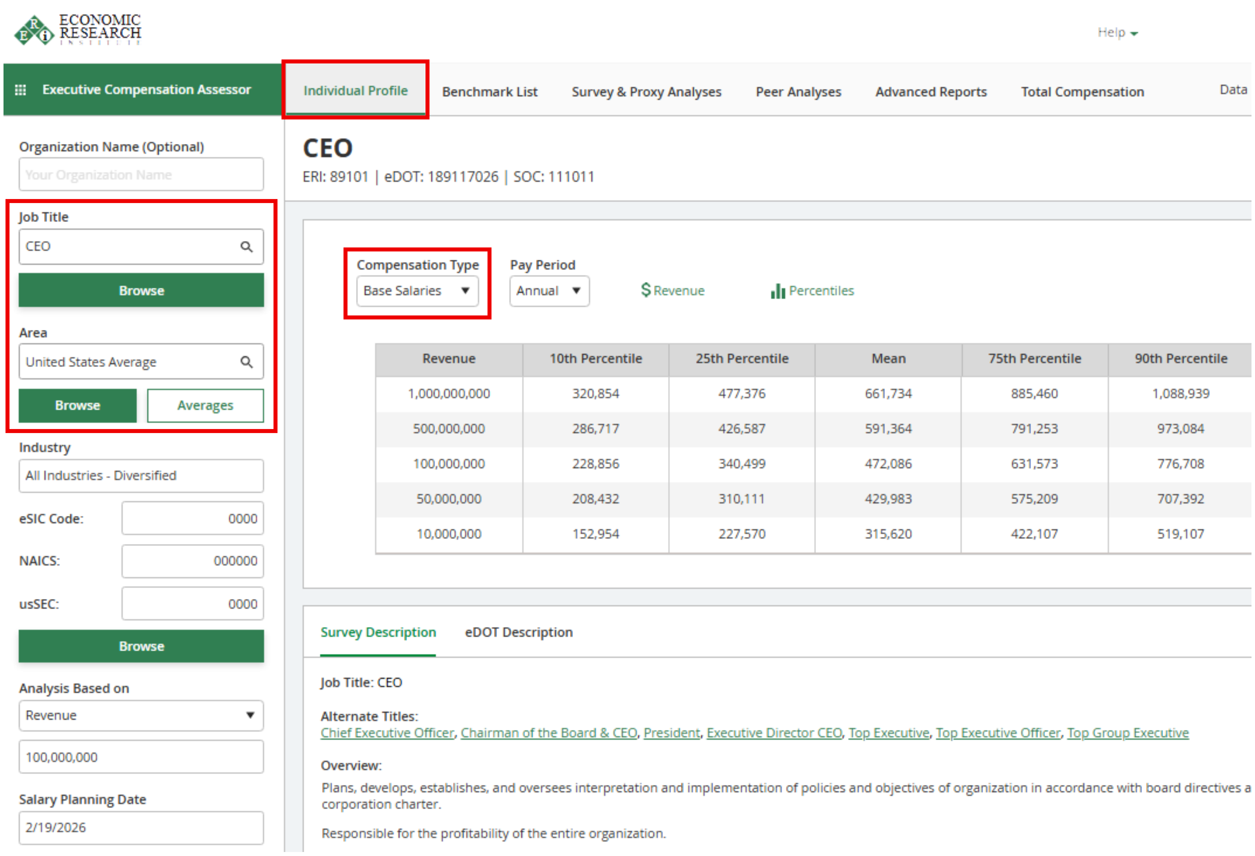
Interactive Exercise
Course 26: Executive Compensation and the Role of the Compensation Committee

Begin by opening ERI's **Executive Compensation Assessor**. The *Individual Profile* screen displays. This screen shows you base salary, incentive, and total compensation for 2,000 executive jobs. Pay ranges are shown based on organization revenue size, location, industry, date, and pay strategy.

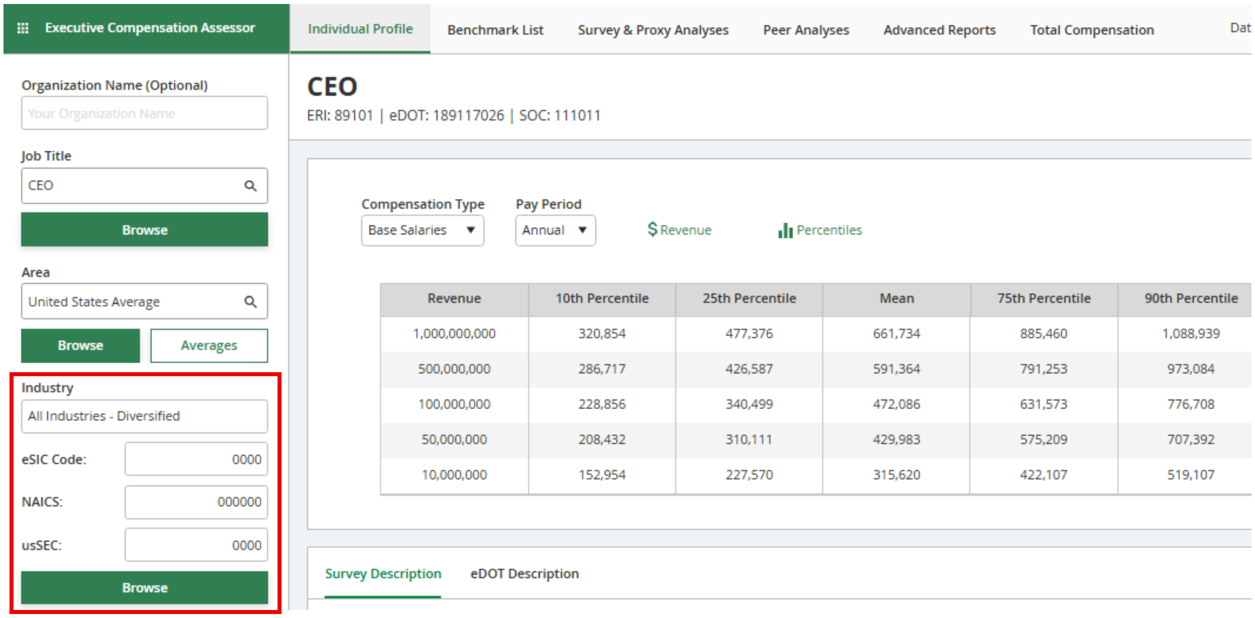
You will need to change the job title to match Ronnie's job of CEO. In the *Job Title* field, enter "CEO" and select it when it is highlighted.

