PNB MetLife India Insurance Company Limited

Policy for Payment of Commission

(Throughout this policy "PNB MetLife" or "Company"
refers to PNB MetLife India Insurance Co. Ltd.)

Document Control:

Version No.	17.0
Policy Owner	Ethics and Compliance and Finance
Prepared By	Finance Controller and General Manager – Distribution Risk
Reviewed By	Chief Risk Officer and Chief Financial Officer
Approved By	Board of Directors

Sr.no.	Contents	Page no.

Section 1: Purpose

The (Expenses of Management, including Commission, of Insurers) Regulations, 2024 ("Regulations"), issued by the Insurance Regulatory and Development Authority of India ('IRDAI' or 'Authority') inter alia mandates every insurer to have in place a Board approved written policy for payment of commission insurance agents and insurance intermediaries to be in place. PNB MetLife India Insurance Company Limited ("PNB MetLife") has accordingly formulated this policy in compliance with the Regulations.

Section 2: Scope

This Policy governs the commission payable to insurance agents and insurance intermediaries as defined in the Insurance Act, 1938, IRDA Act, 1999 & Regulations issued thereunder for solicitation of business and International Financial Services Centres Authority (Insurance Intermediary) Regulations, 2021. The Policy does not detail the Company's processes for the day-to-day management of commission.

Section 3: Objective

The objective of the Policy is to ensure the following:

(i) Increases insurance penetration and density

(ii) Ensure the interests of the policyholders are protected

(iii) Enhance the performance and is in the interest of insurance agents and insurance intermediaries

(iv) Commensurate with PNB MetLife's business strategy

(v) Bring efficiencies in business conduct and simplify administration of the same

(vi) Nature and tenure of the insurance policy

(vii) Stipulate the parameters for rewards and recognition programs to be designed and rolled out by the company for insurance agents and insurance intermediaries

Section 4: Definitions

1) **"Commission"** means the compensation including remuneration or reward, by whatever name called, paid to an insurance agent or insurance intermediary by PNB MetLife for soliciting and procuring an insurance policy.

2) **“Insurance Agents”** means the individual insurance agents engaged with PNB MetLife under the IRDAI (Appointment of Insurance Agents) Regulations, 2016 as amended from time to time.
3) **“Point of Sales Person (PoSP)”** means the individual engaged with PNB MetLife under the Guidelines on Point of Sales Person – Life Insurance issued on November 7, 2016.
4) **“Insurance intermediaries”** means and includes;
    - Corporate Agents – (a) Banks (b) NBFCs (c) Others
    - Insurance Brokers
    - Web Aggregators
    - Insurance Marketing Firm (IMF)
    - Any other entity as may be notified by the Authority from time to time e.g. Common Service Centre (CSC)
    - Entities registered under International Financial Services Centres Authority (Insurance Intermediary) Regulations, 2021

5) **“Reward”** means the amounts paid by PNB MetLife, whether directly or indirectly, over and above the product commission as an incentive to an Insurance agent or PoSP or to an Insurance intermediary.

6) **“Orphan policies”** means/ the policies effected by an agent whose services were subsequently terminated or removed or deleted from the rolls of PNB MetLife, excluding those policies to which the effected agent or legal heir is entitled to renewal commission.

Section 5: Commission

The Company’s Commission philosophy aims to ensure right selling of insurance products and provide an appropriate reward to the soliciting Insurance Agent or insurance intermediary, commensurate with the efforts made and varies according to the business model. The commission philosophy aims to balance the interests of key stakeholders and operate within IRDAI (Expenses of Management, including Commission, of Insurers) Regulations, 2024. In line with this philosophy, the Company would pay commission to the Insurance agents, PoSPs and Insurance intermediaries as per the guidelines mentioned in this document. This shall be applicable for sale and solicitation of insurance policies through insurance agents, PoSPs and intermediaries including any sale and solicitation through distance marketing mode.

a) **Product Commission (New business and renewals)**:

Insurance agent or intermediary may be paid commission up to the maximum commission limits for existing and new products as mentioned in **Annexure A**.

