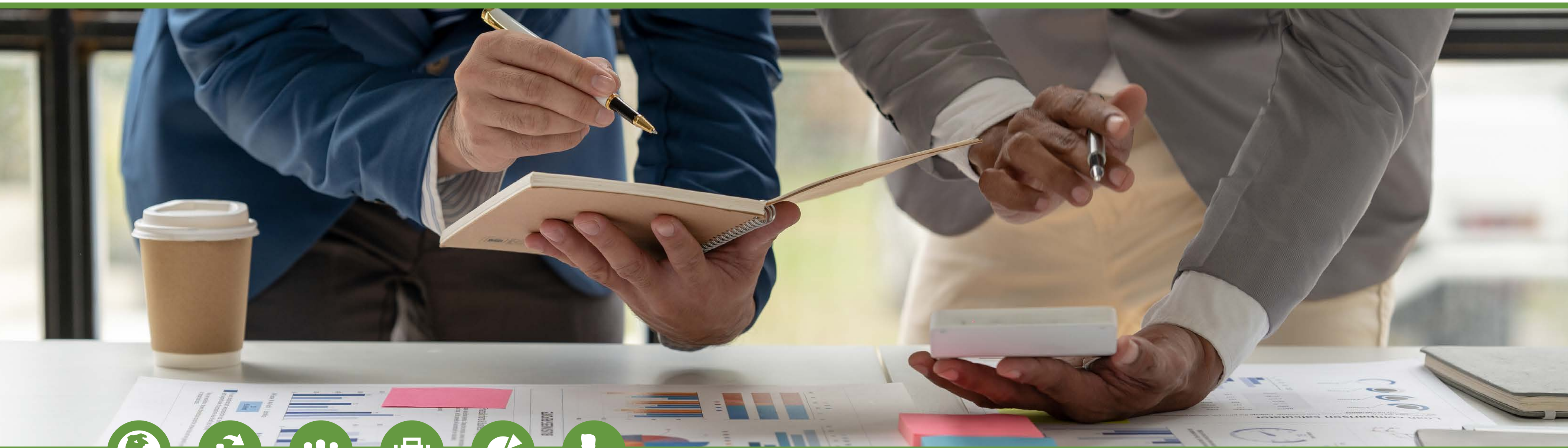
NAMIC BENCHMARKING SOLUTIONS



NAMIC®
PROPERTY/CASUALTY
COMPENSATION SURVEY

2023 EXECUTIVE SUMMARY

NAMIC®
PROPERTY/CASUALTY COMPENSATION SURVEY

IN PARTNERSHIP WITH

AON

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

The KeyEE Program®
Securing NAMIC Members By Securing Their Key People

Association KeyEE Services and its KeyEE Program® helps mutual insurance companies, small and large, recruit, retain, reward and retire their key employees. The KeyEE Program® provides: 1) restoration of IRS capped retirement benefits and voluntary supplemental pre-tax income deferrals, as well as 2) a coordinated implementation and administration platform for company provided STIP & LTIP benefits. KeyEE recruiting in mutuals is evermore difficult, and benefits that can give your talent a feeling of ownership is essential. KeyEE retention hinges on things like vesting of company contributions. And 401k like plan features, albeit with greater flexibility, is key to participant participation and ease at retirement.

Naturally, best practices usually dictate that the first step being an analysis to determine what, if any, solution is needed. This is the most important role of KeyEE Program® advisors, i.e., lending over 100-plus years of collective experience as nationally recognized executive benefit professionals. Program administration and service includes a broader team of national service professionals dedicated to supporting participant education and limiting the plan sponsor workload.

For more information, please visit associationexb.com

The National Association of Mutual Insurance Companies consists of nearly 1,500 member companies, including seven of the top 10 property/casualty insurers in the United States. NAMIC member companies write $391 billion in annual premiums and represent 68 percent of homeowners, 56 percent of automobile, and 31 percent of the business insurance markets.

NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES

ABOUT NAMIC

The National Association of Mutual Insurance Companies consists of more than 1,500 member companies, including seven of the top 10 property/casualty insurers in the United States. The association supports local and regional mutual insurance companies on main streets across America as well as many of the country's largest national insurers.

