

# 2017

## NAMIC PROPERTY/CASUALTY COMPENSATION SURVEY

COMPILED BY WARD GROUP

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Insurance Talent

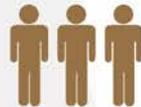
**JACOBSON**



Geographic  
Region



Firm Size  
Premium Scales



1500  
Job Titles



Salary  
Total Compensation



Benefits  
Incentives



Pay For Performance  
Performance Metric

**NAMIC**<sup>®</sup>  
NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES

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The Jacobson Group is the leading global provider of insurance talent. For 45 years, we have been connecting insurance organizations with professionals from the board room to the back room on both a permanent and temporary basis. We offer a variety of solutions including executive search, professional recruiting, emerging talent, RPO, temporary staffing, subject matter experts, and onsite and work-at-home operations support.

Jacobson's marketplace longevity creates an extensive industry network, a unique insider's perspective and a reputation for excellence. Regardless of the need or situation, Jacobson is the insurance talent solution.

For more information, visit [www.jacobsononline.com](http://www.jacobsononline.com).

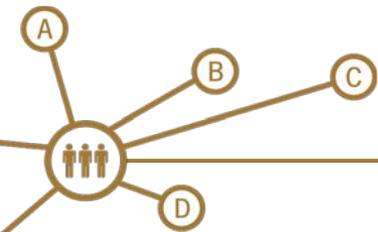
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Ward Group, a part of Aon plc (NYSE: AON), is the leading provider of benchmarking and best practices studies for the insurance industry. We analyze staff levels, compensation, business practices and expenses for all areas of company operations and help insurers to measure results compared to peer groups, optimize performance and improve profitability. Since 1991, we have performed more than 2,500 operational and compensation benchmarking exercises for companies of all sizes, including more than half of the top 100 U.S. insurance carriers.

For more information, please visit [www.wardinc.com](http://www.wardinc.com).



# NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES



NAMIC is the largest property/casualty insurance trade association in the country, with more than 1,400 member companies representing 39 percent of the total market. 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 more than 170 million policyholders and write more than \$230 billion in annual premiums. Our members account for 54 percent of homeowners, 43 percent of automobile, and 32 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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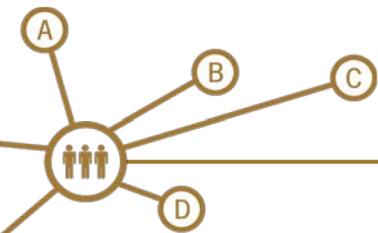
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# 2017 PROPERTY/CASUALTY COMPENSATION SURVEY

**THE INSURANCE INDUSTRY HAS A NEW NORMAL.** Long viewed as a dormant segment of the financial services industry lagging in technology and advancement, insurance is experiencing a rebirth and is at the onset of momentous transformation. Existing trends are accelerating and these new developments are irreversibly changing the workforce. The future of work is increasingly complex, cutting-edge and markedly different.

Innovation is rapidly redefining how the industry does business and even how insurers think about talent. Only those organizations that are ready and willing to embrace these emerging developments will be able to get ahead in today's new innovative business reality and successfully compete in the evolving labor market.

## “INNOVATE OR DIE”

No longer just an adage, insurers who fail to embrace innovation and its potential are likely to fall behind. Rapid technological advancements, continued globalization, new regulations, evolving consumer demands and emerging disruption are driving innovation as an industry mandate. Digitalization and the Internet of Things are bringing about significant change and dramatic transformation.

In order to thrive in this new business reality, we—as an industry—must change the way we think about and react to these changes. Faced with increased pressure to innovate and adapt, insurers must embrace a mindset of constant evolution.



# 2017 PROPERTY/CASUALTY COMPENSATION SURVEY

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## INNOVATION-DRIVEN TALENT

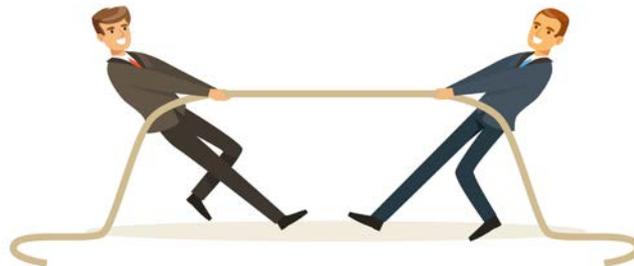
Cutting-edge insurance organizations recognize that innovation is the key to unlocking success in today's rapidly evolving business world. The first step toward building a culture that supports and grows innovation is to attract and build teams of highly-creative, multi-generational and adaptable professionals. This includes developing and engaging agile leaders who are versatile, self-aware, curious, networked and collaborative. They are able to inspire, manage complexity and develop a culture that is conducive to success in a rapidly changing environment.

