively consistent across all levels, with most functions experiencing median increases of about 3 percent and high quartile increases ranging from 4 percent to 6 percent.



When looking at salary movement by firm ownership, the story remains the same with both mutual and stock companies experiencing a typical median increase of 3 percent.



2019 U.S. EXPLANATION OF SURVEY FORMAT

Compensation levels for each of the positions covered by this year’s survey are summarized on exhibits presenting separate data on salaries, bonuses, total cash incentives, total cash compensation, long-term/deferred awards, and total compensation. Summary statistics for each element of pay are calculated independently; (i.e., they are not necessarily paid by the same organization and when added together typically will not equal total compensation).

Exhibit I contains a sample of a survey results page. Each survey results page in the report covers a single survey position, a combination of specializations at one position level, or a composite of two position levels. For some surveys, specializations for a position level are shown on a summary page covering 2019 salary, 2018 total cash and 2018 total compensation levels (shown in Exhibit II).

All survey results also include access to McLaganLive (ml.aon.com). Exhibit III provides a brief overview of the interactive applications that are included with your results. Please reach out to us with any questions on McLaganLive or if you are interested in a training session.

All data element names and definitions can be found in the 2019 Global Compensation Survey Data Collection Guide. The guide can be found on the Client Portal homepage at <https://mclaganonline.com> under “Reference Materials” on the home page.

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Commonly used data elements in the PDF, Excel, and CSV results include:

ELEMENT NAME	DEFINITION
2018 SALARY	Annual salary rate as of July 1, 2018
2018 TARGET BONUS	The established target bonus for employees for the 2018 performance year
2018 CASH BONUS	Total bonus earned for 2018 full-year performance whether paid during or after fiscal year - data provided includes all individuals eligible for a bonus, including those who were eligible but did not receive an award
2018 COMMISSION	Total commission earned for 2018 full-year performance whether paid during or after fiscal year
2018 TOTAL CASH	The summation of 2018 Salary, 2018 Cash Bonus, 2018 Commission, and other cash awards for 2018 full-year performance
2018 LONG-TERM / DEFERRED AWARDS	The summation of all long-term / deferred awards (restricted stock, options, deferred cash, etc.) earned for full-year 2018 performance whether paid during or after fiscal year
2018 TOTAL INCENTIVES	The summation of 2018 Cash Bonus, 2018 Commissions, and 2018 Long-Term / Deferred Awards earned for full-year 2018 performance whether paid during or after fiscal year
2018 TOTAL COMPENSATION	The summation of 2018 Salary, 2018 Bonus, 2018 Commission, and 2018 Long-Term / Deferred Awards earned for full-year 2018 performance
2019 SALARY	Annual salary rate as of April 1, 2019 or most recent salary review in 2019
2019 TARGET BONUS	The established target bonus for employees for the 2019 performance year

CONFIDENTIALITY OF DATA

In order to maintain confidentiality, the amount of data printed in the exhibits may be limited. The below table summarizes suppression statistics that are in place to protect the confidentiality of the data.

	STATISTIC	DEFINITION	DATA SUPPRESSION REQUIREMENTS	
			UNITED STATES	NON – UNITED STATES
EMPLOYEE-WEIGHTED	10TH PERCENTILE (10 TH %ILE)	Amount below which 10% of all employees are paid	5 firms with a total of at least 25 employees	4 firms with at total of at least 25 employees
	LOW QUARTILE (25 TH %ILE)	Amount below which 25% of all employees are paid	5 firms with a total of at least 9 employees	4 firms with a total of at least 9 employees
	MEDIAN (50 TH %ILE)	Amount above which and below which 50% of all employees are paid	5 firms with at least 1 employee each	4 firms with at least 1 employee each
	HIGH QUARTILE (75 TH %ILE)	Amount above which 25% of all employees are paid	5 firms with a total of at least 9 employees	4 firms with a total of at least 9 employees
	90TH PERCENTILE (90 TH %ILE)	Amount above which 10% of all employees are paid	5 firms with a total of at least 25 employees	4 firms with at total of at least 25 employees
	AVERAGE	Average of all employees paid	5 firms with at least 1 employee each	4 firms with at least 1 employee each
FIRM-WEIGHTED	MEDIAN OF MEDIANS	Median of each firms' median pay level	5 firms with at least 1 employee each	4 firms with at least 1 employee each
	3 RD HIGHEST MEDIAN	The third highest firm's median	6 firms with at least 1 employee each	6 firms with at least 1 employee each
	MEDIAN RANK	Rank of individual firm's median vs. other firms' medians	5 firms with at least 1 employee each	4 firms with at least 1 employee each
DISTRIBUTIONS	DATA ELEMENT DISTRIBUTIONS	Report page exhibit indicating compensation element distribution by employee at various break points	5 firms with a total of at least 9 employees	4 firms with a total of at least 9 employees

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EXHIBIT I: SAMPLE SURVEY RESULTS