NAMIC member companies write $391 billion in annual premiums and represent 68 percent of homeowners, 56 percent of automobile, and 31 percent of the business insurance markets.

Through its advocacy programs, NAMIC promotes public policy solutions that benefit member companies and the policyholders they serve and fosters 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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HAVE A SHORTFALL?

By Jon Weir and Scott Richardson, Association KeyEE Services

The Covid pandemic ushered in an era of workplace changes that may prove as disruptive as the industrial revolution. The introduction of remote work allowed employers to retain key people who could not otherwise make it to an office and expanded the area from which to recruit new talent – both for you and your competitors. As the economy regained steam, this fed into larger-than-normal increases in cash compensation. For many, this has resulted in an imbalance with other forms of compensation.

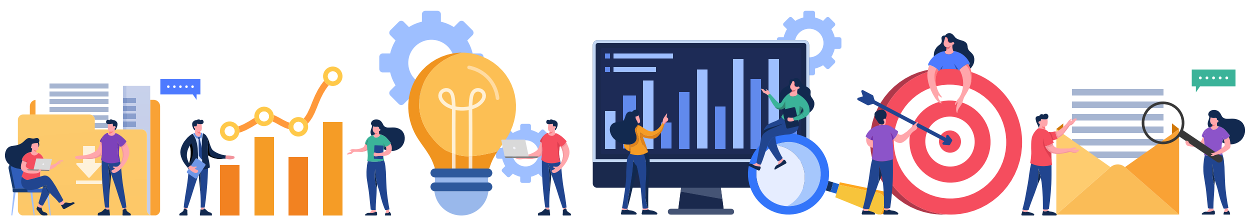
It is critical to balance current cash compensation with the long-term goal of wealth accumulation. Boards often don't know where to begin, and sometimes they're pitched a solution in search of a problem. The best practice is to start with a "retirement income analysis" (RIA) for your key employees. If you've done an RIA before, it is best practice to recalibrate it every three to four years.

The goal of an RIA is to reasonably estimate the percentage of income that could be replaced by current employer-funded programs. The RIA should capture the 401k match potential, expected profit sharing contributions, projected pension benefits, existing executive benefits, and half of the projected Social Security benefit. Reasonable rates of return during the accumulation and distribution phases are applied, arriving at an estimated benefit in retirement.

This estimate is then compared with the final average cash compensation (FACC) at retirement. When estimating FACC, use reasonable short- and long-term growth rates. The most common long-term rate is 3.5 percent, although there is some trend toward 4 percent. The short-term rate should be the same for "seasoned" executives; however, it should reflect more rapid increases typical for those new to the role. For example, the cash compensation of a first-time CEO is often 85 percent of the midpoint for the position. As experience is gained, the cash compensation is adjusted to reach the midpoint by the end of the fourth or fifth year. This means increases could be 7 percent to 10 percent for a few years.

Next, divide the estimate of future benefits by FACC. The result is a projected replacement ratio, and that should be compared with the target replacement ratio. There is considerable art in setting a target replacement ratio, with two key elements:

- Know where an executive's current cash compensation is relative to the market. We have clients who are below market in current cash compensation, and they adjust the target upward. Conversely, those who are above market may adjust the target downward.
- We encourage use of a "factor per year of service" that is comparable to the factor of a non-executive employee who would serve your organization for 35 years. This means that a senior vice president who serves your organization for 30 years could have a higher target replacement ratio than the CEO hired at the age of 55 and would serve only 10 years.



If the target ratio exceeds the projected ratio, there's a shortfall. (If there's no shortfall, some clients desire a minimum benefit level anyway.) The question from the RIA should be: If we do nothing more and there's a shortfall or some minimum benefit, what do we do about it? Only then should you consider one or more of KeyEE Program (r) solutions for providing supplemental benefits for your key employees. These can include:

- Deferred compensation plan
- After-tax arrangement
- Supplemental executive retirement plan
- Keyperson protection
- Restricted executive bonus arrangement
- Keyperson supplemental welfare benefits

We are proud to sponsor the 2023 NAMIC Compensation Survey! And we welcome discussing the important topic of how best to attract, retain, reward and retire your key employees.

