



Key Findings from BDO's 2024 Health Insurance Industry Executive Total Potential Remuneration Survey

Effectively understanding the nuances of executive compensation is crucial for health insurers aiming to attract and retain top leadership talent.

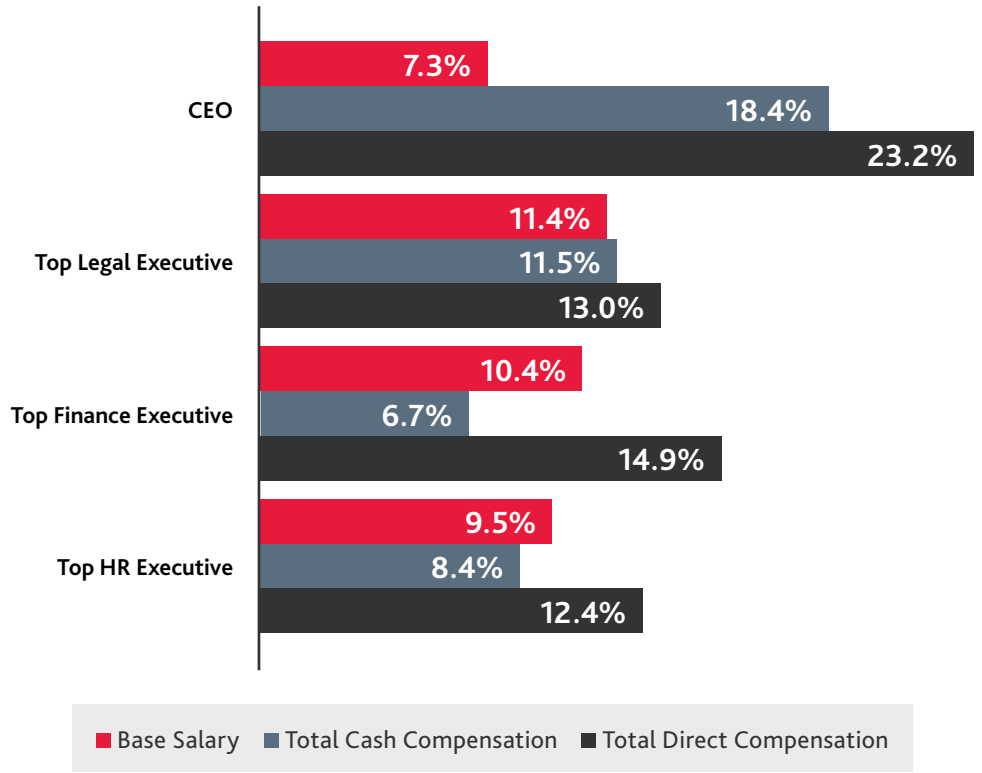
BDO's Health Insurance Industry Executive & Management Total Potential Remuneration Survey explores pay levels, compensation mix, and incentive practices across various executive roles, providing comprehensive data and insights to stakeholders and decision-makers. The infographic presented below highlights key findings and insights from the 2024 survey, based on data from 15 participating private, nonprofit, and mutual health insurance companies.

 **EXECUTIVE PAY CONTINUES TO INCREASE – MOSTLY WITH LONG-TERM INCENTIVES**

On average, base salaries for incumbent chief executive officers (CEOs) increased 7.3% year over year. For other executives, base salary increased even more – with top legal executives seeing a 11.4% increase, top finance executives averaging a 10.4% increase, and top human resources (HR) executives reporting a 9.5% increase year over year.

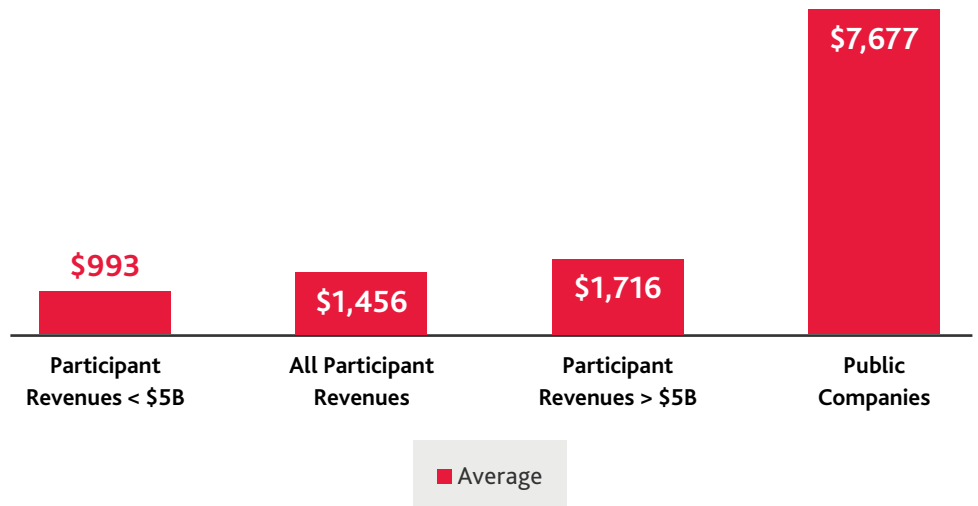
Among the executive group, CEOs saw the largest increase in actual total cash compensation (TCC) (base salary plus short-term incentives (STI)), and actual total direct compensation (TDC) (TCC plus long-term incentives), with CEO TCC up 18.4% and TDC up 23.2% year over year. Top legal, finance, and HR executives saw similar to slightly lower increases in TCC as in base salary, indicating that STI increased at a similar or lower rate than base salary. As with CEOs, the increase in TDC was the highest, indicating an increase in actual long-term incentives (LTI) that exceeds the increases in base salary and STI.