Single Job Pages appear in the PDF report after the management summary

Each individual job has a page outlining the pay levels, pay distributions, and selected data analytics for both the firm and the market

The output maintains the McLagan heritage format but provides substantially improved data visualizations

The output contain graphical analytics indicating distributions, visualizing variances, employee quartile positioning, and aggregated mix of pay analysis

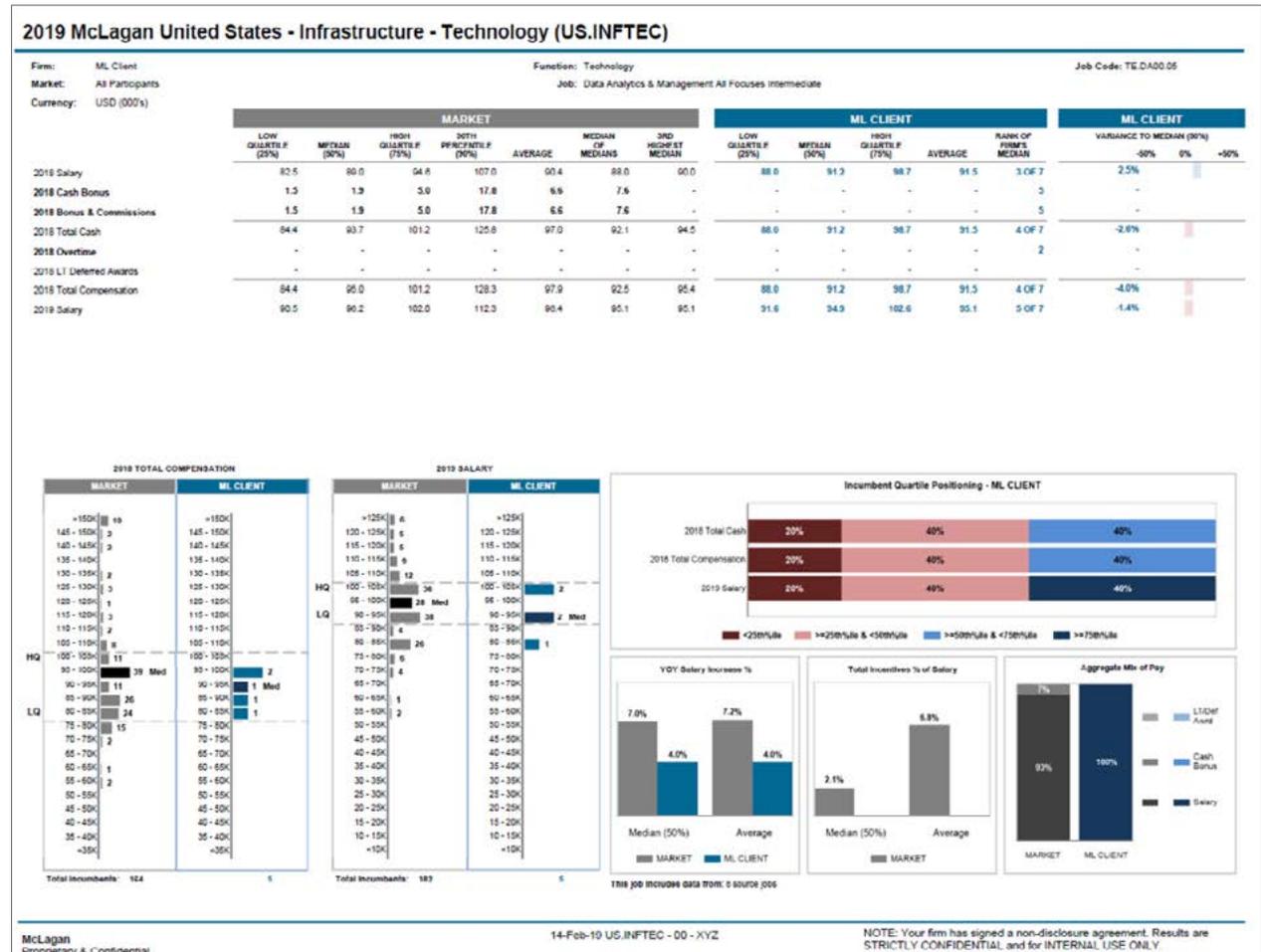


EXHIBIT II: SAMPLE SURVEY RESULTS (PAGE 2)

The Secondary Job Page provides additional detail for any individual jobs within a “rollup” as well as scoped data by firm size (Direct Written Premium volume), firm type (Stock vs. Mutual) and employee location

The integrated market variances for each job across key compensation elements provides quick insights on your firm’s market competitiveness