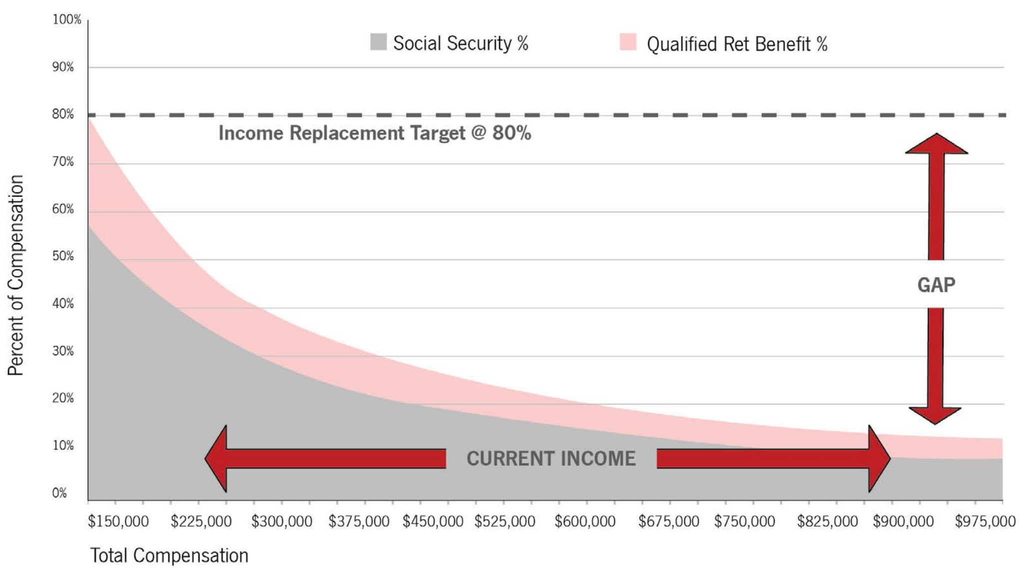


Chart represents hypothetical person, under age 50, earning at levels of income from $150,000 to $1,000,000. Target income between social security (SS) and qualfied plan (QP) is 80% of compensation. Social Security: shows maximum benefit amount by law at given income level. Currently, SS caps at income level between $150,000 and $175,000, https://www.ssa.gov/OACT/quickcalc/.

Qualified Plan: shows QP retirement benefit amount needed to hit 80% target at given compensation level. The percentage of total compensation shrinks for highly compensated employees due to 401(k) contribution limits relative to income. While parity related to contribution levels is included herein, there are many variables that could impact the QP benefit amount shown here. This is a general representation of the impact of SS and QP limits on HCEs.

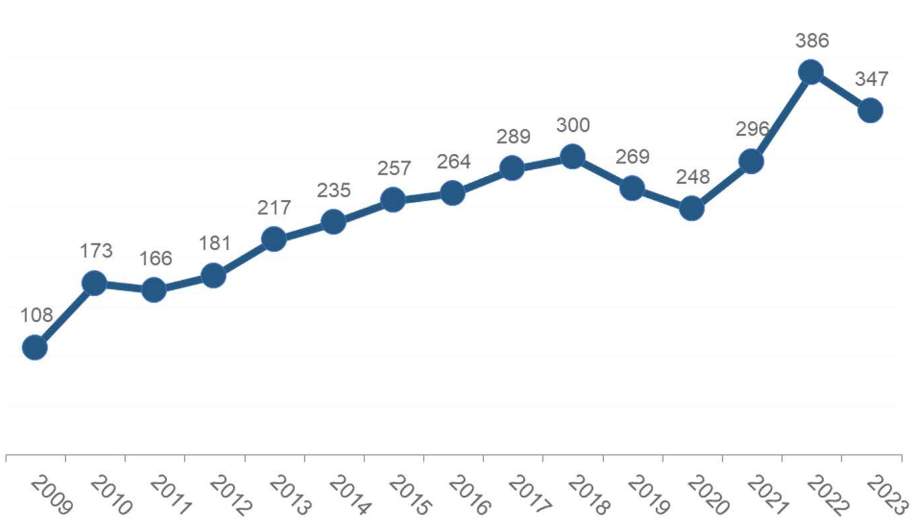
Sources: Social Security Administration

McLagan is pleased to work 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, over 150 companies participated in this year's survey, reporting pay data for more than 84,000 employees. The participants span a wide scale range and include both mutual and stock companies. The following pages provide highlights from the survey results as well as broad industry trends.