Since Great Southern is a large company, you want to compare the CEO's compensation package at the national level so in the *Area* field, begin typing "United States Average" until it is highlighted and then select it.

Make sure **Base Salaries** is selected in the *Compensation Type* drop-down.

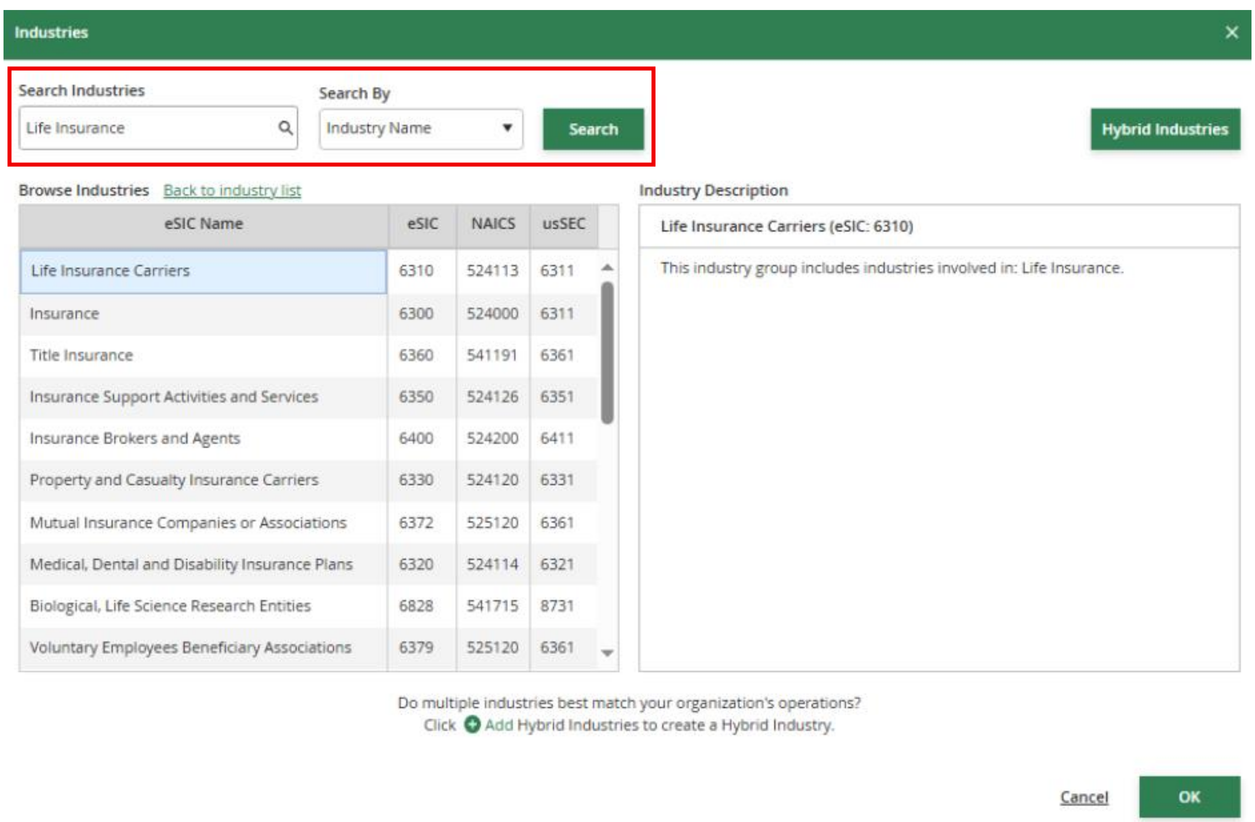


Now, press the *Industry* **Browse** button.

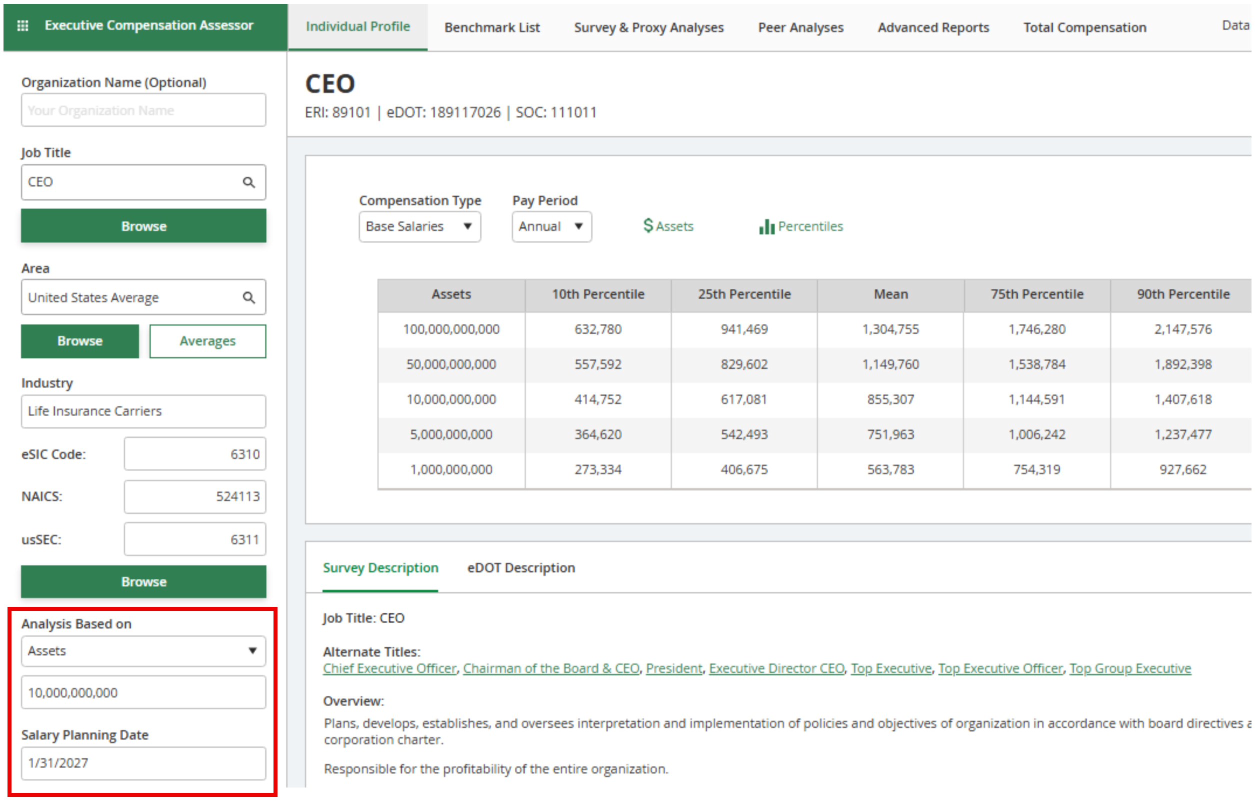


The *Industries* box displays. You can either scroll through the list of industries or do a search. To search, in the *Search Industries* field, type “Life Insurance” and press the **Search** button.

