



2022 / 2023 HEALTH INSURANCE SALES FORCE INSIGHTS REPORT:

Sales Compensation Plan Design in a Volatile Economy



Introduction

The recently published [2022 BDO Health Insurance Industry Sales Force Compensation \(HISC\) Survey](#) provides an in-depth look at compensation levels, plan designs and incentive practices for industry-specific sales roles. Health insurance companies rely on this survey to assess market pay and compensation practices for their sales force. It is always recommended to regularly re-evaluate sales incentive plans to ensure they reflect changes to the external market, as well as changes to the company's go-to-market strategy.

This Insights Report highlights key findings from the full survey report which provides in-depth data and analysis regarding critical compensation issues and questions, such as appropriately incentivizing the sales force to drive business results while minimizing turnover of high caliber sales professionals, specifically:



What are the key drivers of pay levels for various sales positions — types of sales roles, product(s) sold, market segment(s)?



What factors impact the decision regarding the amount of pay that should be at risk?



What type of sales incentive plan(s) should be used? Are companies using sales bonuses, commissions or a combination of both?



What is the prevalence of utilizing long-term incentives to incentivize sales positions?

Key Influencers of Pay Levels

The nature of sales responsibility (e.g., new sales versus renewals) has a direct impact on pay levels. The survey revealed the following key findings:

- ▶ Senior sales roles that focus on new sales are paid more than roles that reflect account management/renewals or a combination of both new sales and account management (see figure 1). This is primarily due to the focus on incentive pay for the new sales — the goal being to bring in new members/contracts.
- ▶ Junior sales roles that focus on new sales are paid slightly more than those that focus on a combination of sales and account management (see figure 1). This reflects the need for experience in both developing and maintaining new and existing client relationships. Both of these groups are paid more than those who focus only on account management and renewals.
- ▶ Sales representatives who sell specialty products only, or both health insurance and specialty products, are paid more than those who sell just health insurance (see figure 2). Some of these products require additional training, education and certifications in order to sell, which warrants higher compensation.
- ▶ Sales representatives who focus on national and major accounts are the most highly paid team members (see figure 3). This finding is typical across most industries due to the skill set necessary for the scope of responsibility including the need to interface with sophisticated client decision makers.

FIGURE 1: TOTAL CASH COMPENSATION (TCC)¹ BY NATURE OF SALES RESPONSIBILITY

NATURE OF SALES ROLE	2022 MEDIAN TOTAL CASH COMPENSATION (\$000) ²		
	SENIOR REPRESENTATIVE	JUNIOR REPRESENTATIVE	JR AS % OF SR
New Sales	\$181.8	\$126.9	70%
Account Management / Renewals	\$171.8	\$109.6	64%
Sales and Account Management	\$151.8	\$125.6	83%

When designing these plans, it is important to ensure that the original product pricing assumptions reflect all expenses stemming from these compensation schedules. Future profitability depends on how closely actual compensation payouts relate to the original pricing assumptions.



STEVE LIOU
Managing Director, Director, Insurance Advisory

¹ Base salary plus annual and sales incentives.

² All compensation figures in this report are displayed in thousands (000s).

FIGURE 2: MEDIAN TOTAL CASH COMPENSATION BY PRODUCT (\$000)