BROAD MARKET TRENDS

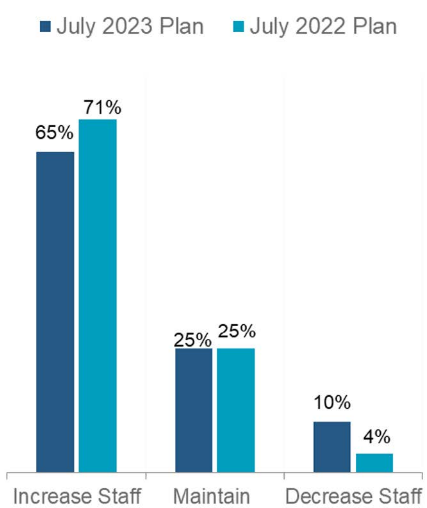
Government data shows that the industry saw a dip in job openings in 2023, the first decrease since 2020. The survey found that insurers were less likely to increase staff this year compared with plans for 2022, and 10 percent of participants reported that their company planned staff decreases in 2023.

JOB OPENINGS IN FINANCE AND INSURANCE 2009–2023



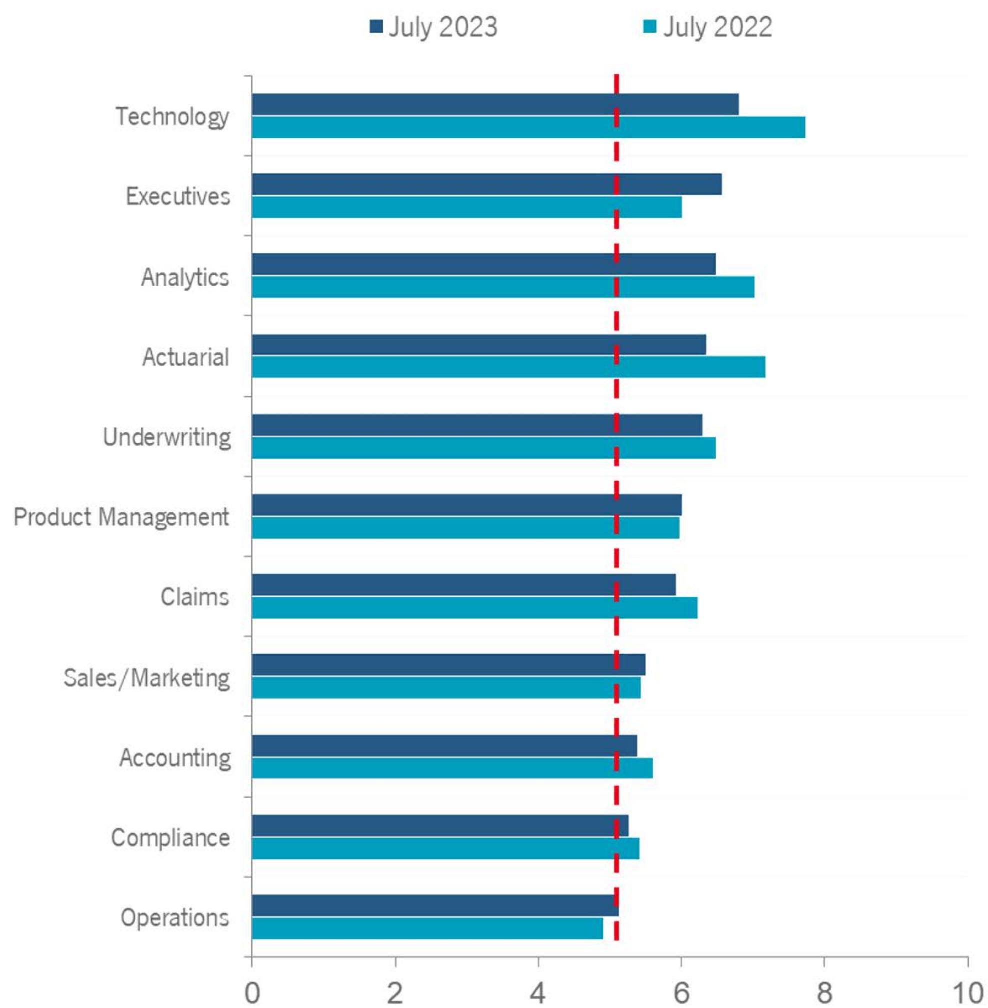
Source: U.S. Bureau of Labor Statistics

