Edelweiss Life Insurance Company Limited (formerly known as Edelweiss Tokio Life Insurance Company Limited)

Payment of Commission Policy

APPROVED BY BOARD OF DIRECTORS

VERSION NUMBER	DATE OF BOARD MEETING / CIRCULAR RESOLUTION
Version 1	February 8, 2017
Version 2	June 23, 2020
Version 3	January 27, 2021
Version 4	May 10, 2022
Version 5	May 15, 2023
Version 6	July 25, 2024
Version 7	January 28. 2026

PAYMENT OF COMMISSION POLICY

I. Objective

This Policy is created in accordance with the regulations issued by the Insurance Regulatory and Development Authority of India ('the Authority' / 'IRDAI') on Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024 vide notification ref. IRDAI/Reg/2/196/2024 dated January 22, 2024, the Master Circular on Expenses of Management, including Commission, of Insurers, 2024 vide notification ref. IRDAI/F&I/CIR/79/5/2024 dated May 15, 2024 and Master Circular on Submission of Returns vide notification ref. IRDAI/NL/MSTCIR/RT/93/6/2024 dated June 14, 2024.

In accordance with the regulation on Payment of Commission, the Company has created this Policy with the following objectives:

1. To protect the interests of the policyholders.
2. To promote fair, transparent, and healthy competition among intermediaries
3. To increase insurance penetration and density in the country
4. To ensure commissions paid are commensurate with the efforts required to acquire and sustain that type of business
5. To ensure that the intermediaries are compensated fairly for their work, regardless of their size or bargaining power
6. To encourage efficient and cost-effective distribution
7. To encourage good distribution practices of intermediaries
8. To enhance customer satisfaction and increase insurer's market share
9. To be reviewed regularly to assess its effectiveness, efficiency, impact on premium rates and benefit payouts, penetration etc.
10. To recognize and address potential conflict of interest such as intermediaries selling products that are not in the best interest of the customers to earn higher commissions.
11. To establish reporting requirements to the board of directors and senior management.

II. Definitions

A. 'Applicable Laws' means and includes the following as may be amended from time to time:

1. IRDAI (Expenses of Management, including Commission, of Insurers) Regulations, 2024
2. Master Circular on Expenses of Management, including Commission, of Insurers, 2024
3. Master Circular on Submission of Returns dated June 14, 2024
4. Guidelines on Servicing of Orphan Policies dated June 13, 2012
5. IRDAI (Appointment of Insurance Agents) Regulations, 2016.
6. IRDAI (Insurance Brokers) Regulations, 2018.
7. IRDAI (Insurance Web Aggregators) Regulations, 2017.
8. IRDAI (Registration 0f Corporate Agents) Regulations, 2015.

9. IRDAI (Micro Insurance) Regulations, 2015.
10. IRDAI (Registration of Insurance Marketing Firm) Regulations, 2015.
11. Master Circular on Point of Sales Products and Persons – Life Insurance
12. The Insurance Act, 1938 and regulations and guidelines issued by IRDAI or any other statutory/regulatory authority from time to time.

B. ‘Insurance Intermediary’ means and includes intermediaries as defined by IRDAI from time to time.

C. ‘Commission’ means and includes commission as defined in the IRDAI (Expenses of Management, including Commission, of Insurers) Regulations, 2024or as may be amended by IRDAI from time to time.

D. ‘Expense of Management’ means and includes expenses of management as defined in the IRDAI (Expenses of Management, including Commission, of Insurers) Regulations, 2024 or as may be amended by IRDAI from time to time.

E. ‘Orphan Life Insurance policies’ means and includes orphan life insurance policies as defined in the Guidelines on Servicing of Orphan Policies dated June 13, 2012 or as may be amended by IRDAI from time to time.

F. ‘Lapsed life insurance policy’ means and includes lapsed life insurance policy as defined in the Guidelines on Servicing of Orphan Policies dated June 13, 2012 or as may be amended by IRDAI from time to time.