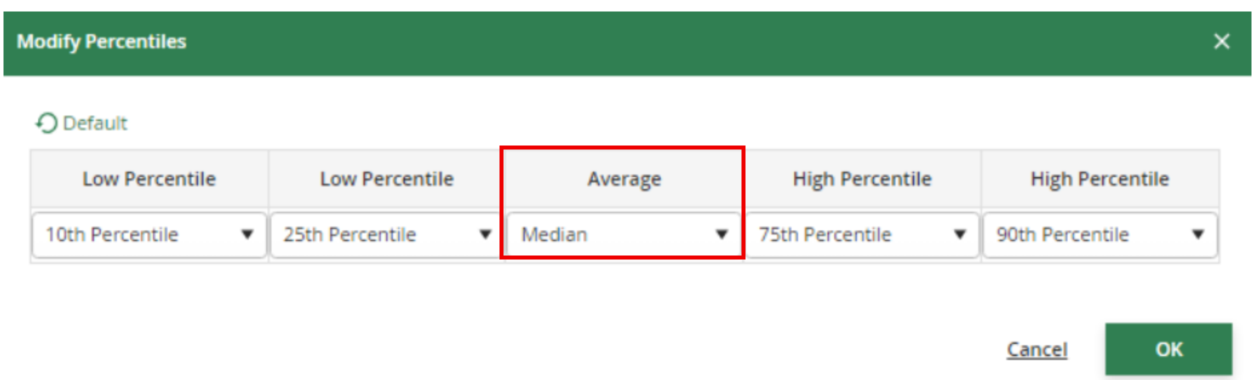
“Life Insurance Carriers” displays in the list of companies and is highlighted. Press **OK**.



Now, enter “10,000,000,000” in the *Analysis Based on Assets* field and set the *Salary Planning Date* for “January 31, 2027.”



If Median is not one of the table column headings, select **Percentiles.** The “Modify Percentiles” menu box displays. In the *Average* column, select **Median** and press the **OK** button.



Now we can see that the median base salary for a CEO in a life insurance organization with $10 billion in assets is $846,400.

CEO

ERI: 89101 | eDOT: 189117026 | SOC: 111011

Compensation Type: Base Salaries ▼ Pay Period: Annual ▼ $ Assets Percentiles

Assets	10th Percentile	25th Percentile	Median	75th Percentile	90th Percentile
100,000,000,000	632,780	941,469	1,291,387	1,746,280	2,147,576
50,000,000,000	557,592	829,602	1,137,942	1,538,784	1,892,398
10,000,000,000	414,752	617,081	846,433	1,144,591	1,407,618
5,000,000,000	364,620	542,493	744,123	1,006,242	1,237,477
1,000,000,000	273,334	406,675	557,824	754,319	927,662

To see the median incentive amount, select **Incentive** in the drop-down menu below *Compensation Type*.

CEO

ERI: 89101 | eDOT: 189117026 | SOC: 111011

Compensation Type: Incentive ▼ Pay Period: Annual ▼ $ Assets Percentiles

Assets	10th Percentile	25th Percentile	Median	75th Percentile	90th Percentile
100,000,000,000	1,433,023	2,132,096	2,924,537	3,954,710	4,863,505
50,000,000,000	1,165,623	1,734,250	2,378,823	3,216,768	3,955,983
10,000,000,000	716,187	1,065,565	1,461,606	1,976,459	2,430,651
5,000,000,000	576,781	858,152	1,177,104	1,591,741	1,957,524
1,000,000,000	337,745	502,508	689,276	932,075	1,146,267

The median bonus incentive is $1,461,600.

Next, select **Total Cash** under *Compensation Type* to view the median total cash compensation for this position.

CEO

ERI: 89101 | eDOT: 189117026 | SOC: 111011

Compensation Type: Total Cash   Pay Period: Annual $ Assets   Percentiles

Assets	10th Percentile	25th Percentile	Median	75th Percentile	90th Percentile
100,000,000,000	2,065,803	3,073,564	4,215,924	5,700,991	7,011,081
50,000,000,000	1,723,215	2,563,852	3,516,765	4,755,553	5,848,381
10,000,000,000	1,130,939	1,682,646	2,308,039	3,121,050	3,838,269
5,000,000,000	941,401	1,400,646	1,921,227	2,597,983	3,195,001
1,000,000,000	611,079	909,183	1,247,101	1,686,394	2,073,928

Median Total Cash compensation is $2,308,000.

We have seen the median cash compensation for Ronnie and now let's take a look at cash compensation at the 65th percentile. Select **Percentiles** to display the *Modify Percentiles* menu box again.