P&C 12-MONTH STAFFING PLANS

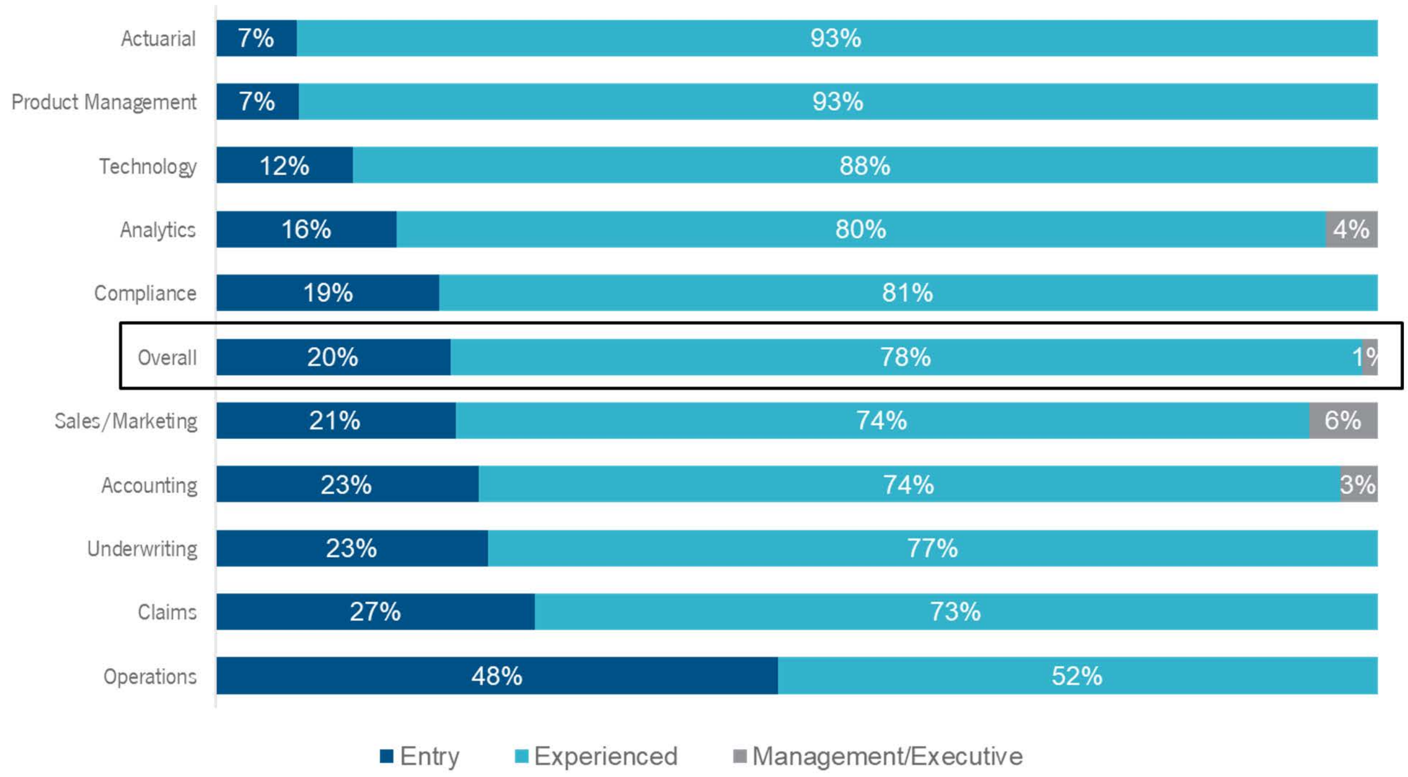


Source: The Jacobson Group and Ward Insurance Labor Market Study – Q3, 2023

In this year's survey, insurers reported that recruiting new staff in 2023 was less difficult than the previous year overall. Technology jobs still ranked as the most difficult to fill among all positions, followed by executives, analytics workers, and actuary professionals. Positions rated five or above are considered hard to fill.