PNB MetLife will pay commission on the policies of self-life of an Insurance Agent post solicitation of six lives, other than his own policy/s.

Renewal Commission will be paid to insurance agent, PoSPs and insurance intermediaries on successful receipt of renewal premium of the policy. The Company may pay commission on deferred basis based on commercial and/or qualitative criteria.

In line with aforementioned Company philosophy of commission and to ensure achievement of any commercial and/or qualitative criteria, the Company may resort to clawing back a proportionate percentage of the first year or renewal commission paid in the event of the policy being lapsed or cancelled subsequently before the policy term.

The intermediary renewing the one-year renewable group policies will be entitled to receive the applicable commission.

In the event of a policy being cancelled and the premium refunded for any reason whatsoever, PNB MetLife shall recover the entire Commission and rewards, if any paid to the insurance agent or insurance intermediary.

In the event of a policy being lapsed / surrendered / paid-up, PNB MetLife may recover the Commission or/and any other amount, as may be decided and agreed, from the insurance agent or insurance intermediary.

Also, the company may decide to hold a certain % of first year commission payable to the Agents and Intermediaries and the same will be paid in the subsequent year/s, if the policy remains in-force. The % of commission to be kept on hold may vary between Agents and Intermediaries.

Distribution Remuneration Committee consisting of Chief Risk and Compliance Officer, Chief Financial Officer and Chief Distribution Officer/s are authorised to take decision on actual rate of commission and rewards payable at channel/ distributors level and recovery or holding of commission as per the aforementioned philosophy and limits of commission and rewards mentioned in this document.

Criteria for payment of Renewal Commission post termination of Agency:

- Renewal commissions will be paid to the individual agents and PoSPs on completion of 5 successful years with the organization even if his / her agency is terminated post that (subject to receipt of due renewal premium), except for grounds of any malpractice or fraud. In case the agent / PoSP has chosen career progression option with PNB MetLife and become an employee / agent of the company, company will continue to pay renewal commission against the policies which were sourced as an agent / PoSP.

  Commission on renewal premium will be paid to the intermediaries on completion of 3 successful years with the organization even if the agreement is terminated, unless the agreement was terminated for grounds of any malpractice or fraud.

- Renewal commission will be paid as a % of the renewal premiums received and as per the rate approved by the Distribution Remuneration Committee.
- If the commission amount remains unpaid for 3 years due to unavailability of bank details of the agent/PoSP/intermediary, the commission provisions will be reversed and no further commissions will be payable. Reinstatement of the agent/PoSP/intermediary will not be allowed.

- In case of the agents/PoSP, if the commission remains unpaid for 3 years, on account of non-completion of mandatory training, the same will be reversed. Reinstatement may be done and commission may be paid on case to case basis post completion of mandatory training.

b) **Hereditary commission to the heirs of an insurance agent / PoSP in the event of the death of the Individual insurance agent / PoSP**;

- Legal heirs of the individual agent / PoSP will get renewal commissions in the unfortunate event of death of an individual agent / PoSP while remaining engaged with PNB MetLife. Such commission would be paid only if due efforts are taken by the legal heirs to service the policies (subject to receipt of due renewal premium).

- All policies sourced by an individual agent / PoSP will get mapped to the legal heirs in case he/she becomes an agent / PoSP with the Company post the unfortunate event.

c) Manner and conditions regarding transfer of Orphan Policies

- PNB MetLife shall, in its sole discretion choose to allot Policies sourced through insurance agents or insurance intermediaries, who are no longer in the service of the Company to agents or employees for better customer connect.
- The allotted agent shall be entitled to a maximum of the renewal commission on such policies, as decided by the company.