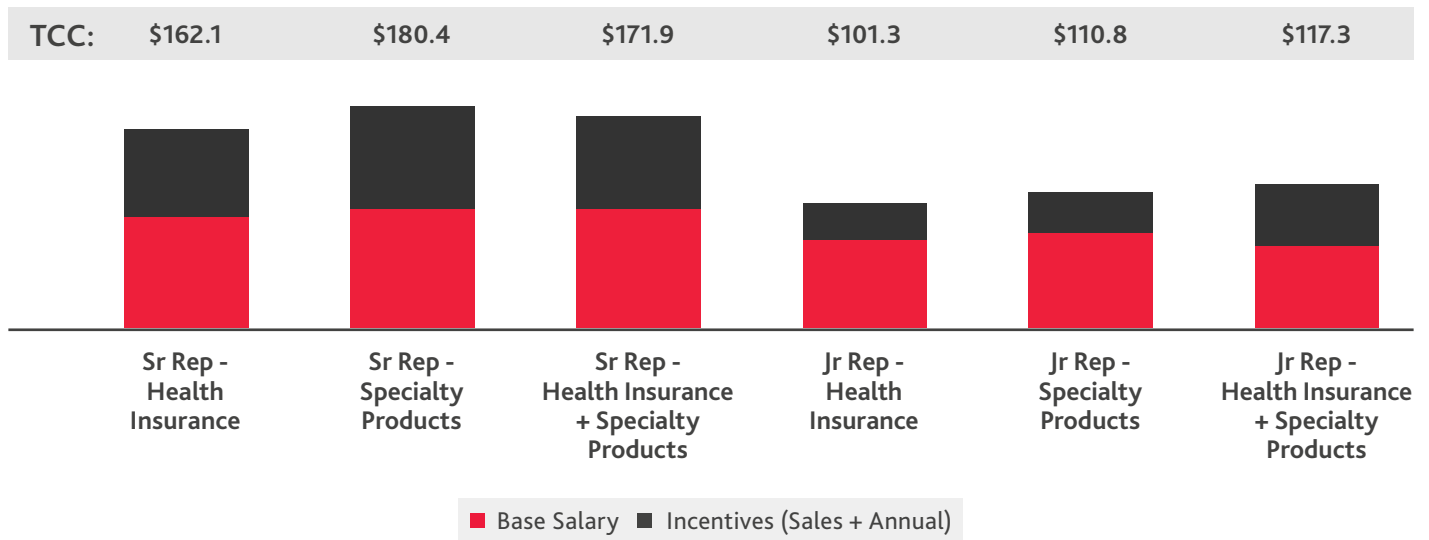
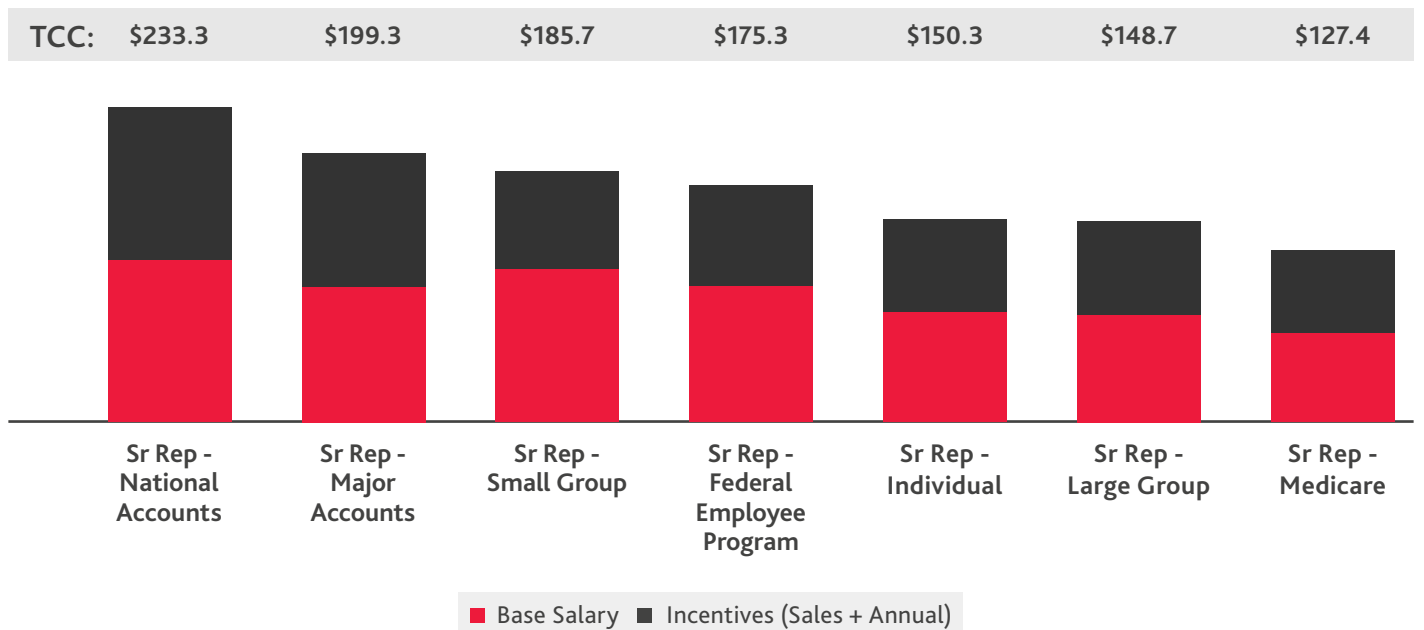