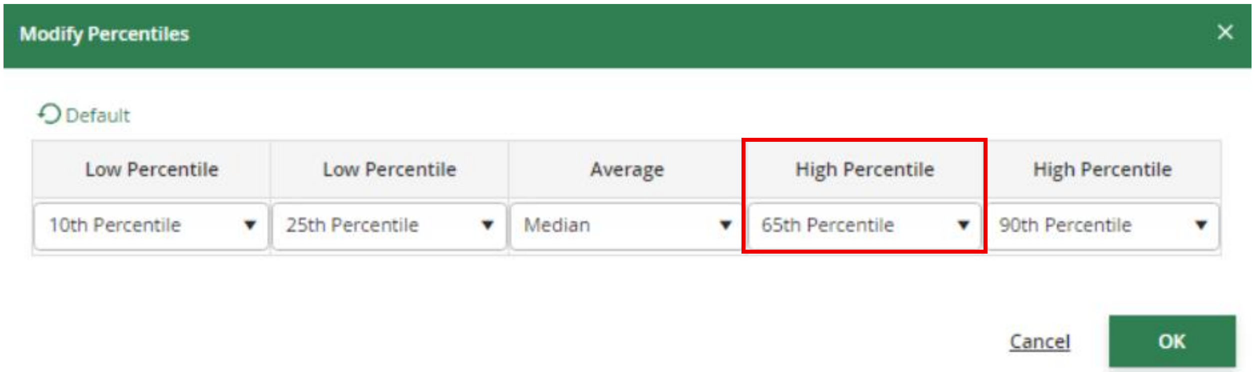
CEO

ERI: 89101 | eDOT: 189117026 | SOC: 111011

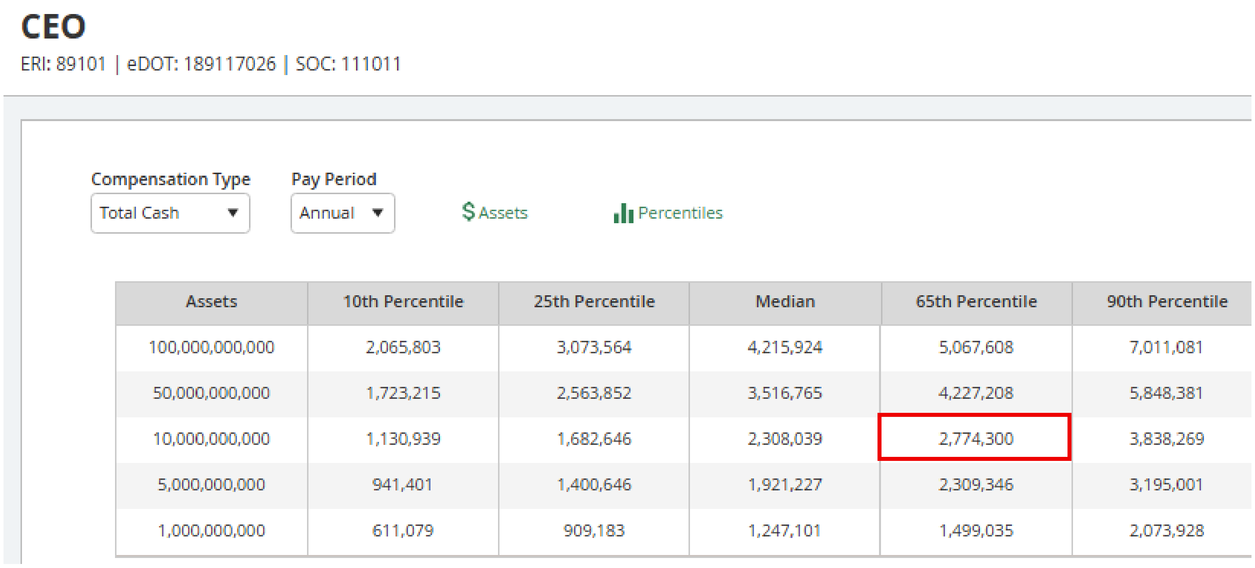
Compensation Type: Total Cash   Pay Period: Annual $ Assets   Percentiles

Assets	10th Percentile	25th Percentile	Median	75th Percentile	90th Percentile
100,000,000,000	2,065,803	3,073,564	4,215,924	5,700,991	7,011,081
50,000,000,000	1,723,215	2,563,852	3,516,765	4,755,553	5,848,381
10,000,000,000	1,130,939	1,682,646	2,308,039	3,121,050	3,838,269
5,000,000,000	941,401	1,400,646	1,921,227	2,597,983	3,195,001
1,000,000,000	611,079	909,183	1,247,101	1,686,394	2,073,928

In *Modify Percentiles*, in the first *High Percentile* column, select **65th Percentile** and then **OK** to return to the *Individual Profile* screen.



The *Individual Profile* table shows Total Cash compensation at the 65th percentile. You can also view Base and Incentive compensation at the 65th percentile.



CEO

ERI: 89101 | eDOT: 189117026 | SOC: 111011

Compensation Type: Total Cash | Pay Period: Annual | Assets | Percentiles

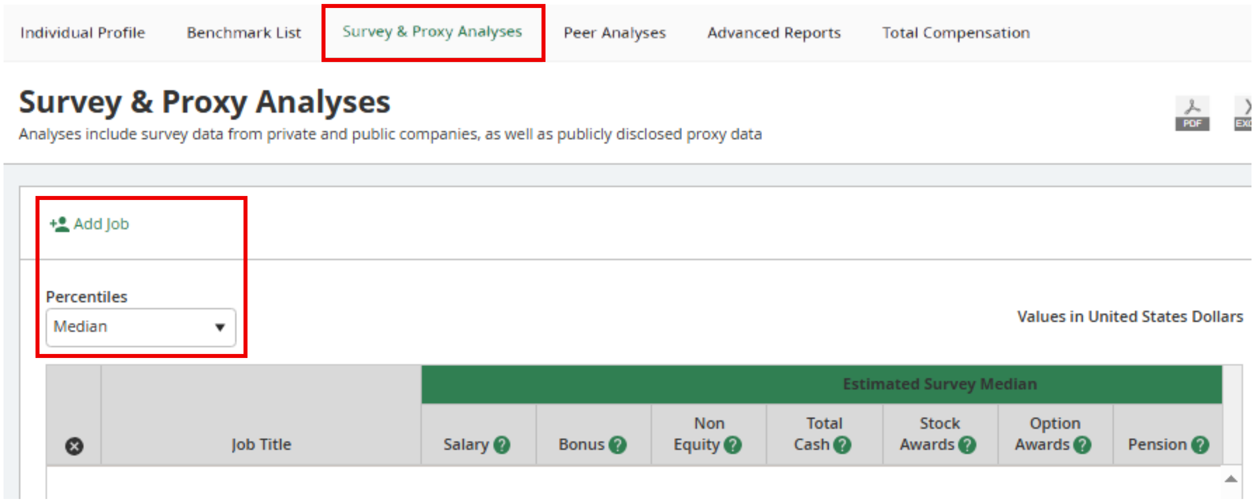
Assets	10th Percentile	25th Percentile	Median	65th Percentile	90th Percentile
100,000,000,000	2,065,803	3,073,564	4,215,924	5,067,608	7,011,081
50,000,000,000	1,723,215	2,563,852	3,516,765	4,227,208	5,848,381
10,000,000,000	1,130,939	1,682,646	2,308,039	2,774,300	3,838,269
5,000,000,000	941,401	1,400,646	1,921,227	2,309,346	3,195,001
1,000,000,000	611,079	909,183	1,247,101	1,499,035	2,073,928

Here's a look at how Ronnie's cash compensation compares to ERI median and 65th percentile data:

	Ronnie's Pay	**Median Values**	**65th Percentile**
Base Salary	$1,400,000	$846,400	$1,017,400
Incentive	$1,200,000	$1,461,600	$1,756,900
Total Cash Compensation	$2,600,000	$2,308,000	$2,774,300

Comparing values, Ronnie's cash compensation may need to be rebalanced so more is in incentives and less in base salary.