Section 6: Rewards

The company may come up with rewards program for the channel of distribution, which will be over and above the commission mentioned in Annexure-A or commission approved by the Distribution Remuneration Committee. For the purposes of rewards PNB MetLife has classified the channels of distribution as provided below:

- Insurance Agents (individual agents or agents);
- Point of Sales Person (PoSP)
- Insurance intermediaries:
  - Corporate Agent – Banks
  - Corporate Agent – NBFCs
  - Corporate Agent – Others
  - Brokers
  - IMFs
  - Web-aggregators
  - Others

PNB MetLife may have various rewards and recognition programs for its agents, PoSPs and intermediaries at the sole discretion of the Company, to distinguish between a high performer and low performer. These programs would be with the objective of rewarding their performance and safeguarding their association with the Company, however, the Rules of reward program shall be equitable and shall not result in disproportionate or undue discriminatory treatment of individual agents, PoSPs and intermediaries and also ensure and promote ethical sales process. However, the company may come up with differential rate of rewards depending upon the tier of business achievement, different level of the agents and nature of administrative support provided by PNB MetLife at the solicitation / login stage to the Insurance agents, PoSPs and Insurance intermediaries. All programs must be announced based on measurable quantitative and qualitative parameters as referred below.

Quantitative Parameters:

Insurance is business of spreading the risks and large volumes play critical role in spreading the risks. Further, large volumes are required for the long-term sustenance and stability of the Company. The value of New Business is one metric which reflects volumes and quality of business in terms of persistency, mortality, expenses ratios etc. and hence become equally important. Therefore, the Company may announce reward programs from time to time, keeping in mind any one or a combination of the following quantitative parameters:

Sr.	Name of the parameter	Rationale for inclusion of the parameter for eligibility of Rewards
1.	Annualized Premium Income	Helps in measuring the ticket size which is important measurable for new business premium growth
2.	Earned New Business Premium income	Helps in measuring the absolute volume of Premium earned by the Company and is also an important parameter
3	Product Mix	Helps in managing distribution and sales in accordance with company strategy, manage risks and promote new products, etc.
4.	Sum Assured	Indicates the risk coverage and is also a key parameter to calculate the growth in insurance penetration
5.	Number of Policies / Unique Customers	Measures the depth of the business and is important to develop the Customer base and spread the risk
6.	Assets under management	This parameter is relevant for Unit linked life insurance policies and indicates growth in assets

7.	Any other similar parameter	To be specified by the management

Qualitative Parameters:

While it is important to motivate the agents and eligible intermediaries towards achieving higher standards of performance quantitatively, it is equally important that the Company gives due weightage for quality parameters to ensure that the rewards help support long term profitability of the Company and promote ethical business / sales process.

Company will ensure the sales contests are designed in accordance with PNB MetLife Sales Contest Guidelines, duly approved by DRC to drive the desired behavior which motivates the Agent/Intermediaries to solicit the quality Insurance business in ethical manner. The design would include supporting controls, review of key risk indicators and a process to measure effectiveness, so that sales contests meet the objective of treating customers fairly.

The Company may, therefore, decide and **include any one or more** of the following qualitative parameters **as a gate-criteria** for eligibility for rewards programs:

Sr. No.	Name of the qualitative parameter	Rationale for inclusion of the Parameter for eligibility of Rewards
1	13th month / 25th month persistency or any other persistency criteria	Persistency is critical as the Company would otherwise not be able to recoup the first year's expenses
2	Training completion	To promote ethical sales practices and treat the customer fairly
3	Sales quality score	Reflects the quality of business
4	Customer complaints	Reflects the quality of business
6	Any other qualitative parameter	To be specified by the management

It shall be ensured that no Insurance agents, PoSPs or Insurance intermediaries who does not fulfil qualitative criteria decided by the management as a part of the Contest program, becomes eligible for any Rewards under the Rewards Program announced by the Company.

Rewards will be as a % of first year premium. The quantum of maximum rewards that can be paid to Insurance agents, PoSPs and Insurance intermediaries is detailed in **Annexure-B**.