FIGURE 3: MEDIAN TOTAL CASH COMPENSATION BY MARKET SEGMENT (\$000)



Influence of Company Size on Pay

The size of the company has limited impact on pay levels for sales representatives. A comparison of the pay levels for sales representatives at the fourteen largest participants in the survey relative to the thirteen smaller organizations shows that while larger companies lag a bit in base salary, total cash compensation is 2% higher for senior representatives and 6% higher for junior representatives. This close alignment in pay levels is the likely result of the need for smaller health insurers to compete head-to-head for talent with larger companies, and therefore requiring them to keep pay levels competitive to attract and retain employees. However, it also suggests that the larger companies have slightly more leveraged plans.

FIGURE 4: AVERAGE LARGE COMPANY PAY AS A PERCENT OF SMALL COMPANY PAY

POSITION	BASE SALARY	TOTAL CASH COMPENSATION
Sales & Account Management: Senior Representative	94%	102%
Sales & Account Management: Junior Representative	95%	106%

Selling skills are very 'portable' and successful sales reps have considerable flexibility as to where they use them. Increasing levels of incentive compensation will likely continue to keep the playing field relatively level between large and small companies.



MIKE CONOVER

Managing Director, Global Employer Services



Sales Incentive Plan Usage

There has been a continued shift away from sales bonus plans and towards commission plans. Historically, the most common plan vehicles were sales bonuses or a combination of a sales bonus and commission plan. Last year, the prevalence of commissions exceeded the prevalence of sales bonus plans for three of the four roles. This year, the trend continued with an increase in prevalence of commission plans across sales roles, including account management roles, which is a new trend this year (see figure 5). These roles saw a decrease by as much as 12 percentage points in the prevalence of sales bonus only incentive plans (see figure 6).

Sales representatives selling into the individual market saw the largest jump in commission prevalence, with an increase of 16 percentage points in commission only incentive plans. While sales bonus plans allow companies to focus their sales force on both product sales as well as other strategic priorities, such as product type, customer type or profitability, commission plans can send a message to sell — especially in a market where it might be difficult to set specific sales goals. As such it is interesting that the prevalence has been shifting towards commissions since 2020.