However, insurance is not the only industry seeking these talented individuals—organizations continue to compete against a number of industries that have more enticing public images and employment brands. As a result, attracting and engaging talent with the critical, in-demand skills needed is increasingly challenging and, for some, daunting.

Fortunately, innovation may be the catalyst the industry needs in its current “war for talent.” In fact, an innovative culture is an engaged culture. Today's professionals—particularly Millennials and Gen Zers—seek job opportunities that place them at the forefront of change. The advancements and transformations being introduced within the industry are exciting, new, and, in many cases, groundbreaking. By promoting its involvement with these leading-edge innovations, insurers stand ready to infuse energy into the industry and revive its talent outreach.

As the competition for innovative, adaptable and talented professionals escalates, compensation remains a critical component in standing apart from the crowd. More and more, professionals are taking a look at the wider compensation picture and considering the “hidden paycheck” of employee benefits and lifestyle perks. Flexible scheduling, incentive programs and professional development opportunities are all becoming vital additions to add high touch value to compensation packages. With a view toward attracting adaptable, creative-thinking talent, promoting an organizational “open door” policy, highlighting a “safe-to-fail” culture and endorsing creativity will demonstrate a company that “walks the innovative talk.” This is key to differentiating your organization from the competition both inside and outside the industry.

The Jacobson Group is honored to sponsor the 2017 NAMIC Property/Casualty Compensation Survey. This insider lens into industry best practices provides insurers with the ability to develop a strategy and framework for competitive compensation. Amid today's rapidly changing, innovative-driven business environment, disrupting the status quo in all business practices, including compensation philosophy, is critical. Innovative insurers will adapt their mindset and methodology to embrace the new practices and the new normal.

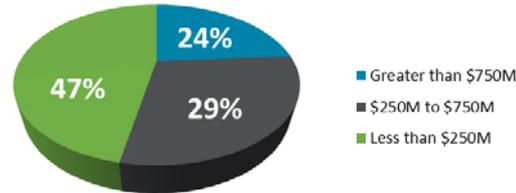


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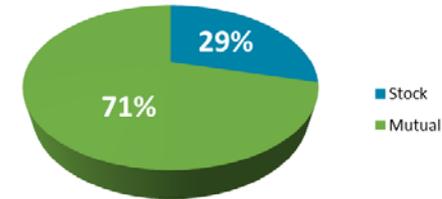
Ward Group is pleased to partner with NAMIC and The Jacobson Group in conducting this year's Property/Casualty Compensation Survey. The survey is comprehensive in scope covering the majority of roles within a carrier. Overall, 135 companies participated in this year's survey, reporting pay data for more than 45,000 employees. The participants spanned a wide scale range and included both mutual and stock companies. Given the robust participation, we were able to deliver results that provide a thorough perspective on pay.