FIGURE 1: Average Change in Actual Pay from 2023-2024 — Same Incumbents¹



Compensation can also be considered in the context of revenues; executive pay levels typically increase with company size and can also vary depending on organizational structure. To capture the impact of size and organizational structure, we analyzed CEO pay levels relative to revenue, which reveals that larger-sized companies achieve a greater return (revenue) on their investment (CEO pay).

FIGURE 2: Average Revenue Per Dollar of CEO Total Direct Compensation (in Thousands)



*Public company data sourced from proxies of nine health insurance companies with an average revenue of \$154 billion.

¹ Based on companies matching the same incumbent to the job in both the 2023 and 2024 survey editions.



PAY AT RISK IS MORE PRONOUNCED AT PUBLIC COMPANIES

The amount of pay at risk (STI and LTI), expressed as a percentage of salary, is significantly higher for public health insurance companies than for private health insurers. At public companies, the opportunity for significant rewards from LTI focuses executive attention on creating shareholder returns.

Compared to their counterparts in private companies, executives at public companies are more likely to be eligible to receive short-term and long-term incentives. The actual value of STI is, on average, 158% of salary for CEOs, and 119% for their direct reports.

For LTI, the projected value of these awards is staggeringly high; for CEOs at public companies, LTI is projected to be worth over 10 times their salary.

Figure 3: CEO STI and LTI Eligibility and Payout as a Multiple of Salary by Organization Type²

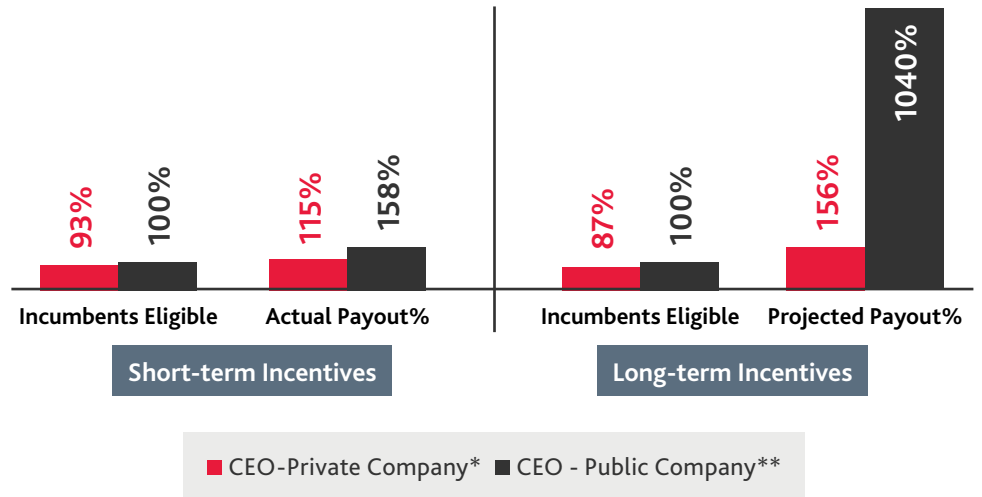
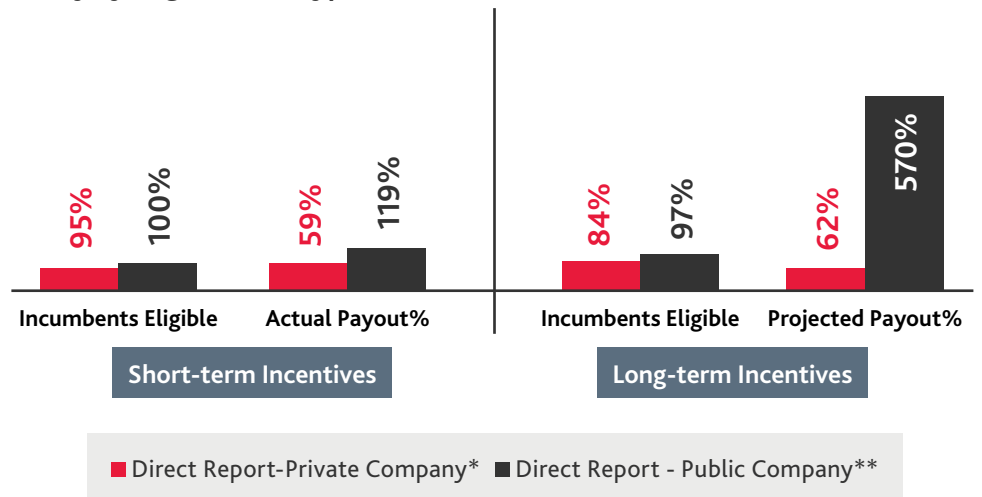


Figure 4: Direct Report STI and LTI Eligibility and Payout as a Multiple of Salary by Organization Type²



*Private company data set represents the survey participants. Direct reports represent an average of those roles in the survey that report to the CEO.