FIGURE 5: SALES INCENTIVE PLAN TYPES

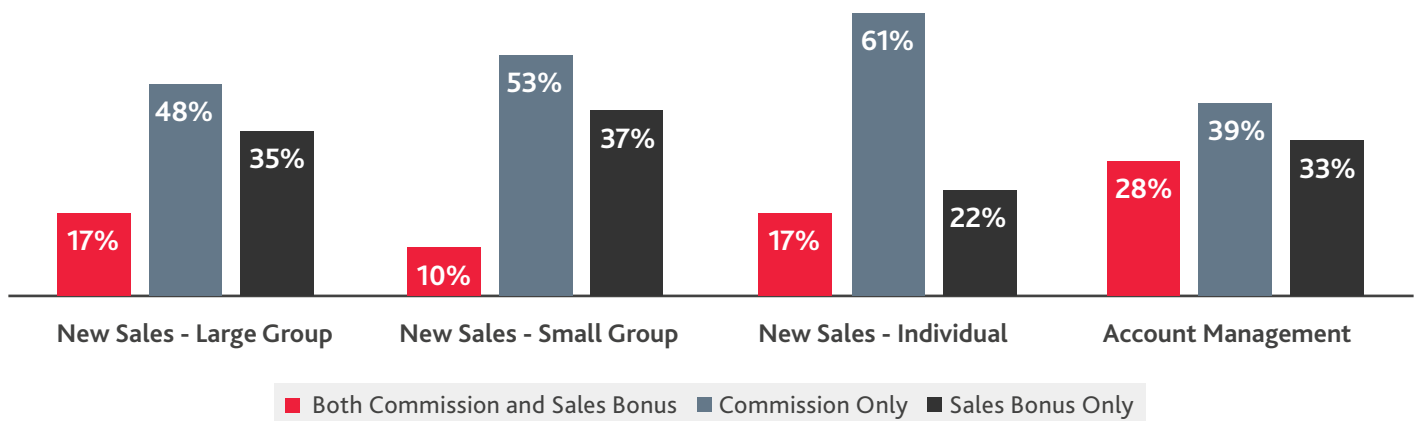
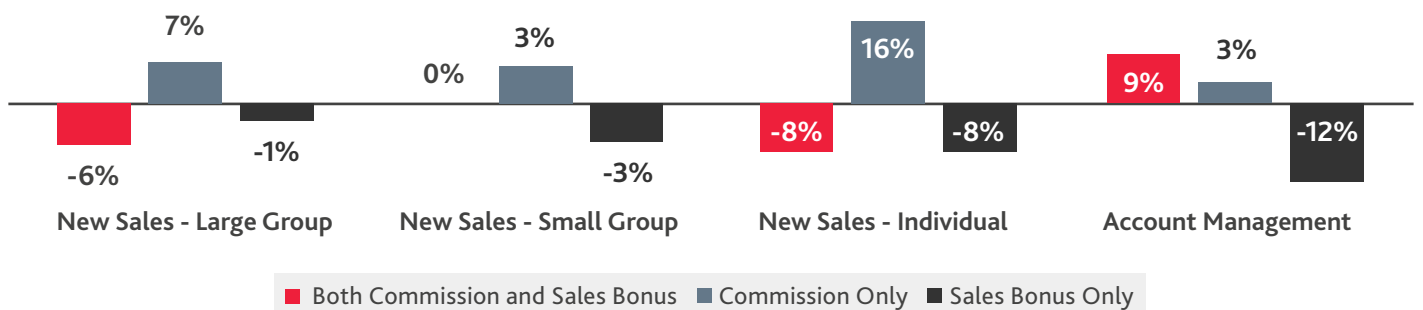


FIGURE 6: YEAR OVER YEAR CHANGE IN SALES INCENTIVE PLAN PREVALENCE



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Sales incentive plans need to evolve to reflect changes in insurance industry market forces, changes in the talent market and changes to your company's go-to-market strategy. While overhauls may not be necessary, plans are likely to need updates to keep abreast of current conditions.