The total amount of commission (including rewards) payable on the products offered by PNB MetLife shall not exceed the Expense of Management (EOM) limits specified under Insurance Regulatory and Development Authority of India (Expenses of Management of Insurers transacting Life insurance business) Regulations, 2023 as amended from time to time.

In the event of a policy being cancelled and the premium refunded for any reason whatsoever, PNB MetLife may be entitled to recover the entire rewards paid to the insurance agent or insurance intermediary.

Rewards Schemes for Sales employees of the Insurance Company

The Company may also announce similar rewards and contests for sales employees of the Company, by adopting the above mentioned quantitative and qualitative parameters for promoting business and quality of business. However, the value of the Contests shall be outside the limit of Rewards which are applicable only for Insurance Agents and Insurance Intermediaries. All sales incentive plan launched by the Company shall be in line with Sales Incentive Process prevailing in the company and applicable regulatory provisions including but not limited to Expense of Management mandate of IRDAI.

Note:

1. It will be responsibility of the individual sales channel to ensure that the, reward programs are designed keeping in mind the internal budget allocated to them, expenses of management, DOA metrics of the company.

2. Company shall ensure that the value of rewards which can be earned by Individual Agents or PoSPs or Insurance Intermediaries shall be a logical outcome of the achievement of the targets as per the Contests announced from time to time.

3. Premium related parameter, where included, will be net of any freelook cancellations.

4. Management may fix targets based on any of the above parameters to decide eligibility for rewards and include them as a part of the reward programs announced for the Distributors from time to time. Where multiple parameters are proposed to be used, management may decide the weightage to be assigned for the parameters.

5. Detailed guidelines and process of PNB MetLife on sales contest and sales employees incentive are followed while declaring and fulfillment of contest.

The Company will transparently communicate to all the Agents, PoSPs and intermediaries about the reward programs, as and when the same is designed and launched. It will be responsibility of the each and every sales channel to ensure fulfilment of the reward program is strictly as per T&C of the reward program, which has been communicated to the agents and eligible intermediaries in advance.

The Chief Distribution Officer of the Company will ensure implementation of this policy, through respective business / channel heads under the distribution function. Chief Distribution Officer will also ensure that to put in place effective mechanism for oversight and governance of rewards program and bring to the attention of the Board relevant updates at least on an annual basis.

Section 7: Termination & Suspension of Agent & Intermediary Engagement subject to the applicable regulatory provisions:

<u>Agents</u>

a) PNB MetLife shall be entitled to terminate or suspend an insurance agent's engagement in the event of:

i. The insurance agent violating the provisions of the Act, IRDAI Act or rules or regulations, made there under as amended from time to time; or

ii. If the insurance agent fails to comply with the directions issued by the IRDAI from time to time; or

iii. If the insurance agent fails to furnish any information relating to his/her activities as an insurance agent and as required by PNB MetLife or the IRDAI; or

iv. If the insurance agent furnishes wrong or false information; or conceal or fail to disclose material facts in the application submitted for appointment of insurance agent; or

v. If the insurance agent does not submit periodical returns as required by PNB MetLife/IRDAI; or

vi. If the insurance agent does not co-operate with any inspection or enquiry conducted by the IRDAI;

vii. If the insurance agent fails to resolve the complaints of the policyholders or fail to give a satisfactory reply to the IRDAI in this behalf; or

viii. If the insurance agent commit act/s of misconduct, fraud, negligence, disloyalty, misrepresentation of facts, indiscipline or indecency, inefficiency or any other act detrimental to the interests/reputation of PNB MetLife or its customers; or

ix. If the insurance agent fails to meet the Minimum Business Criteria or requirements as prescribed by PNB MetLife; or

x. If the insurance agent suffers from any of the disqualifications as prescribed under the Act including failure to comply with the Code of Conduct as specified in the Act and/or by PNB MetLife.

Intermediaries

- In case of any breach by an insurance intermediary of its obligations listed in the agreement formed between PNB MetLife and the respective insurance intermediary (including regulatory violations if any) and/or under any applicable legislation, guidelines or circulars, the agreement will be terminated in accordance with the provisions for termination as contained therein.