Aon's data also showed that overall, insurers expected 20 percent of added jobs for 2023 to be entry-level positions, with only 1 percent of added jobs on the executive level.



With the workforce beginning to shift to a virtual environment in 2020, companies may think of ways to manage compensation for the new virtual population and employees who have moved to lower-cost areas. However, most companies (77 percent of participants) indicated that they are NOT changing geographic differential pay policy and zones as a result of a larger virtual workforce.

TOTAL COMPENSATION TRENDS – 2021 TO 2022

Respondents reported the median increase in total compensation from 2021 to 2022 was 4.2 percent, a slight decrease from 4.8 percent that was reported for the 2020-2021 period. However, the most recent figure remains higher than the pre-Covid period of 2019-2020, when the average overall increase was 3.6 percent.

PERCENT CHANGE IN TOTAL COMP 2021 TO 2022

	# of Incs	10th	25th	50th	75th	90th
$0 to 50K	2,508	0.4%	2.7%	6.1%	12.9%	19.5%
$50 to 100K	15,141	-0.3%	2.2%	4.2%	8.8%	13.9%
$100 to 150K	10,570	-2.1%	1.4%	3.8%	7.4%	12.2%
$150 to 200K	4,981	-2.7%	1.3%	4.0%	7.6%	13.0%
$200 to 250K	2,054	-2.9%	1.6%	4.7%	9.1%	17.2%
$250K+	2,825	-6.4%	0.1%	4.5%	12.1%	23.8%
Total	38,079	-1.6%	1.8%	4.2%	8.7%	14.4%

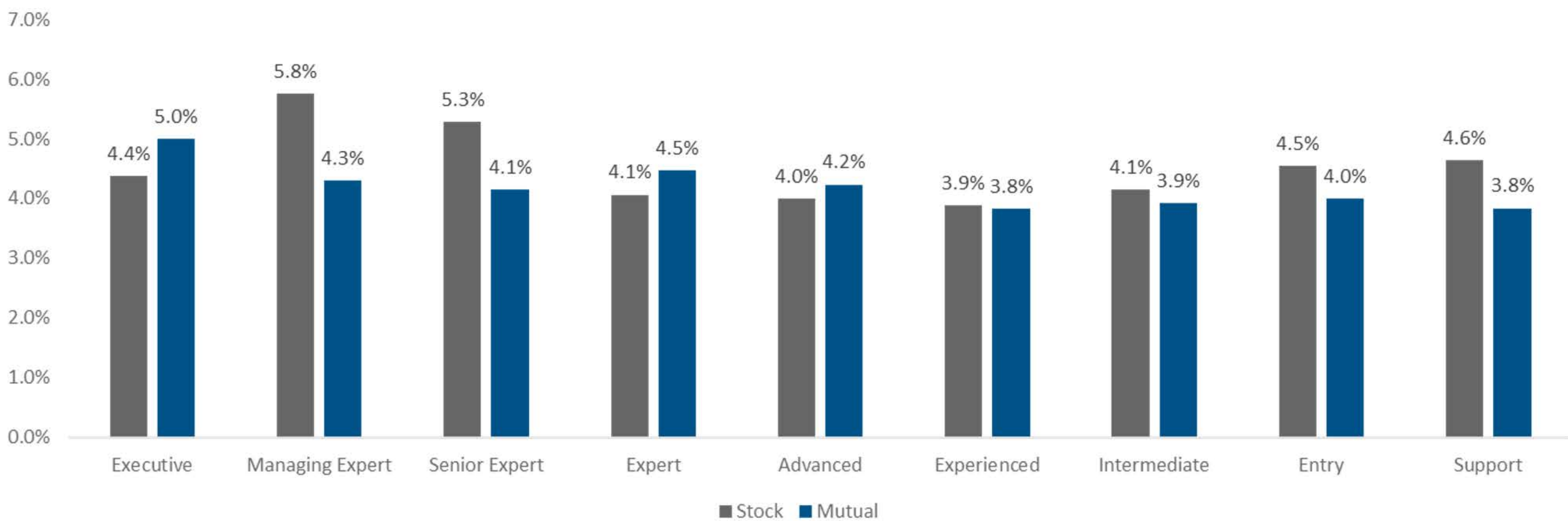
<-30%	-30 to -20%	-20 to -10%	-10% to 0	0 to +10%	+10 to +20%	>+20%