## PARTICIPANT PROFILE

**Direct Written Premiums (\$000's)**



**Ownership**

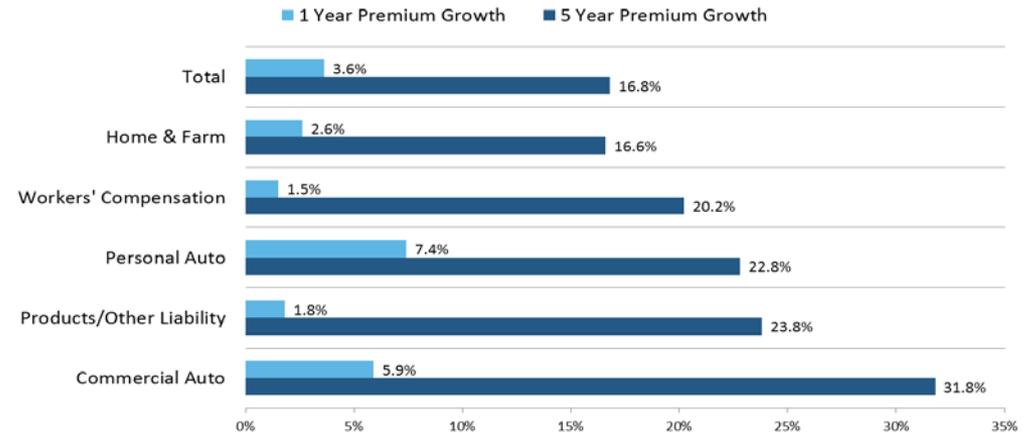


## BROAD MARKET TRENDS

After three consecutive years of underwriting profitability in the insurance industry, combined ratio performance was 100.5 for 2016. Additionally, there was a slight growth in surplus in 2016 relative to 2015. Similar to the past few years, expense management poses one of the greater challenges to the industry as total expenses remained around 40% and it becomes more and more important to reduce costs.

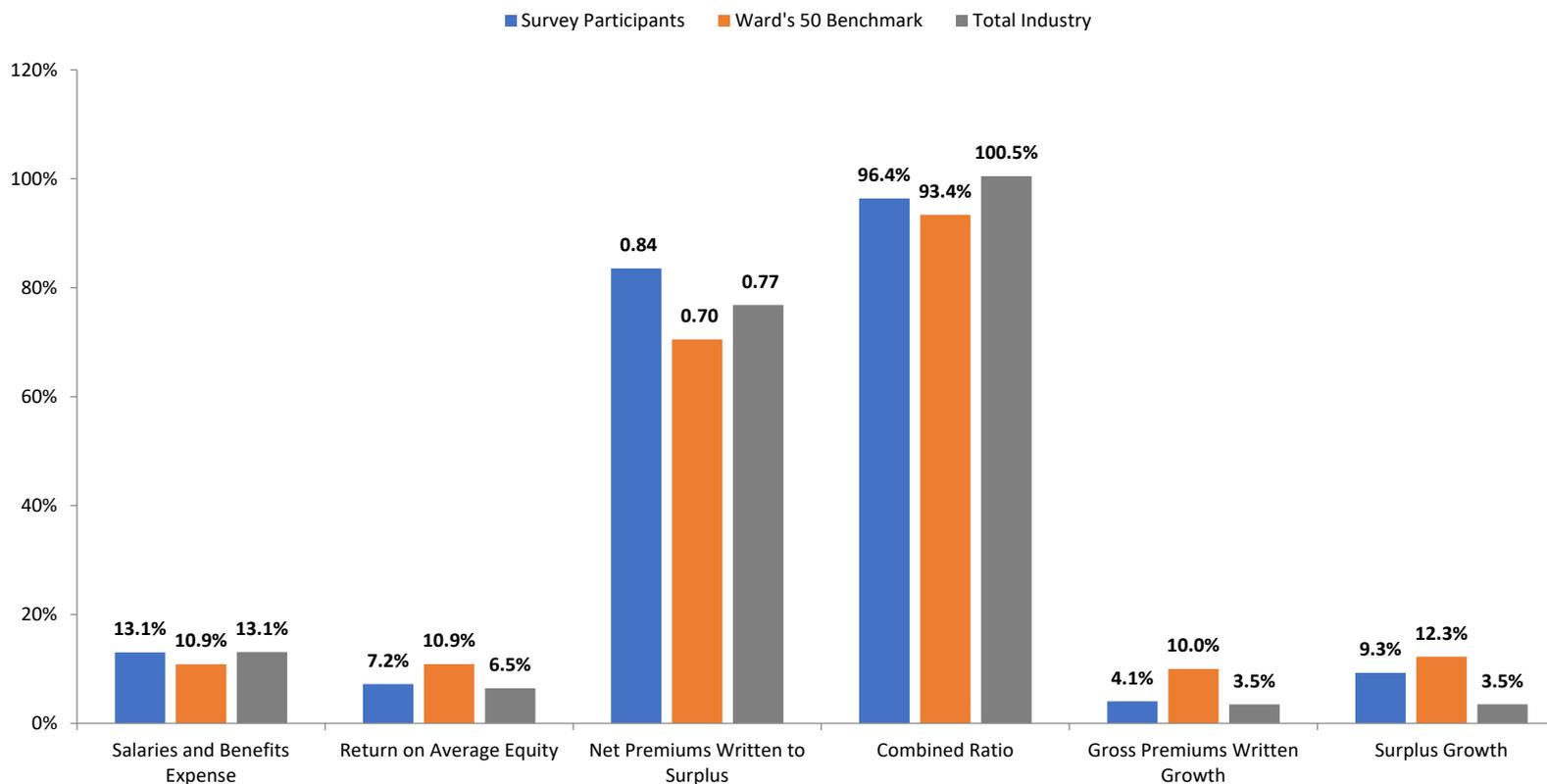
Given the continued improved business environment over the past few years, it is not surprising that pay increased in our survey data on a constant incumbent basis. When focusing on data from companies that participated in the survey for the past two years, almost all companies saw constant incumbent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