JUDY CANAVAN

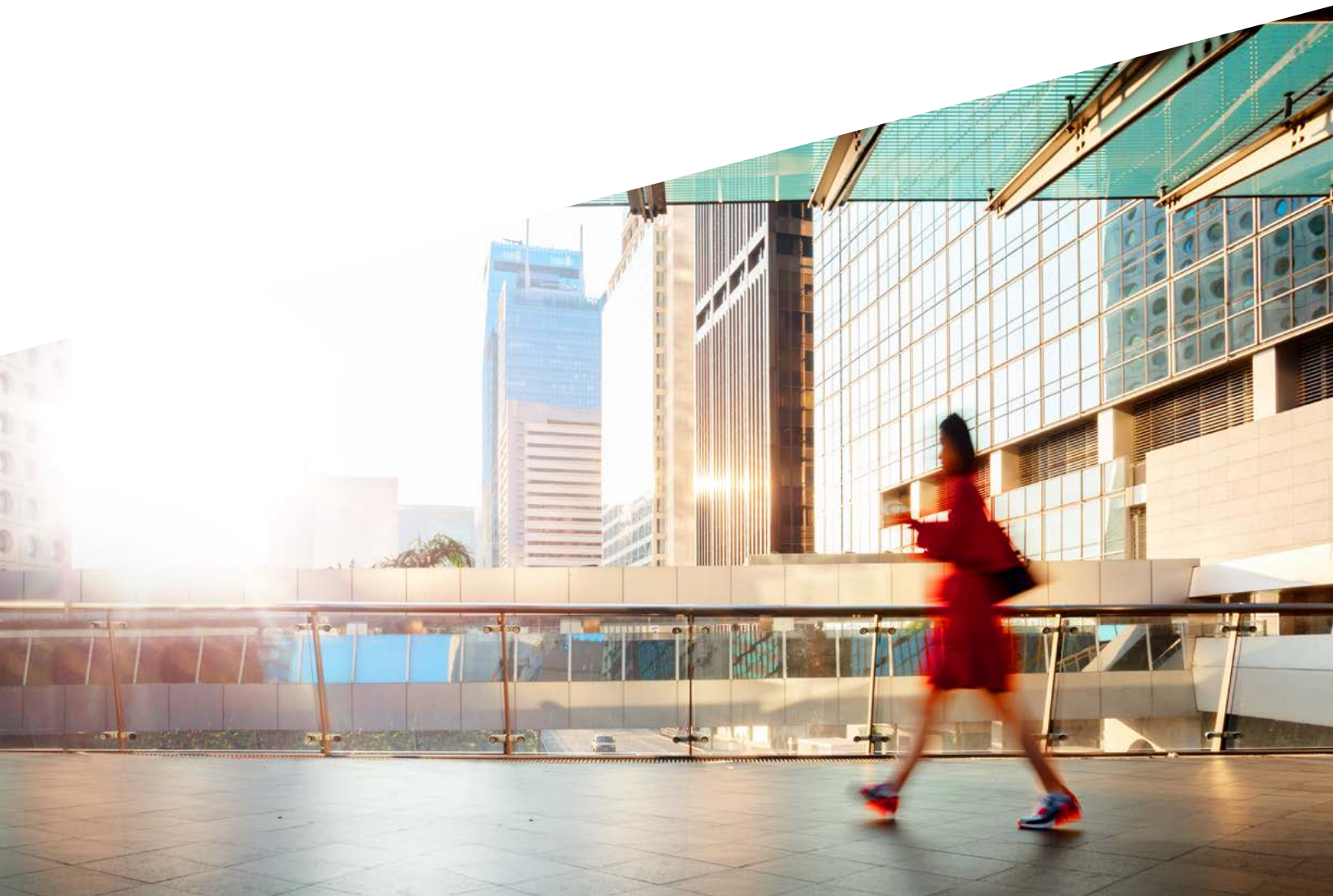
Managing Director, Global Employer Services

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When designing incentive plans, selecting the correct performance metrics is critical in the achievement of performance goals. Among companies surveyed, New Sales Representatives - Large Group reported that the top three metrics include:

- ▶ Number of new health insurance contracts sold (96% prevalence)
- ▶ Number of dental contracts sold (57% prevalence)
- ▶ Number of vision contracts sold (52% prevalence)

Not surprisingly, most companies focus on new health insurance contracts sold. Strategically, however, companies also encourage sales teams to sell dental and Rx/pharmacy contracts as part of a full-service suite of insurance products.





Long-Term Incentive Prevalence

Long-term incentives (LTIs) are not a large component of pay for sales representatives but are used for more senior sales roles. There is also a somewhat higher prevalence in the use of long-term incentives at larger organizations (see figure 7).

When long-term incentives are provided to sales representatives, there is significant variation in prevalence based on the market segments. Representatives that sell to national accounts and federal employee programs are the most likely to have long-term incentives included in their pay packages, though it is less than 40% (see figure 8).