III. <u>Scope</u>

Edelweiss Life Insurance Company Limited **(‘the Company’)** (formerly known as Edelweiss Tokio Life Insurance Company Limited) has formulated the Policy in line with the Applicable Laws and contains the following:

A. Manner and Conditions regarding payment of Commission to the Insurance Agents, Intermediaries and Insurance Intermediaries
B. Manner and Conditions regarding eligibility of payment of Renewal Commission (ERC status) to Insurance Agents after termination of Agency.
C. Manner and Conditions regarding payment of Hereditary Commission to the heirs of an Insurance Agent in the event of the death of the insurance agent.
D. Restrictions on the products to be sold by any of insurance agents and insurance Intermediaries.
E. Grounds and manner of termination, suspension and cancellation of appointment of insurance agents and insurance intermediaries.
F. Manner and conditions regarding transfer of Orphan Policies.

A. <u>Manner and Conditions regarding payment of Commission to the Insurance Agents, Intermediaries, and Insurance Intermediaries</u>

The Company will ensure the total amount of commission payable under life insurance policies including health insurance products offered shall not exceed the Expense of Management (EOM) limits as specified under the IRDAI (Expenses of Management, including Commission, of Insurers) Regulations, 2024 and Master Circular on Expenses of Management, including Commission, of Insurers, 2024 as amended from time to time.

Basis the limits specified under the EOM regulations 2024, the commission structure shall be based on various factors as defined below.

1. **Principles and Guiding Factors:**

   The Base and Bonus commissions will depend on below listed principles / guiding factors (including but not restricted to):

   a) Protection of the interests of the policyholders and enhance the overall customer experience
   b) Increasing insurance penetration and density in the country
   c) Ensuring commissions paid are commensurate with the efforts required to acquire and sustain that type of business
   d) Ensuring that the intermediaries are compensated fairly for their work
   e) Efficient and cost-effective distribution
   f) Volume of New Business
   g) Consistency of business
   h) Persistency
   i) Training Certifications done

   While various parameters are considered for compensation, the rules of the commission shall be equitable and shall not result in disproportionate or undue discriminatory treatment of Insurance Agents and Insurance Intermediaries.

2. **Scales of commission payable to the agent/insurance intermediaries:**

   2.1 Individual Insurance Agents and POSP (engaged directly by the company)

Policy Year	Type of Commission	
	Base	Bonus
1st year commission	As a % of premium collected as approved by the Product Management Committee.	As a % of First Year Base commission as approved by the Product Management Committee.
Renewal commission	As a % of premium collected as approved by the Product Management Committee.	As a % of Renewal Base commission as approved by the Product Management Committee

The commission scale applicable for Micro Insurance agents will be in accordance with the extant applicable regulations in this regard.

2.2 Insurance Brokers, Corporate Agents, Insurance Marketing Firms, Web Aggregators or for sale through registered ISNP's (Insurance Self Network Platform) of insurance intermediaries:

Policy Year	Type of Commission	
	Base	Bonus
1st year commission	As a % of premium collected as approved by the Product Management Committee.	As a % of First Year Base commission as approved by the Product Management Committee.
Renewal commission	As a % of premium collected as approved by the Product Management Committee.	As a % of Renewal Base commission as approved by the Product Management Committee

3. The Product Management Committee will determine the Minimum Business Guarantee and other criteria applicable to the commission payable and may differ from channel to channel.

4. Both Base and Bonus Commission may vary across agents/insurance intermediaries and shall be in accordance with the approval of Product Management Committee along with due intimation to the Board on a periodic basis.

B. <u>Manner and Conditions regarding Eligibility of payment of Renewal Commission (ERC status) to Insurance Agents after termination of Agency</u>

An Insurance Agent has a right to receive Renewal Commission on the renewal premium received by the Company after termination of the Agency with respect to the insurance policies sourced by him/her for the entire term of the policy until termination of such policy, subject to:

a) such Insurance Agent having served the Company continually and exclusively for at least five years; and
b) policies assuring a total sum of premium of not less than Rs.1,00,000 effected through him/her for the Company were in force on a date, six months prior to his ceasing to act as such Insurance Agent for the Company; and
c) The Insurance Agent has not been terminated by the Company for reasons of fraud and/or such Insurance Agent has ceased to act as an insurance agent pursuant to any desist order/notice issued by a statutory/regulatory authority; and
d) After his ceasing to act as such Insurance Agent he does not directly or indirectly solicit or procure insurance business for any other life insurance company.