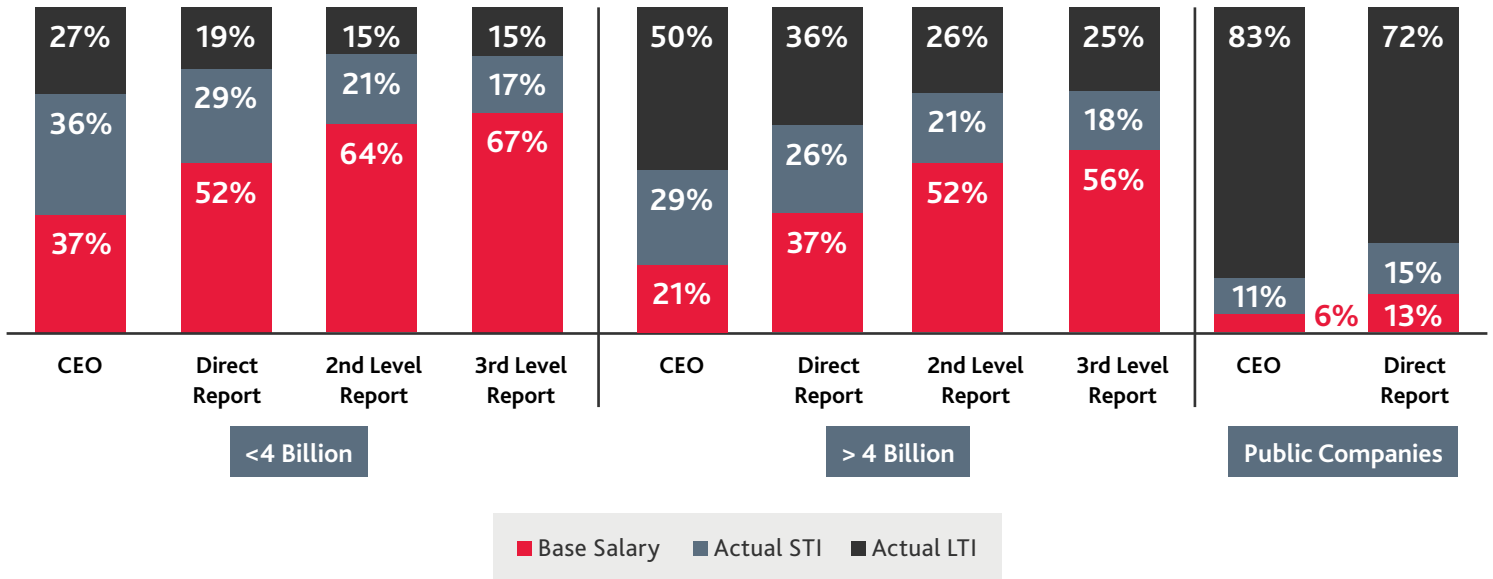
**Public company data sourced from proxies of nine health insurance companies with an average revenue of \$154 billion. Direct reports represent other named executive officers from the proxies (top finance, top legal, etc.).



SENIORITY AND COMPANY SIZE DRIVE MORE PAY AT RISK

Executive pay mix is more heavily weighted towards at-risk pay in larger organizations. For CEOs of companies with less than \$4 billion in annual revenue, 63% of compensation is at risk, compared to CEOs of companies with more than \$4 billion in revenue, who have 79% of compensation at risk. Pay mix is most heavily weighted towards at-risk pay for executives at public companies. As noted above, this focuses executive priorities on generating strong shareholder returns.

Figure 5: Average Actual Mix of Pay for Organizational Reporting Levels by Revenue Size³



For at-risk pay, our survey identified the metrics that companies most often use in the design of STI and LTI plans. Customer satisfaction and contract/subscriber/member growth remain the most frequently used metrics, as they were in prior years.

USING SURVEY DATA TO INFORM COMPENSATION DECISIONS

Executive pay continues to rise, with short-term and long-term incentive components making up an increasingly large portion of compensation. The key drivers of pay levels and pay plan design are company size, structure, and performance.

When determining executive compensation, it's important to consider all these factors, as well as company-specific nuances, and seek advice from a qualified advisor to develop a comprehensive and competitive compensation strategy.

BDO helps companies design compensation strategies to meet business goals while providing advice to evaluate the tax implications of the programs. For more information, [contact BDO](#).

ABOUT THE SURVEY

BDO's annual Health Insurance Industry Executive & Management Total Potential Remuneration Survey reports compensation, benefits, perquisites, and contract agreements for over 40 executive and senior management positions in health insurance organizations. Survey responses are gathered annually from participating health insurance organizations, with three categories of analyses: compensation levels, total potential remuneration levels, and policies and practices.

³ Values may not add up to 100% due to rounding. Data not available for public company second and third level reports.