Now, let’s examine competitive long-term incentive and maximum reasonable compensation benchmarks. Select the **Survey & Proxy Analyses** tab at the top of the screen. In the *Percentiles* dropdown, make sure **Median** is selected. To get compensation data for a CEO select **Add Job**.

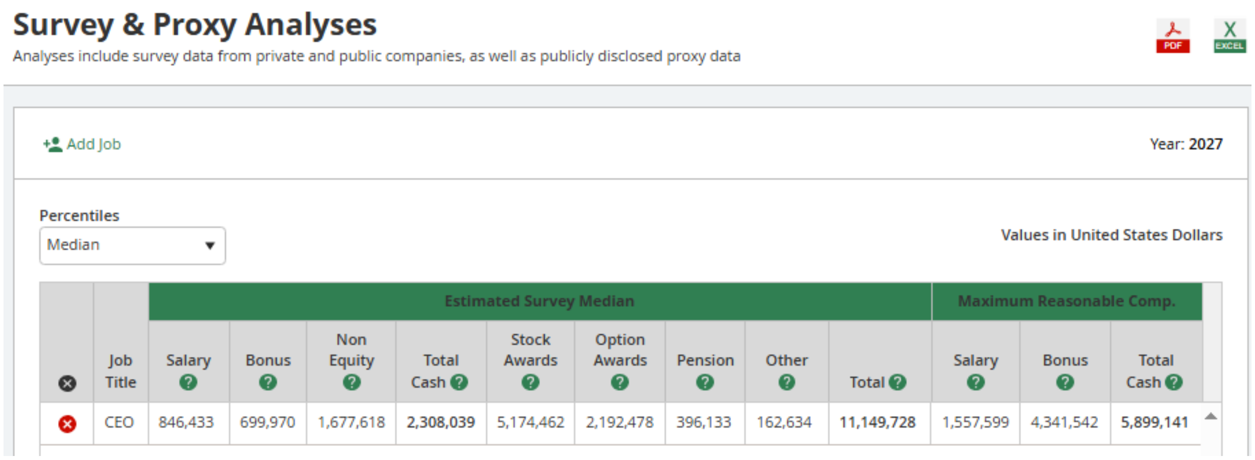


In the search enter “CEO” and when highlighted in green press **OK**. In the table, median Total Cash is given as $2,308,000. This is the same value as the median Total Cash shown in the *Individual Profile* screen.

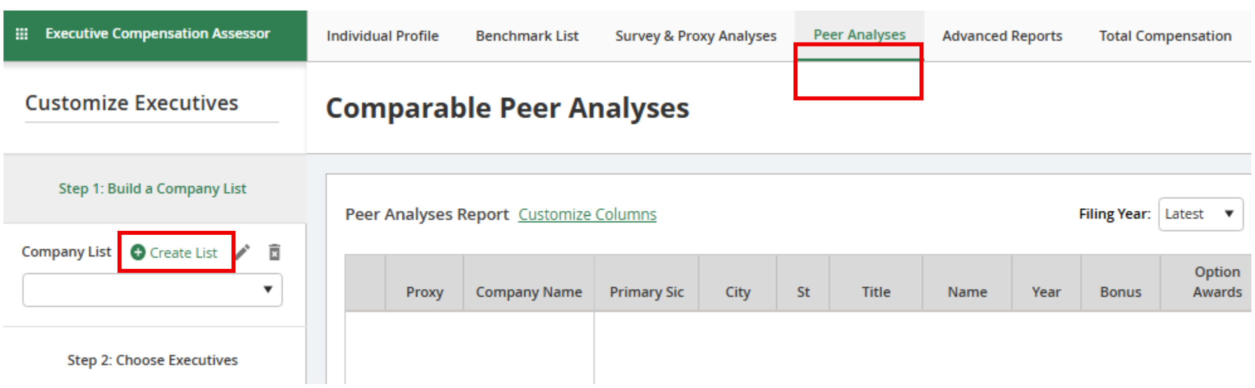
The remaining columns provide median amounts for stock appreciation rights, restricted stock awards, stock options, and all other compensation. The final column is the total of all compensation. In this case, it amounts to $11,150,000. Remember, Ronnie’s total compensation package is $5,100,000.

The last three columns show *Maximum Reasonable Compensation* data. Maximum reasonable compensation is the highest amount of cash compensation (base salary plus bonus) that is allowable for use as a business expense for services rendered in comparable circumstances. In this case it’s $5,900,000, which is well above Ronnie’s total cash compensation of $2,600,000.

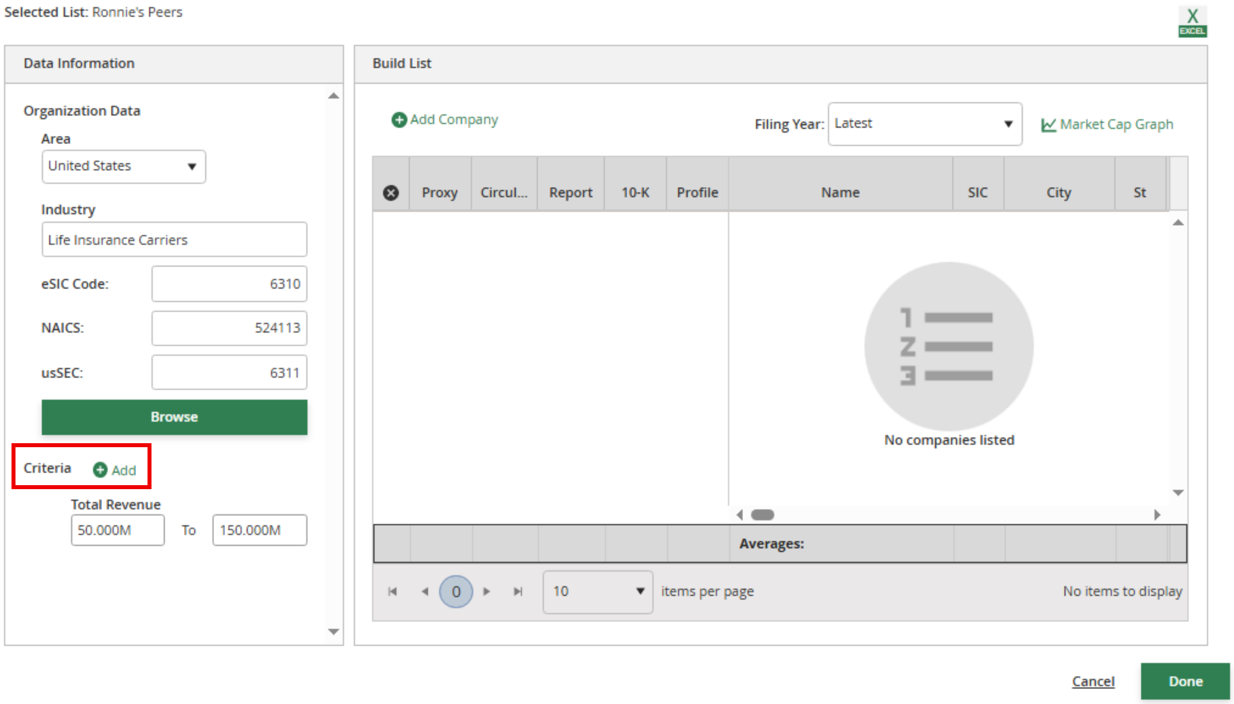
Clearly there is a big difference between the median total and what Ronnie’s compensation is. We will look at peer companies to see how they are compensating their CEOs.