When looking at only companies who offer a long-term incentive award, stock companies typically provide 50 percent of total compensation in salary, 25 percent in annual incentive (bonus) and 25 percent in long-term incentives (LTI) at the executive level. Comparatively, mutual companies typically offer 64 percent, 15 percent and 21 percent in salary, annual incentive and LTI respectively, at the executive level.

TOTAL COMPENSATION TRENDS - 2021 TO 2022

The survey found that total compensation increases across position levels in 2021-2022 between public companies and mutuals were mixed, with mutuals seeing higher increases in executive, expert, and advanced positions.

MEDIAN TOTAL COMPENSATION MOVEMENT - CONSTANT INCUMBENTS BY LEVEL & FIRM OWNERSHIP



2024 OUTLOOK

- Salary budgets are expected to rever to more normalized levels
- 2024 merit increase budget projected at 3.5 percent
- Incentive pools will be under pressure due to the increase in headcount, high salary increases, performance headwinds, and increased losses (inflation and catastrophic weather events) over the past two years
- Firms can be more prescriptive in funding and pay decision compared with the past several years
- It is more important than ever to ensure key staff are identified, retained, and motivated for the future
- Many firms have had reductions in 2023 (even if they didn't hit the news) with more expected through year's end and into the first quarter of 2024
- More companies are expected to search for optimal organizational structure and to simplify compensation spans/layers

HOW PARTICIPANTS CAN ACCESS SURVEY RESULTS

Survey results can be downloaded from McLaganLive (ml.aon.com). Once logged in, simply click on the "Surveys" app and then "Results." The following four file types are available to download:

Survey Report (PDF)

- Survey report that can be opened in Adobe Acrobat Reader, viewable on-screen, searchable, and indexed
- Typically used for "one-off" job pricing and as a desk reference

Excel Extract Report (XLS)

- Contains incumbent versus market data
- Typically used for year-end reporting

Excel Market Positioning Report (XLS)

- Contains incumbent versus market benchmarking data including quartile positioning

Data Results (CSVs)

- Contains all of the information from the standard report in CSV tables
- Also contains tables that merge market and incumbent data
- Typically used for importing McLagan data into HR databases

PLEASE CONTACT US IF YOU HAVE ANY QUESTIONS ON YOUR SURVEY RESULTS

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2023 MCLAGAN NAMIC PROPERTY/CASUALTY COMPENSATION SURVEY PARTICIPANT LISTS

