



Compensation
Advisory Partners

Industry Report // 2022-2023

Insurance



CAP's 2023 insurance industry report examines 2022 executive compensation and financial performance across two segments of the industry, including 19 of the largest Property & Casualty (P&C) and Life & Health (L/H) Insurance companies. 2022 median revenue of these companies was approximately \$20B.

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Key Takeaways

- 2022 performance results were weaker compared to 2021 results. Top-line growth was flat at median while Operating Income was down approximately 20% compared to a very strong 2021, when Operating Income increased by more than 40% at median.
- 2022 bonus payouts, while not as strong as 2021, were generally above target for both industry segments, despite weaker operating performance compared to 2021.
- The median increase to CEO total target compensation for 2022 was 5.6%.
- While operating performance was weaker in 2022, share price returns in 2022 were strong and the insurance industry outperformed the S&P 500. For 2023, however, the industry to date, is underperforming the S&P 500.

2022 Performance: A Step Back Year From 2021

The 2022 performance results for the insurance industry were much weaker compared with 2021. Median Revenue growth for all companies in our study was flat in 2022, down compared to the increase in 2021 of +9.1% and the switch to 5 year CAGR. Median Operating Income decreased 14.9% in 2022, a stark contrast to the +35.2% increase in 2021. ROE and Net Investment Income performance was also weaker. Some of the headwinds for the industry in 2022 included the level of CAT losses for P&C companies and a slowdown in operating results following the post-pandemic recovery for L/H companies.

The P&C industry had solid top-line growth with a revenue increase of 4.3% at median, which was impacted by lower Net Investment Income reported by most companies in our study (median decrease of -5.3%). CAT losses for P&C companies were generally flat in aggregate year-over-year, yet CAT losses are at peak levels for many companies. Lower Net Investment Income and increased expenses from inflationary pressures, resulted in Operating Income decreasing -14.9% in 2022; following a more robust year of growth in 2021.

At median, revenue declined -4.1% for L/H companies, lagging P&C counterparts. Both Operating Income and ROE also declined (-11.7% and -1.5 pts., respectively) year-over-year, however to a lesser degree compared to P&C companies.

	Median Revenue Growth	Median Net Investment Income Growth	Median Op. Income Growth	Median Op. ROE Improvement	Median TSR
P&C (n=10)	+4.3%	-5.3%	-14.9%	-2.3%	+14.9%
L/H (n=9)	-4.1%	-8.3%	-11.7%	-1.5%	+20.1%
Total Sample (n=19)	0.0%	-6.3%	-14.9%	-2.1%	+18.4%

2022 CEO Pay For Performance: Bonuses Still Pay Out Above Target

CEO Bonuses	Median Annual Incentive Payouts (% of Target)			Median Annual Incentive Payouts (% of Salary)		
	2020	2021	2022	2020	2021	2022
P&C (n=10)	102%	137%	108%	385%	433%	446%
L/H (n=9)	89%	150%	112%	254%	385%	315%
Total Sample (n=19)	92%	150%	111%	260%	383%	316%

Bonus payouts for insurance companies generally paid out above target in 2022, yet payouts were not as strong as last year. In our sample, 10 companies paid bonuses above target, 5 paid out bonuses below target and 4 companies paid out bonuses at around target (90% to 110% of target). With the exception of 2020, these insurance companies have tended to pay above target bonuses over the past four years, with only a few select

companies paying above 150% of target for CEOs. In 2022 for example, only 3 companies paid above 150% of target. Payouts between P&C and L/H companies were generally similar.

2022 LTI Performance Plan Payouts

LTI Payouts	Median LTI Incentive Payouts (% of Target)		
	2018-2020	2019-2021	2020-2022
P&C (n=10)	130%	123%	117%
L/H (n=9)	106%	130%	90%
Total Sample (n=19)	110%	113%	112%

Payouts for performance-based long-term incentive awards for the 2020-2022 period generally paid around target, comparable to payouts in prior award cycles, with P&C payouts slightly higher than those of L/H companies. Payouts for the 2020-2022 award cycle correlate with TSR performance: of the full sample of companies, the half that outperformed the median TSR of all companies had an average payout of 160% of target, and those that underperformed the median TSR had an average payout of 84%.

The TSR and LTI payout relationship holds true for prior performance periods as well. The top half of performers averaged payouts of 139% and 175% of target in the periods ending in 2021 and 2020, respectively. The bottom performers averaged 108% and 79% of target, respectively.

2022 CEO Target Pay: Modest Increases

Median CEO target total direct compensation (TDC) for 2022 increased modestly for most companies in the sample. The median increase in TDC for all CEOs in the sample was 5.6% in 2022. Increases were primarily in the LTI component of pay, which tracks with the broader market. Eight of 19 CEOs received a salary increase in 2022 and 16 of 19 received an increase in the LTI target award, with a median increase of 7.1%.

CEO Compensation	Median Pay Increase by Element			
	Salary	Target Total Cash Compensation	Target Total LTI	Target Total Direct Compensation
P&C (n=10)	0%	+2.7%	+6.1%	+5.4%
L/H (n=9)	0%	0%	+7.1%	+5.6%
Total Sample (n=19)	0%	+1.2%	+7.1%	+5.6%

Share Price Performance and 2023 Outlook

In 2022, share price returns among these insurers were strong, despite weaker operating performance. Median total shareholder return (TSR) was +18.4% in 2022, with L/H companies (+20.1%) outpacing P&C company returns (+14.1%). 2022 TSR was still lower compared to strong returns in 2021 (+27.4%), yet above the prior five-year average return (+11.0%).

The start of 2023 has proven to be more challenging, with median TSR for the full insurance company sample falling (-8.9%) through May 15, 2023, while the S&P 500 Index is up +8.4%. Performance expectations for the full year 2023 are not as optimistic for most insurers in both P&C and L/H businesses. Companies expect continued headwinds for the remainder of the year, in large part due to broader economic factors (e.g., inflation, interest rates, equity markets).

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CAP's Insurance Sample

Life and Health Companies

- Aflac Incorporated
- Genworth Financial, Inc
- Globe Life
- Lincoln National Corporation
- Manulife Financial Corporation
- MetLife, Inc.
- Principal Financial Group Inc.
- Prudential Financial, Inc.
- Unum Group

P&C Companies

- Allstate Corporation
- American International Group, Inc.
- Chubb Limited
- Cincinnati Financial
- CNA Financial Corporation
- Hanover
- Hartford Financial Services Group
- Progressive Corp.
- Travelers Companies, Inc
- W.R. Berkley



Compensation Advisory Partners

Please contact us at (212) 921-9350 or info@capartners.com if you have any questions about the issues discussed above or would like to discuss your own executive compensation issues. You can access our website at www.capartners.com for more information on executive compensation.