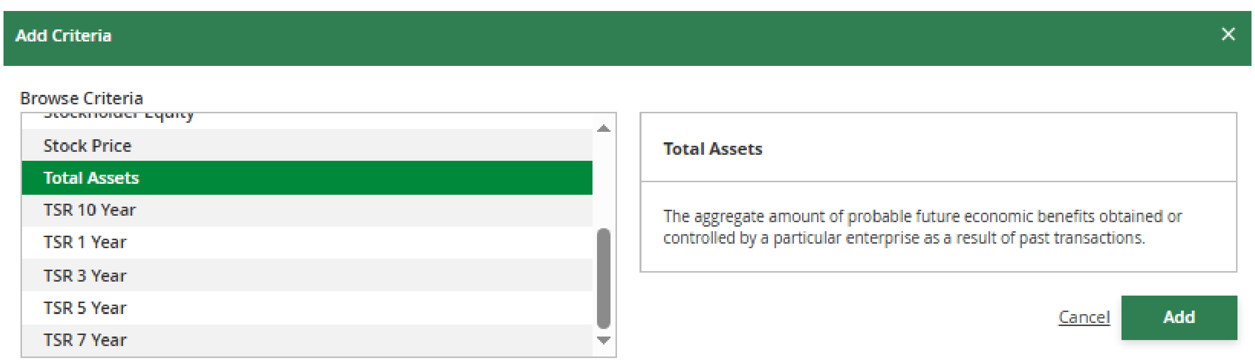
Now we will take a look at the executive compensation of specific peer companies. Press the **Peer Analyses** tab. Then select **Create List** under *Step 1: Build a Company List* to narrow the list of comparable companies displayed in the main table.



When prompted, name the list and press **Create**. The *Step 1: Build a List of Companies* box displays. Great Southern's size is defined by assets so next to *Criteria* select **Add.**

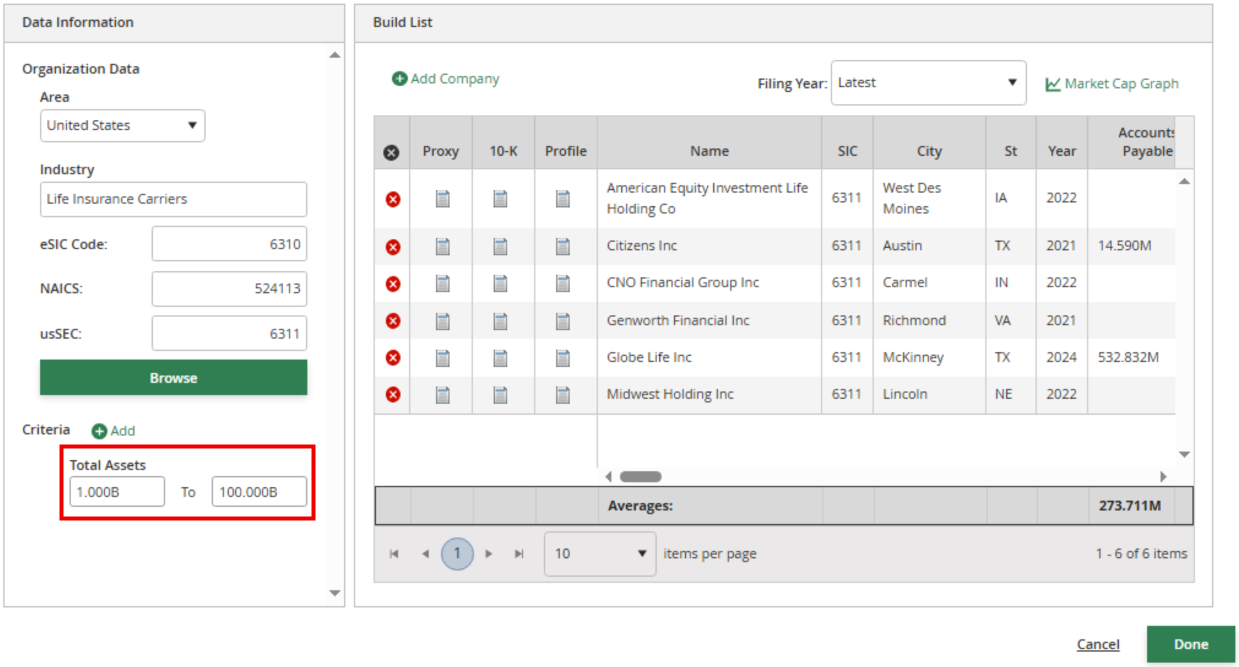


In the *Add Criteria* box, select **Total Assests** and then **Add**.