A.I.M. Mutual Insurance Companies
Accident Fund Company
Acuity, A Mutual Insurance Company
Affinity Mutual Insurance Company
AIG
AIPSO
Ally Financial Inc.
American Modern Insurance Group
Arch
Armed Forces Insurance
Auto-Owners Insurance Co
Bayview Asset Management
Beacon Mutual Insurance Company
Bear River Mutual
Berkshire Hathaway Homestate Companies
Branch Insurance
Brethren Mutual Insurance Company
Brotherhood Mutual Insurance Company
Buckeye Insurance
Builders Insurance Group
Builders Mutual Insurance Company
Capital Insurance Group
Celina Insurance Group
Central Insurance
Church Mutual Insurance Company
Citizens Property Insurance Corporation
Columbia Insurance Group
Concord Group Insurance
Co-operative Insurance Companies
CopperPoint Mutual Insurance Company
COUNTRY Financial
Crawford & Company
Crum & Forster Insurance
CSE Insurance Group
Cumberland Insurance Group
EMPLOYERS
Encova Insurance
Energy Mutual Limited
Farmers Alliance Mutual Insurance Company
Federated Mutual Insurance Company
Forestry Mutual
Frankenmuth Insurance
Frederick Mutual Insurance Company
Friedkin Companies
GE Capital
GEICO
Germania Insurance Companies
GNY Insurance
Goodville Mutual
Grange Insurance Association
Gravie, Inc.
Great American Insurance
Grove Mutual
Guideone Insurance Company
Hagerty Management LLC
HAI Group
Hastings Mutual Insurance Company
Heritage Insurance Company
Hippo Insurance
ICW Group
Illinois Casualty Company
IMT Insurance
Intact Insurance Group US LLC
Island Insurance Company
Jewelers Mutual Insurance Company
Kentucky Farm Bureau Mutual Insurance
Kin Insurance
Lititz Mutual Insurance Company
Loudoun Mutual Insurance Company
Louisiana Workers' Compensation Corp
Madison Mutual Insurance
MagMutual Insurance Company
Mapfre
Marysville Mutual Insurance Company
MEMIC
Mennonite Mutual Insurance Company
Mercury Insurance Services, LLC
Millers Capital Insurance Company
Mohave Insurance
Montana State Fund
Munich Reinsurance America, Inc.
Muscatine Mutual Insurance Association
Mutual Assurance Society of Virginia
Mutual Benefit Group
Mutual of Enumclaw
NASW Assurance Services
New Jersey Manufacturers Insurance Group
Newbury Corporation
Next Insurance
Nirvana Tech, Inc.
Nodak Insurance Company
North Carolina Joint Underwriting Association
OdysseyRe
Ohio Mutual Insurance Group
Peak 6
Pekin Insurance Company
PEMCO Mutual Insurance Company
Pennsylvania Lumbermens Mutual Insurance
Pharmacists Mutual Companies
Philadelphia Contributionship
Philadelphia Insurance Companies
Pie Insurance
Pinnacol Assurance
Pioneer State Mutual Insurance Company
Plymouth Rock Assurance Corporation
Preferred Mutual Insurance Company
Quincy Mutual Group, Inc.
RAS - Risk Administration Services
Relation Insurance, Inc.
RLI Corp.
Rockingham Group
Root Insurace
Ryan Specialty Group
Safety National Company
SAIF Corporation
SCOR Reinsurance Company
Sedgwick Claims Management Services, Inc.
SFM Mutual Insurance Company
Shelter Insurance
Society Insurance
Southern Farm Bureau Casualty Insurance Company
State Comp Insurance Fund
State Farm Mutual Insurance Company
Synergy Comp Insurance Company
TDIC & TDIC Insurance Solutions
The Doctors Company
THE ZEBRA
Tokio Marine HCC
Tower Hill Insurance Group
Triangle Insurance Company, Inc.
Truist Financial
Turo Inc.
Union Mutual Fire Insurance Company
United Educators
United Heritage Insurance
Universal Insurance Managers
USAA
Utica National Insurance Group
Vermont Mutual Insurance Company
Virginia Farm Bureau & Countryway Insurance
Vouch Insurance
Wayne Mutual Insurance Company
West Bend Mutual Insurance Company
Western National Insurance Group
Westfield Bank, FSB
Workers' Compensation Reinsurance Association
YMCA Retirement Fund

The KeyEE Program®

Securing NAMIC Members By Securing Their Key People

- **Key Employee Retirement Income Analysis**
- **Objectives for Company Total Compensation & Financial Wellness**
- **KeyEE Supplemental Savings & Welfare Plans**
- **Plan Communication & Servicing**
- **Plan Financing & Company Surplus Enhancement**

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"Sterling Insurance Company established a close working relationship with Jon and his colleagues over 13 years ago and it continues to grow. We were educated us on the finer nuances of corporate owned life insurance, and we have since established a sizable portfolio by purchasing such coverage on virtually all our directors and officers. A significant amount of surplus will inure to the organization's benefit in future years as a result. Furthermore, we were educated on how these instruments can be utilized from a benefits perspective. We are very pleased with all they have had to offer."

Stephen A. Harris, CPCU - Chairman, Sterling Insurance Company

10+ offices serving the national market **www.AssociationEXB.com**

*Licensed, not practicing.

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