## 2016 DIRECT WRITTEN PREMIUM GROWTH



## PARTICIPANT INDUSTRY COMPARISON

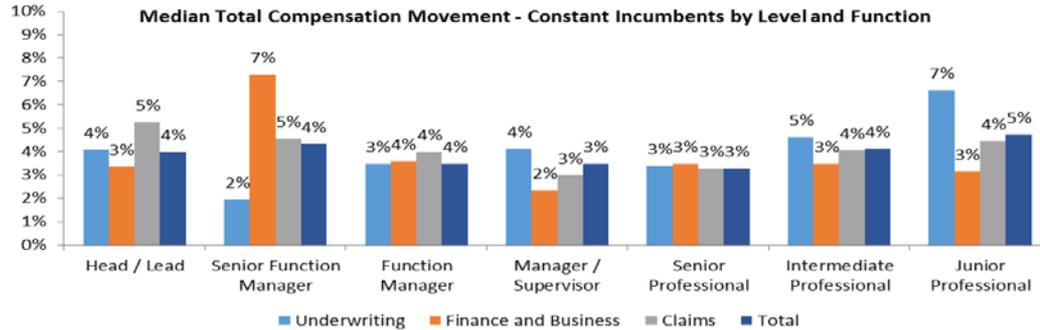
An important aspect of comparing compensation levels is measuring the financial performance of the company relative to pay. 113 of the survey participants submitted 2016 statutory filings which were used to provide comparisons of the group relative to the industry and the Ward's 50 benchmark companies. As a whole, the participant group had a slightly higher leverage ratio (net premiums to surplus) but outperformed the industry in several measures, including statutory return on equity, combined ratio, growth in gross premiums written and growth in surplus. Overall salaries and benefits costs as a percent of net premiums written were equal to the industry average. The following illustrates these key measures:



# 2017 PROPERTY/CASUALTY COMPENSATION SURVEY

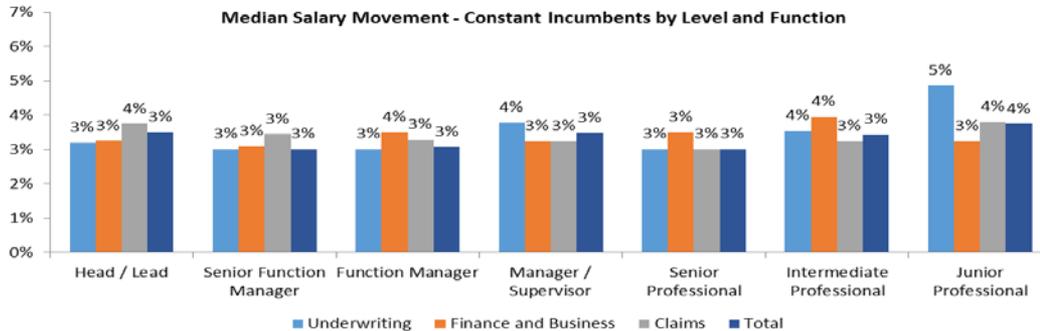
## 2015 TO 2016 TOTAL COMPENSATION MOVEMENT

A typical person in the property/casualty industry had their total compensation increase by 4% from 2015 to 2016. For individuals in most functions, the median increase in total compensation ranged from 3% to 5%, with a typical advance of 4%. When examining pay movement on a job level basis, senior management and junior professionals experienced the most pay movement variation, with a median total compensation increase of 4% and 5% respectively and a high quartile increase of 13% and 11% respectively.



