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Insurance industry CEO pay tied more closely to firm performance following the financial crisis, Florida International University study reveals

MIAMI (Feb. 12, 2020) – Compensation packages for insurance industry CEOs changed in the wake of the 2008 financial crisis with bonuses reduced and other incentives increased, according to a new study from [Florida International University's College of Business](#) (FIU Business).

Total CEO compensation was positively related to return on assets (ROA) and firm size both before and after the financial crisis, the study found.

However, after the crisis, the average size of bonuses was reduced by two-thirds. By contrast, stock award and non-equity incentives doubled, and option awards increased almost 70 percent compared to the pre-crisis period, tying compensation more closely to firm performance

“We found that the shift in executive compensation was a response to the crisis,” said Deanne Butchey, University Lecturer in the Department of Finance and one of the study’s researchers. “We also found that when the CEO held a dual role, acting as also the chairman of the board, (s)he was better able to influence salary, bonuses, and long-term incentives. This influence declined in the post-crisis period.”

The study, to be published in *Managerial Finance*, looked at CEO compensation packages to determine whether total compensation, including salary, bonus structure and long-term incentive plan, were positively related to the insurance firms’ post-crisis financial performance.

They compared annual data from 2001 to 2016 for 73 insurance companies and 134 CEOs at publicly traded, shareholder owned insurance companies in the property and casualty and life and health sectors.

“The new compensation structure improves the alignment of executives’ compensation with shareholder interest. Firms will see an improvement in value creation as CEOs own an increasingly large portion of the company through stock ownership programs,” said Butchey, who conducted the research with Jerry Haar, professor of international business at FIU Business, along with Rafiqul Bhuyan of Le Moyne College; and Bakhtear Talukdar of University of

Wisconsin – Whitewater. “It also impacts the CEO, because as they become increasingly focused on the target, they know where to focus their energies.”

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About FIU Business:

Florida International University’s [College of Business](#) plays a pivotal role in the development of global business leaders. With more than 10,000 undergraduate and graduate students, FIU Business is widely recognized for its expertise in international business, real estate, data analytics, entrepreneurship, healthcare management, and a broad range of financial services. Its faculty ranks among the Top 100 in the U.S. in UT Dallas’ survey of business research productivity. For more information about FIU Business, visit <http://business.fiu.edu>.

About FIU:

Florida International University is Miami’s public research university, focused on student success. According to U.S. News and World Report, FIU has 42 top-50 rankings in the nation among public universities. FIU is a top U.S. research university (R1), with more than \$200 million in annual expenditures. FIU ranks 15th in the nation among public universities for patent production, which drives innovation, and is one of the institutions that helps make Florida the top state for higher education. The [Next Horizon](#) fundraising campaign is furthering FIU’s commitment to providing students Worlds Ahead opportunities. Today, FIU has two campuses and multiple centers, and supports artistic and cultural engagement through its three museums: [Patricia & Phillip Frost Art Museum](#), the [Wolfsonian-FIU](#), and the [Jewish Museum of Florida-FIU](#). FIU is a member of [Conference USA](#), with more than 400 student-athletes participating in 18 sports. The university has awarded more than 330,000 degrees to many leaders in South Florida and beyond. For more information about FIU, visit www.fiu.edu.