2019 McLagan United States - Infrastructure - Technology (US.INFTEC)																
Firm: ML Client		Function: Technology										Job Code: TE.ACD00.00				
Market: All Participants		Job: Application Development & Support All Focuses Experienced														
Currency: USD (000's)																
		2018 TOTAL CASH					2018 TOTAL COMPENSATION					2019 SALARY				
		MARKET		ML CLIENT			MARKET		ML CLIENT			MARKET		ML CLIENT		
# FIRMS	# INCS	LOW QUANTILE (25%)	MEDIAN (50%)	HIGH QUANTILE (75%)	MEDIAN (50%)	LOW QUANTILE (25%)	MEDIAN (50%)	HIGH QUANTILE (75%)	MEDIAN (50%)	VARIANCE TO MEDIAN -20% 0% 20%	LOW QUANTILE (25%)	MEDIAN (50%)	HIGH QUANTILE (75%)	MEDIAN (50%)	VARIANCE TO MEDIAN -20% 0% 20%	
Application Development & Support All Focuses Expe																
TE.ACD0.00 - Application Development & Support All Focuses E		10	2280	100.0	118.3	131.4	41.1		107.0	118.5	131.9	41.1		103.5	113.4	120.1
TE.ACAD.00 - Application Development & Support Application D		0	470	100.0	125.9	167.5	40.1		107.0	126.0	169.3	40.1		96.0	112.7	137.2
TE.ADAM.00 - Application Development & Support Application M		-	-	-	-	-	42.1		-	-	-	42.1		-	-	-
TE.ADBD.00 - Application Development & Support Back-Office A		-	-	-	-	-	33.9		-	-	-	33.9		-	-	-
TE.ADBM.00 - Application Development & Support Back-Office A		-	-	-	-	-	42.7		-	-	-	42.7		-	-	-
TE.ADCD.00 - Application Development & Support Cloud Comput		-	-	-	-	-	43.7		-	-	-	43.7		-	-	-
TE.ADFA.00 - Application Development & Support Front-Office		5	1008	100.0	116.4	127.0	33.7		106.0	116.4	127.0	33.7		104.5	112.8	122.2
TE.ADFM.00 - Application Development & Support Front-Office		-	-	-	-	-	42.3		-	-	-	42.3		-	-	-
TE.ADIR.00 - Application Development & Support Investment &		-	-	-	-	-	42.2		-	-	-	42.2		-	-	-
TE.ADIRT.00 - Application Development & Support Risk Technolo		-	-	-	-	-	44.0		-	-	-	44.0		-	-	-
TE.AIVM.00 - Application Development & Support Web / Mobile		-	-	-	-	-	37.7		-	-	-	37.7		-	-	-
By Incumbent Location																
Metro New York		8	150	113.7	124.8	137.3	-		113.7	124.8	137.3	-		107.0	121.8	136.5
Major Metro		7	1034	111.9	124.7	143.4	-		112.4	123.6	143.5	-		110.4	120.7	131.8
All Other		7	1000	101.8	112.2	122.3	-		101.8	112.2	122.4	-		96.7	106.8	115.9
Manager or Individual Contributor																
Individual Contributor		-	-	-	-	-	-		-	-	-	-		-	-	-
Manager		-	-	-	-	-	-		-	-	-	-		-	-	-

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Proprietary & Confidential

14-Feb-19 US.INFTEC - 00 - XYZ

NOTE: Your firm has signed a non-disclosure agreement. Results are STRICTLY CONFIDENTIAL and for INTERNAL USE ONLY.

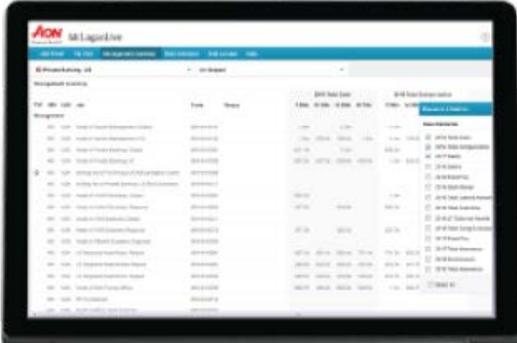
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EXHIBIT III: MCLAGANLIVE OVERVIEW

McLaganLive delivers functionality through apps, **allowing you to quickly access Ward Group data** for key business insights at the speed you need.



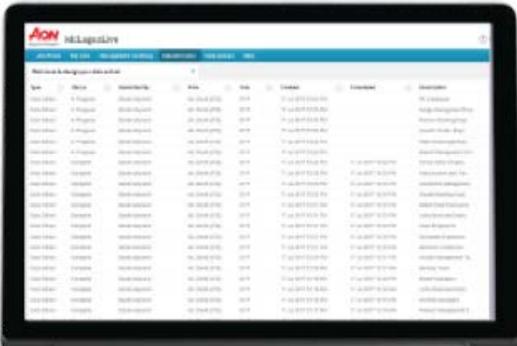
JOB PRICER
Access detailed compensation benchmark data for an individual position.



MANAGEMENT SUMMARY
Build custom reports to evaluate your firm's competitive positioning.



PAY CALC
Model individual pay levels and pay mix with market context for key talent.



DATA EXTRACTOR
Create custom Excel reports that span business areas and regions



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NATIONAL ASSOCIATION OF
MUTUAL INSURANCE COMPANIES



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