## 2016 TO 2017 SALARY MOVEMENT

Similar to what we have seen in the past few years since the economic downturn, companies increased salary expense in 2016 by about 3%. Junior Professionals experienced the largest movement in salary expense with median and high quartile increases of 4% and 8% respectively. The remainder of the levels experienced relatively consistent increases with all functions experiencing median increases of about 3% and high quartile increases ranging from 4% to 6%.



# 2017 U.S. EXPLANATION OF SURVEY FORMAT

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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 2017 salary, 2016 total cash and 2016 total compensation levels.

All data element names and definitions can be found in the 2017 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.

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

- **2016 Salary:** Annual salary rate as of July 1, 2016. Data is reflective of full-time equivalents and is reported on an annual basis.
- **2016 Cash Bonus:** All cash payments related to 2016 performance year incentive plans (whether paid in 2016 or 2017). Cash Bonus also includes equity or deferred cash awards that vest immediately or within the calendar year that they were granted. Includes deferrals that have a vesting period of less than one year (i.e., 3- or 6-month vesting periods). May be referred to at some firms as their upfront deferral. Prior year deferrals paid out in 2016 and recent long-term incentive grants (e.g., stock, options, mandatory cash deferrals) are excluded. Statistics include all individuals eligible for a bonus, whether or not they actually received a bonus for 2016 performance. Statistics on bonus levels exclude individuals who were ineligible for a bonus.
- **2016 Commissions:** Commissions earned for 2016 performance, whether paid in 2016 or early 2017 (shown only in applicable surveys). Statistics on commission levels exclude individuals who did not receive commissions.
- **2016 Total Cash Incentives:** The sum of cash bonus, cash performance fees, and commissions (shown separately in applicable surveys).
- **2016 Total Cash:** The sum of 2016 salary, cash bonus, cash performance fees, and commissions.
- **2016 Overtime:** Overtime paid in 2016.
- **2016 Long-Term/Deferred Awards:** Long-term awards is the calculated summation of all applicable compensation elements: deferred cash, options, restricted shares/units, performance vested awards, (both mandatory deferral and add-on LTIP), and other awards.
- **2016 Total Compensation:** Total compensation is the sum of all applicable compensation elements: salary, cash incentives, long-term/deferred incentives, overtime, etc.
- **2017 Salary:** Annual salary rate as of the most recent salary review (typically March/April 1, 2017) for the incumbent. Data is reflective of full-time equivalents and is reported on an annual basis.



# 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
INCUMBENT-WEIGHTED	<b>Low Quartile (25<sup>th</sup>%)</b>	Amount above which 75% of all incumbents are paid.	5 organizations (including your Firm) with a total of at least 9 incumbents.
	<b>Median (50<sup>th</sup>%)</b>	Amount above which and below which 50% of all incumbents are paid.	5 organizations (including your Firm) reporting at least 1 incumbent each.
	<b>High Quartile (75<sup>th</sup>%)</b>	Amount below which 75% of all incumbents are paid.	5 organizations (including your Firm) with a total of at least 9 incumbents.
	<b>90<sup>th</sup> Percentile</b>	Amount above which 10% of all incumbents are paid.	5 organizations with a total of at least 25 incumbents.
	<b>Average</b>	Average of all individuals' pay - cash bonus stats are based only on bonus-eligible incumbents.	5 organizations reporting at least 1 incumbent each.
FIRM-WEIGHTED	<b>Median of Medians</b>	Median of all organizations' median pay level.	5 organizations reporting at least 1 incumbent each.
	<b>3<sup>rd</sup> High Median</b>	The third highest paying organization's median.	6 organizations reporting at least 1 incumbent each.
	<b>Median Rank</b>	Rank of individual organization's median vs. other organizations' medians.	5 organizations reporting at least 1 incumbent.
	<b>Distribution</b>	Basic page exhibit - shows compensation distribution at various breakpoints.	5 organizations with a total of at least 9 incumbents.



# EXHIBIT 1: SAMPLE SURVEY RESULTS (PAGE 1)

The “basic” pages in the PDF binder contain market data, distributions, and data analysis by position.

## 2017 McLagan Property & Casualty Insurance - US (PCU)

Firm: All Participants  
 Market: (000's)  
 Function: Underwriting  
 Position: Intermediate Professional Desk Underwriting All Business Lines  
 Position Code: PCU-BU-00DF

The job code and associated text is listed at the top of the page. If it is a roll-up, you can view all jobs included in the bottom-right corner.