FIGURE 7: LTI PREVALENCE BY LEVEL FOR ALL ORGANIZATIONS AND LARGE ORGANIZATIONS

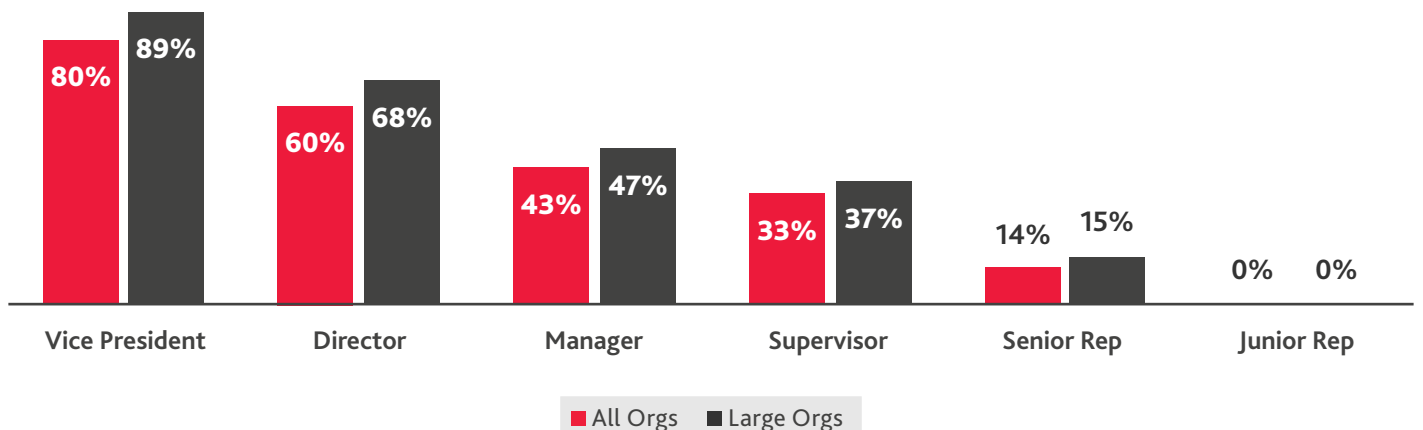
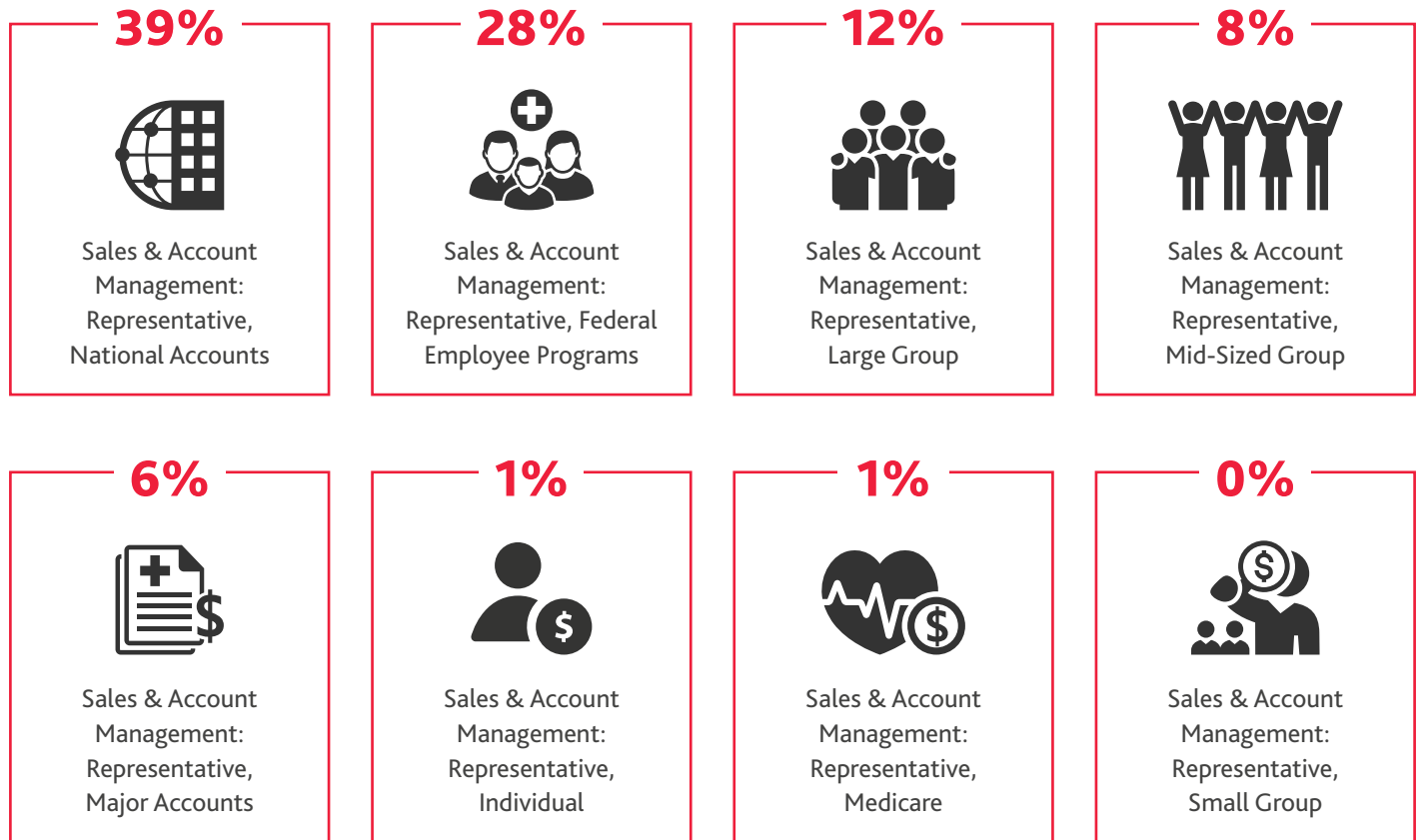