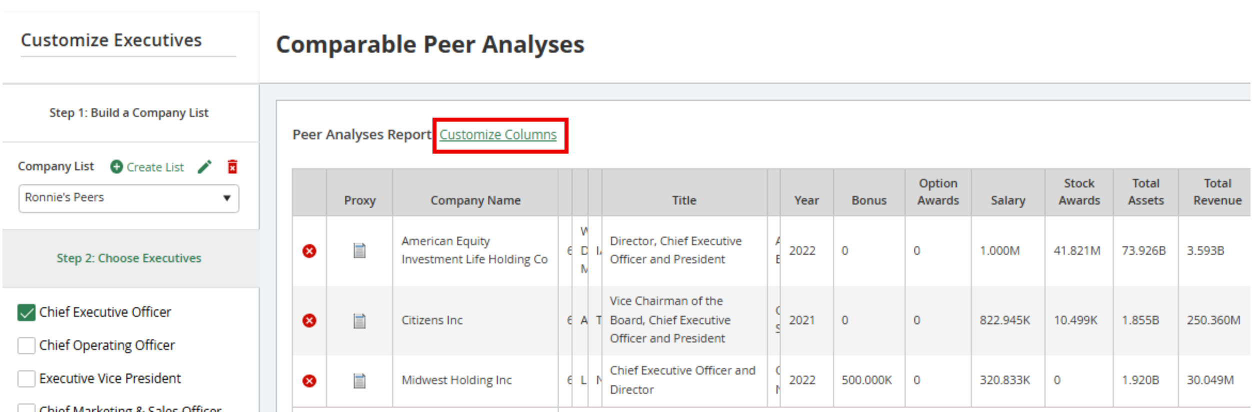


You may delete other criteria such as *Total Revenue* if it shows in the *Data Information* box. Make the *Total Assets* range “1.00B” to “100.00B.”.

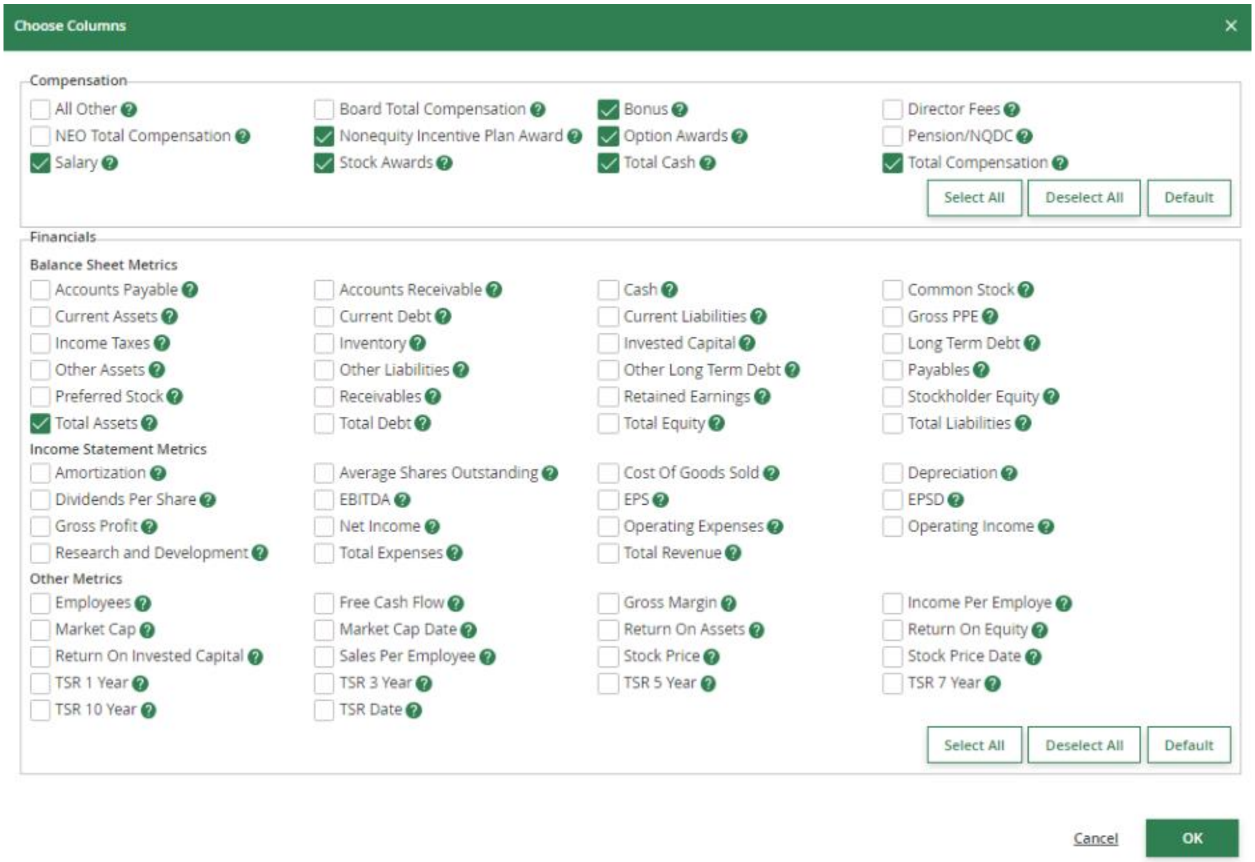
Note that in the *Build List* module, by selecting the icon for **Proxy** or **10-K**, you can access the information in those reports. Press **Done** and then **Save** to proceed to Step 2.



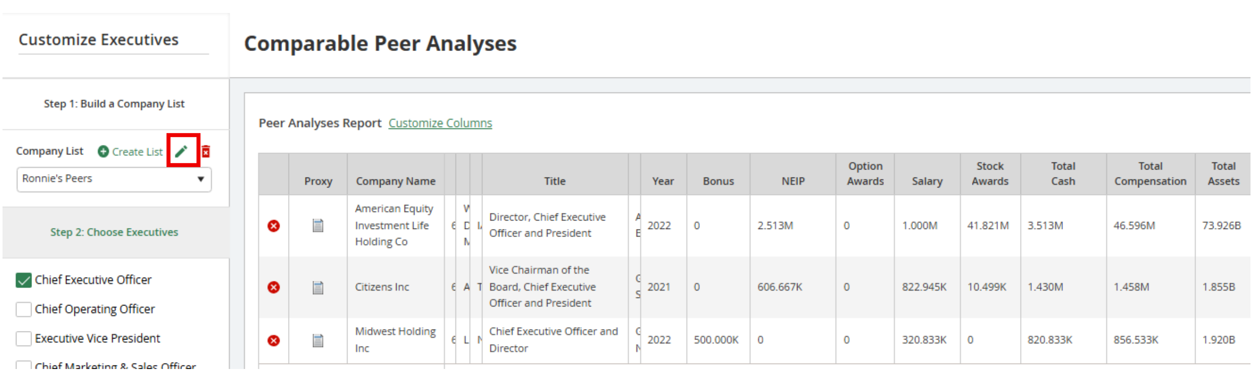
In the Comparable Peer Analyses Module, under *Step 2: Choose Executives*, check off the positions you would like to see comparable executive data for - in this case you only need to check **Chief Executive Officer**. You can also select categories of executive compensation. Select **Customize Columns.**