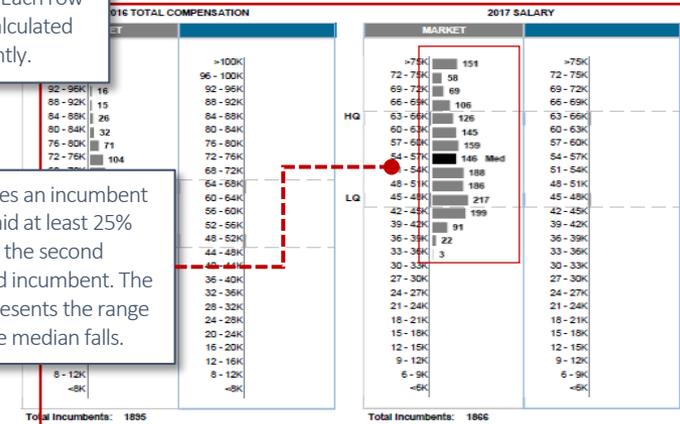
Firm data will appear here if data was submitted to this position.

	MARKET							MARKET					RANK OF FIRM'S MEDIAN	VARIANCE TO MEDIAN (60%)	
	LOW QUARTILE (25%)	MEDIAN (60%)	HIGH QUARTILE (75%)	TOP DECILE (90%)	AVERAGE	MEDIAN OF MEDIANS	3RD HIGHEST MEDIAN	LOW QUARTILE (25%)	MEDIAN (60%)	HIGH QUARTILE (75%)	AVERAGE	-60%		0%	
2016 Sal	45.6	52.0	61.4	70.2	54.5	57.5	76.0	-	-	-	-	75	-	-	
2016 Cash	2.5	4.1	6.6	9.8	4.8	3.2	9.2	-	-	-	-	65	-	-	
2016 Total Compensation	4.0%	7.0%	10.0%	12.8%	7.6%	9.5%	15.0%	-	-	-	-	40	-	-	
2017 Sal	49.1	56.2	66.2	75.4	58.7	59.9	80.5	-	-	-	-	75	-	-	
2017 Cash	-	-	-	-	-	-	-	-	-	-	-	2	-	-	
2017 Total Compensation	2.5	4.1	6.6	9.8	4.8	3.2	9.2	-	-	-	-	65	-	-	
2018 Sal	47.0	54.4	64.1	73.1	56.7	59.7	76.0	-	-	-	-	75	-	-	
2018 Cash	4.0%	7.0%	10.0%	12.8%	7.5%	8.5%	15.0%	-	-	-	-	34	-	-	
2018 Total Compensation	55.0	65.8	76.5	86.2	66.6	66.3	79.1	-	-	-	-	34	-	-	

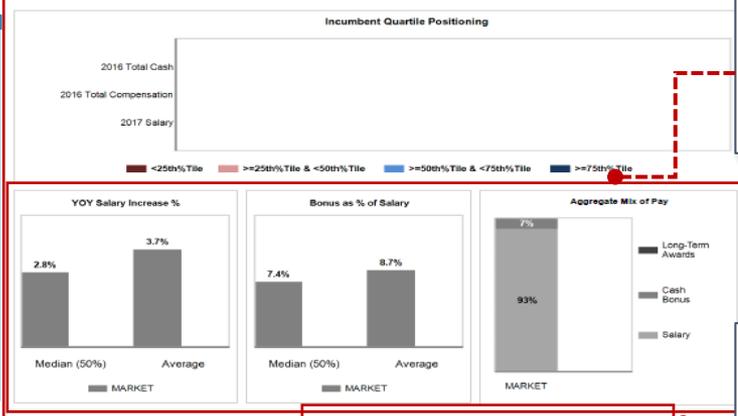
Numbers shown are the number of firms in the market with each data element for that job. When firm data is included, MEDIAN RANK will show your firm's median vs. medians of all organizations.

The market data for each data element is listed here. Each row of data is calculated independently.

A “+” signifies an incumbent who was paid at least 25% higher than the second highest-paid incumbent. The “Med” represents the range at which the median falls.



The data analysis box includes calculations for the market (and firm, if applicable) on varying data elements.



The bottom-right corner shows all of the job codes included in the data for this page. If it is a roll-up, more than one job will be listed.