FIGURE 8: LTI PREVALENCE BY MARKET SEGMENT



Conclusion

Developing effective sales incentive plans is one of the most complex compensation design challenges for any company. Using credible survey market data is a critical starting point for designing an effective plan.

Companies should combine market data with an internal review of their company's go-to-market strategy and use both to inform their analysis and plan construct. The development of any sales incentive plan is an "art" and is intended to ultimately drive the behaviors that enable achievement of business goals. Keep in mind, though, that as industry models and economic forces change, incentive plans may need to change as well to ensure success in new health insurance business environments.

About Our Survey

BDO's annual [Health Insurance Industry Sales Force Compensation Survey](#) of 1,900 positions, reports compensation data including base salary, sales incentives, commissions and corporate incentives. It provides details about the use of long-term incentives and plan design information for sales representatives, account managers, inside sales and customer service staff. The survey also explores pay-for-performance relationships that are fundamental to developing effective sales incentive plans. Survey responses are gathered annually from participating health insurance organizations with three categories of analyses:



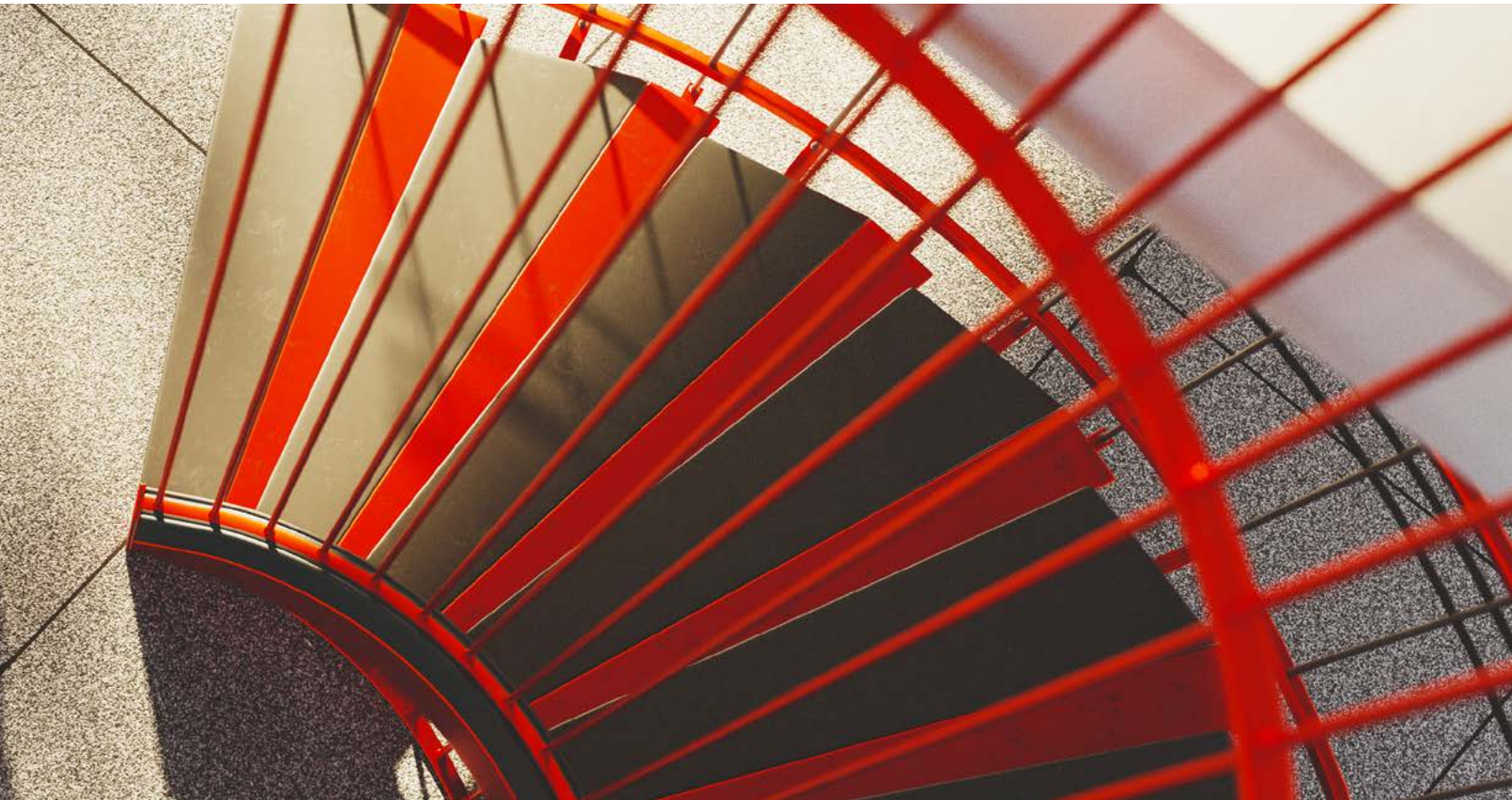
COMPENSATION
LEVELS



SALES INCENTIVE
PLAN DESIGN



PAY FOR
PERFORMANCE



About BDO's Global Employer Services Practice

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GLOBAL MOBILITY

Expatriate Tax

Working with multinational employers to minimize tax burdens and compliance risk while providing integrated services and essential tools, such as our business traveler tracking application, to enable seamless global and domestic employee transitions.

Mobility Consulting

Developing strategies with company stakeholders to determine key objectives and create or modify a global mobility program to meet these objectives through enhanced assignee selection criteria, policy design, repatriation strategies, cost analysis, market analysis, and effective communication.

Global Equity

Helping employers with multinational stock compensation programs to minimize tax burdens and compliance risk through our international network and tools like the BDO Global Equity Mobility Solution and Global Equity Rewards Matrix.