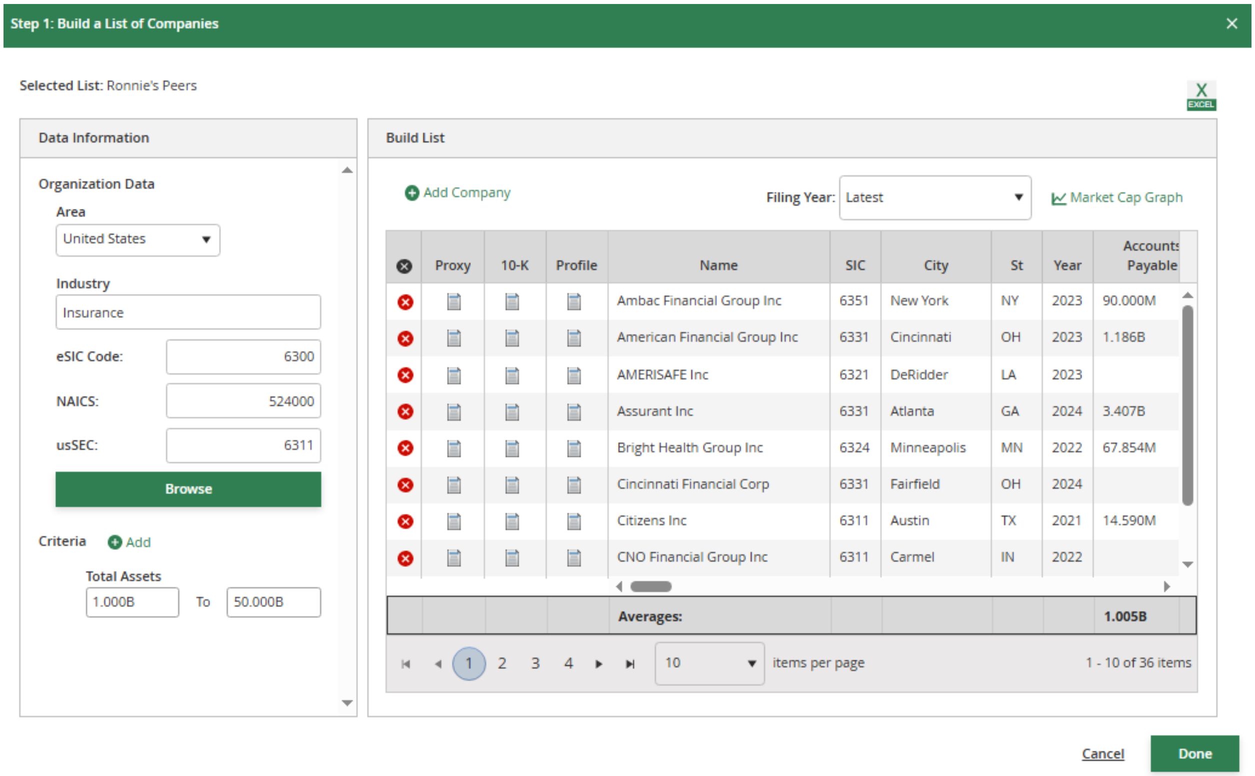
In the *Choose Columns*, *Compensation* and *Financials* areas, check the boxes shown in the screen shot. Be sure to check **Total Assets**. Press **OK**.



Now you can view executive compensation packages for companies having an asset size within the selected asset size range. Having only three companies in the asset size range, and none of them close to Great Southern's asset size means you need to expand your search to a broader industry category. Select the **edit** icon next to *Create List*.



In the Step 1: *Build a List of Companies* box, change Industry to "Insurance" and change *Total Assets* to "1.000B" to "50.000B" and press **Done**. **Save** the results.



Proxy	10-K	Profile	Name	SIC	City	St	Year	Accounts Payable
			Ambac Financial Group Inc	6351	New York	NY	2023	90.000M
			American Financial Group Inc	6331	Cincinnati	OH	2023	1.186B
			AMERISAFE Inc	6321	DeRidder	LA	2023	
			Assurant Inc	6331	Atlanta	GA	2024	3.407B
			Bright Health Group Inc	6324	Minneapolis	MN	2022	67.854M
			Cincinnati Financial Corp	6331	Fairfield	OH	2024	
			Citizens Inc	6311	Austin	TX	2021	14.590M
			CNO Financial Group Inc	6311	Carmel	IN	2022	
			Averages:					1.005B

Now there are many more companies close to Great Southern's asset size that you can look at to compare compensation. It does appear that Ronnie's total compensation is in the ballpark but could use some fine tuning.

Proxy	Company Name				Title		Year	Bonus	NEIP	Option Awards	Salary	Stock Awards	Total Cash	Total Compensation	Total Assets
					Title Insurance Company										
	ProAssurance Corp	6	B	A	President and Chief Executive Officer	E R	2021	0	1.183M	0	937.696K	949.998K	2.120M	3.150M	6.191B
	Radian Group Inc	6	W	F	Director and Chief Executive Officer	R T	2022	0	2.300M	0	1.000M	5.000M	3.300M	8.387M	7.064B
	RLI Corp	6	P	II	Chairman of the Board	J M	2021	0	4.564M	555.34...	775.000K	0	5.339M	6.004M	4.508B
	Selective Insurance Group Inc	6	B		Director, President and Chief Executive Officer	J M	2021	0	2.300M	0	925.000K	2.124M	3.225M	5.436M	10.461B
	SelectQuote Inc	6	C P	K	President	R C	2023	358	464.991K	0	450.000K	1.507M	915.349K	2.432M	1.219B
	SelectQuote Inc	6	C P	K	Chief Executive Officer and Director	T D	2023	256	542.490K	0	525.000K	1.573M	1.068M	2.650M	1.219B
	The Hanover Insurance Group Inc	6	W	M	Director, President and Chief Executive Officer	J R	2023	0	1.933M	1.150M	1.100M	3.450M	3.033M	7.721M	14.613B
	United Insurance Holdings Corp	6	S P	F	President	E M	2024	0	469.971K	181.25...	525.000K	543.750K	994.971K	1.740M	1.216B
	Kinsale Capital	6	R	V	Director, President and	M	2022	2.000M	0	0	762.500K	999.810K	2.763M	3.784M	2.747B

You have completed the tutorial portion of this Interactive Exercise. Please close the PDF and press the **Next** button to continue.