Section 8: Return on payment of Commission

(a) Within 45 days of the expiration of each financial year PNB MetLife will submit returns on payment of commission made during the preceding financial year in the format prescribed by Authority.

(b) The return so filed shall be signed by the Appointed Actuary and Chief Financial Officer of PNB MetLife or as notified by the Authority in this regard.

(c) The Return shall be reviewed by the Audit Committee prior to being placed for approval of the Board of PNB MetLife.

Section 9: Payments for other Services:

In addition to commission and rewards payable on the business sourced, the Company may make payments to partners, including Corporate Agents, for distinct and verifiable services rendered by the partners to support business operations provided that such payment are within the limits of the Expense of Management regulations as amended from time to time.

Such payments shall not be part of commission computation and will be treated as operational / distribution expenses i.e. “payment for other services” strictly linked to actual services delivered.

These services may include, but are not limited to:

- Branding and visibility support;
- Participation in co-branded marketing campaigns;
- TV, print, digital or outdoor advertising;
- Customer awareness or financial literacy initiatives;
- Training and capacity-building programmes; infrastructure or technology support;
- Call-centre related services;
- Data processing or documentation support; and
- Any other bona fide permissible service that can be evidenced through appropriate invoices, service agreements, or deliverables.

All such payments shall:

✓ Comply with applicable IRDAI regulations like Outsourcing and Expense of Management Regulations;
✓ Be reasonable and commensurate with the service provided & are in interest of Policyholder;
✓ Shall be supported by proper documentation & due diligence;
✓ Arms length relation maintained between its activities as Insurance Intermediary and other activities

Section 10: Review of Policy:

This Policy will be reviewed annually by the Board of PNB MetLife, and any modifications or improvements will be accordingly incorporated. Notwithstanding the foregoing, this policy may be modified, with the consent of the Board prior to any such annual review. Further the Distribution Remuneration Committee is authorised to prescribe, review and make any modifications on the overall remuneration (including commissions and rewards) for each channel in line with the overall philosophy detailed herein.

Annexure-A: Maximum Permissible Commission Rates:

Sr. No	Line of Business	Single Pay	Non Single Pay – First Year Commission	Non Single Pay – Renewal Commission
RETAIL PLANS				
1.	Participating	2.0%	5% x PPT	18.00%
2.	Non-Participating Savings	2.0%	5% x PPT	11.50%
3.	Term and Term with Return of Premium	7.5%	Higher of 40% or 5x PPT	10.00%
4.	Immediate & Deferred Annuity	2.0%	7.5%	4%
5.	Unit linked Plans	2% of Single Premium OR 0.8% of Policy Fund Value	12% of Annual Premium OR 0.8% of Policy Fund Value	6.25% of Annual Premium Or 0.8% of Policy Fund Value
6.	Riders	2%	35%	3%
GROUP PLANS				
7.	Group Term Life (including YRT and long-term Group plans)	10%	10%	10%
8.	Group Credit Life	10%	10%	10%
9.	Fund based group plans	0.5% Capped at Rs.10 Lakhs	0.5% Capped at Rs.10 Lakhs	0.5% Capped at Rs.10 Lakhs
10.	Riders	10%	10%	10%

***PPT** refers to premium paying term in years*

***YRT** refers to Yearly Renewable Term*

Annexure – B
Rewards to be paid to Insurance Agents, PoSPs and Insurance Intermediaries

PNB MetLife may have various rewards and recognition programs for its eligible agents, PoSPs and intermediary's basis the criterions mentioned above. The Company may come up with differential rate of rewards depending upon the tier of business achievement, different level of the agents and nature of administrative support provided by it at the solicitation / login stage:

Total quantum of rewards would be based on the premium received by PNB MetLife and would not exceed ten percent (10%) of total new business premium and 5% of the total renewal premium received by PNB MetLife at any point of time.