GLOBAL REWARD TAXATION

Global Payroll

Providing payroll review, recommendation and implementation; assignment benefit and compensation gathering; and compensation schedules to reconcile U.S. and foreign payrolls.

U.S. Employment Tax

Identifying and implementing strategies to help reduce current and future employment tax burden and exposures; taking advantage of federal, state, and local opportunities to recover overpayments and maximize credit opportunities; and managing the unique complexities of remote and flexible work arrangements.

Executive Tax

Providing tax consulting for nonqualified deferred compensation plans, stock options and other equity-based plans, golden parachute (280G) analysis, 162(m) compliance, fringe benefits, transfer of partnership interests and review for IRC 409A compliance.



PEOPLE AND ORGANIZATION STRATEGY

Employee Stock Ownership Plan (ESOP) Advisory

Helping companies evaluate and transition to a shared ownership with employees through an ESOP, a tax-advantaged mechanism for business owners who are looking for liquidity for part or all of their business while maintaining a legacy for valued employees.

Compensation Consulting & Surveys

Providing total compensation program design and benchmarking, long-term incentive strategy development, board briefings and support on the executive compensation regulatory environment, preparation of executive compensation disclosures and performance management.

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RETIREMENT PLANS

ERISA Consulting

Providing design, administration and support for qualified retirement plans, including traditional defined benefit pension and cash balance plans, 401(k) Profit Sharing, 403(b) and ESOPs; annual compliance testing, preparation of plan documents and government filings, plan corrections, compliance reviews and M&A due diligence.

Actuarial Services

Providing cash balance and other tax-qualified defined benefit plan services in addition to retiree health/welfare and non-qualified plans; design, implementation and administration of employer-tailored cash balance plans; resources for long- and short-term planning, funding, accounting, termination, and M&A.

Contact Us

If you have any questions, comments or suggestions, please contact us.



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