C. **<u>Manner and Conditions regarding payment of Hereditary Commission to the heirs of an Insurance Agent in the event of the death of the Insurance Agent</u>**

Any Renewal Commission payable to an Insurance Agent for a policy solicited by him shall, notwithstanding the death of the Insurance Agent, continue to be payable to his heirs for so long as such commission would have been payable had such insurance agent been alive, provided such Insurance Agent has fulfilled the criteria (b) and (c) of the Section on 'Renewal Commission to Insurance Agents after Termination of Agency'.

NOTES:
The Company shall not pay Commission to an Insurance Agent and Insurance Intermediary on the same insurance policy.

D. **<u>Restrictions on the products to be sold by any of insurance agents and insurance Intermediaries.</u>**

Manner and conditions regarding transfer of Orphan Policies
There are no restrictions on the products to be sold by an Insurance Agents and Insurance Intermediaries unless communicated separately or in case any such restrictions are made applicable under the Applicable Laws or in accordance with the Use and File and File and Use Guidelines as approved by the Authority under any product of the Company from time to time.

E. **<u>Grounds and manner of termination, suspension and cancellation of appointment of insurance agents and insurance intermediaries</u>**

The appointment of an Insurance Agent and Insurance Intermediaries may be terminated/cancelled/suspended after due notice and after giving him/her/it a reasonable opportunity of being heard in the following instances:

a) Violation of the provisions of the Applicable Laws, Code of Conduct, provisions of the appointment, any furnishing of wrong or false information, any acts of the Insurance Agent or Insurance Intermediaries which is against the interest of the policyholder or against public interest;
b) Failing to meet the applicable MBG or any other criteria or terms and conditions of the appointment and empanelment respectively.

Appeal against the Order of Suspension/Cancellation: An Insurance Agent who is aggrieved by the order of termination/suspension/cancellation can appeal to the Company within forty-five (45) days of the order of termination / suspension / cancellation. The Appellate Officer as appointed by the Company, shall examine the appeal and give the decision in the matter in writing within thirty (30) days of the receipt of the appeal.

In all such cases, the Insurance Agent and Insurance Intermediary will not be entitled to payment of any commission and will be subject to the terms and conditions of its appointment and empanelment respectively.

F. Manner and conditions regarding transfer of Orphan Policies

Orphan policies currently are serviced by the Company directly through its front-line sales staff or specified team at Head Office. The Company may at its discretion consider allocating orphan policies to any insurance agent or insurance intermediary which will be governed by the provisions laid down in the Policy for allotment of Lapsed Orphan Policies.

All such Allottee Agents/intermediaries will be paid commission equivalent to the commission rates payable and as mentioned in the clause on "Manner and Conditions Regarding Payment of Commission to Insurance Agents and Insurance Intermediaries" of this Policy and subject to the revival of the Orphan Lapsed policy. In such cases, the commission payable will be paid on the arrear premiums received including the renewal premiums received after revival of the orphan lapsed policy by the concerned Allottee Agent.

IV. Reporting

Annual Return on Commission as per Part – VI Clause 14 of the IRDAI (Expenses of Management, including Commission, of Insurers) Regulations, 2024, Chapter – IV Clause 9 of the Master Circular on Expenses of Management, including Commission, of Insurers, 2024 shall be placed before the Audit Committee for review. The said Return shall be approved by the board and submitted to IRDAI within 45 days of the end of the financial year in the formats specified by the Authority in the Master Circular on Submission of Returns and as amended from time to time.

V. Review of the Policy

The Board of Directors of the Company shall review this Policy on an annual basis. The Board will review the effectiveness, efficiency, impact of premium rates, benefit pay-outs, penetration, alignment with customer needs and interest, etc. An audit committee will be appointed to review the policy on an annual basis.

VI. Applicability

The new commission structure will be applicable from the date as approved by the Product Management Committee subsequent to the approval of the Policy. The Framework for Payment of Commission for Distributors approved by the Product Management Committee shall be placed before the Board and any changes to the framework shall be apprised to the Board from time to time.