McLagan  
 Proprietary & Confidential

02-May-17 - PCU - 00 - 000

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



# EXHIBIT 1: SAMPLE SURVEY RESULTS (PAGE 2)

The “scope” pages in the PDF binder contain the same total cash, total compensation, and current year salary market data from the basic pages along with scoped cuts of the data by position, location, direct written premium size, and firm ownership type (i.e. stock or mutual).

## 2017 McLagan Property & Casualty Insurance - US (PCU)

Firm: All Participants  
 Market: All Participants  
 Currency: USD (000's)

Function: Underwriting  
 Position:

Position Code: PCU-BU-00DF

All jobs included in the roll-up are listed here. The base job is always first.

### Underwriting

- Int. Professional Desk Underwriting All Lines
  - PCU-BU-00DF - Int. Professional Desk Underwriting All Lines
  - PCU-BU-CLDF - Int. Professional Desk Underwriting CL
  - PCU-BU-PCDF - Int. Professional Desk Underwriting P&C
  - PCU-BU-PLDF - Int. Professional Desk Underwriting PL
  - PCU-BU-SPDF - Int. Professional Desk Underwriting Specialty
  - PCU-BU-WCDF - Int. Professional Desk Underwriting WC

### By Incumbent Location

- Northeast
- Middle Atlantic
- Southeast
- Midwest
- Southwest
- Mountain Pacific

### Direct Written Premium

- Less than \$250 Million
- \$250 to \$750 Million
- Over \$750 Million

### By Firm Type

- Stock
- Mutual

Scoped data (by region, direct written premium, and firm type) will be provided below.

MARKET		2016 TOTAL CASH					2016 TOTAL COMPENSATION					2017 SALARY				
# FIRMS	# INCS	LOW QUARTILE (25%)	MEDIAN (50%)	HIGH QUARTILE (75%)	MEDIAN (50%)	VARIANCE TO MEDIAN (-50% 0% 50%)	LOW QUARTILE (25%)	MEDIAN (50%)	HIGH QUARTILE (75%)	MEDIAN (50%)	VARIANCE TO MEDIAN (-50% 0% 50%)	LOW QUARTILE (25%)	MEDIAN (50%)	HIGH QUARTILE (75%)	MEDIAN (50%)	VARIANCE TO MEDIAN (-50% 0% 50%)
		49.1	56.2	66.2	-		49.6	56.8	66.3	-		47.0	54.4	64.1	-	
		50.8	57.9	69.0	-		51.0	58.3	69.0	-		48.0	56.0	66.2	-	
		47.3	54.5	62.3	-		48.5	54.7	62.6	-		45.4	53.0	61.2	-	
		46.0	51.7	59.3	-		46.5	52.3	59.9	-		44.9	49.4	56.1	-	
		56.0	64.7	74.4	-		56.0	65.5	74.6	-		55.1	62.7	70.7	-	
		57.8	66.7	71.4	-		57.8	66.7	71.4	-		57.0	62.0	69.5	-	
		48.0	55.6	64.8	-		48.8	56.8	64.8	-		50.0	56.1	65.3	-	
		54.3	65.0	73.6	-		54.3	65.0	73.8	-		55.7	63.6	71.2	-	
		49.4	55.7	63.8	-		49.6	55.7	63.8	-		45.8	52.0	60.5	-	
		48.3	55.5	65.2	-		48.6	55.7	65.3	-		45.3	52.7	62.7	-	
		48.0	55.1	64.4	-		49.8	55.6	64.9	-		47.7	55.0	62.3	-	
		50.3	57.9	67.8	-		51.8	58.6	68.2	-		48.1	55.1	64.3	-	
		48.8	56.0	64.0	-		49.2	56.7	64.3	-		48.0	55.0	62.8	-	
		52.4	60.5	68.5	-		52.8	60.8	68.5	-		52.2	60.0	66.7	-	
		48.7	55.6	65.8	-		49.3	55.8	66.0	-		46.4	53.0	62.8	-	
		51.6	60.8	72.2	-		52.8	61.4	72.5	-		50.7	59.9	69.2	-	
		48.5	55.4	64.5	-		49.1	55.7	64.8	-		46.5	53.0	62.2	-	

The total number of incumbents and total number of firms matched to each scoped role is listed here.

