# Policy for Remuneration and Commission pursuant to Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024

Niva Bupa Health Insurance Company Limited

Policy owner Function: Business and Finance

Approved Date: August 6,2024

Current Version: V1

# Policy for Remuneration and Commission

The Official Gazette India, vide notification bearing notification number IRDAI/Reg/2/196/2024 dated March 22, 2024, has notified the Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024) (Hereinafter referred to as the 'Remuneration Regulation').

Both the 'EoM Regulation' and the 'Remuneration Regulation' make it incumbent upon the Insurers carrying out General and Health Business (Non-life Business),*inter-alia* to adopt certain policies at the Board level, prescribing governance and monitoring standards to be followed by the Insurers doing Non-life business in managing their expenses of management and commission and remuneration to intermediaries and insurance intermediaries, within the scope and ambit of the prescriptions under the EoM Regulation and the Remuneration Regulation.

## 1. Effective:

This policy shall be named and called as the "Policy for Remuneration and Commission" ("Remuneration Policy") and shall be effective from April 01, 2024.

## 2. Object and Purpose:

The object and purpose of this Remuneration Policy is to:

1. bring cost efficiencies in the conduct of business and align the same with the business strategies devised by the Company from time to time,
2. facilitate innovation in development and distribution of the products and services of the Company,
3. facilitate development of new business models, products, strategies and internal processes in order to popularize the product and service offerings of the Company,
4. realise the growth aspiration of the Company by bringing in a larger part of the Population of the country into the fold of insurance and by meeting their ever-changing insurance needs,
5. ensuring capacity building through continuous training and skill development for the insurance intermediaries,
6. opening scope for sufficient income generation and thereby attracting the unemployed and under-employed segments of the population to adopt insurance distribution as an attractive career option.

## 3. Important definitions:

Words and expressions used in this Policy, unless specifically defined herein, shall have the same meaning assigned to them under the Insurance Act, 1938, including all amendments thereof, different rules framed under the Act, the regulatory prescriptions in the form of Regulations, Guidelines, Circulars, Notifications issued by the Insurance Regulatory and Development

Authority of India (IRDAI) from time to time. However, the following terms shall have specific meaning as assigned to them hereunder for the purpose of application and interpretation of this Policy:

| | | |
|---|---|---|
| a. | **"Board"** | "Board" shall mean Board of Directors of Niva Bupa Health Insurance Co. Ltd. |
| b. | **"Commission" or "Remuneration"** | 'Commission' or 'Remuneration' shall mean compensation, remuneration or reward, by whatever name called, paid or due to an Insurance Distributor, as applicable under Remuneration Policy or any or otherwise, for soliciting or procuring or transacting insurance business for and on behalf of the Company. |
| c. | **Insurance Distributor** | Insurance Agent, Intermediary, Insurance Intermediary or any person or entity authorized under the law to distribute, solicit, procure or transact insurance business and services for and on behalf of the Company. |
| d. | **"Company"** | 'Company' shall mean Niva Bupa Health Insurance Company Limited. |
| e. | **"Expense Management Committee" or the "EMC"** | 'Expenses Management Committee' or the 'EMC' shall mean the Committee constituted by the Board, comprising of the senior executives of the Company to govern the Expenses of Management and the Commission and Remuneration of the Company on a regular basis. The composition, scope and responsibilities of EMC, shall be approved by Board |
| f. | **"Expenses of Management"** | 'Expenses of Management' shall mean and include the expenses incurred or proposed to be incurred under the heads and exclusions expressed in clause 4 of the 'EoM Policy'. |
| g. | **"Reward"** | 'Reward' shall mean the amount paid directly to or borne by the Company indirectly in favour of any Insurance Distributor, for soliciting or procuring or transacting insurance business for and on behalf of the Company. |

## 4. Applicability:

The Remuneration Policy shall be applicable for all products allowed to be sold and all services allowed to be extended through Insurance Distributors

## 5. Limit of Commission and rewards:

The total amount of Commission, Remuneration or Reward payable under health insurance products offered by the company shall not exceed the EOM limits specified under EOM Regulation.

## 6. Payment of Commission:

While making Payment of any Commission or Remuneration, the Company shall take into consideration below mentioned parameters, including any additional parameter as may be set out by EMC.

(i) it is in the interest of the policyholders,

(ii) it increases insurance penetration and density in the country,

(iii) the nature and tenure of the insurance policy,

(iv) the interest of the Insurance agent, Intermediary or Insurance intermediary,

(v) enhances the performance of the Insurance agent, Intermediary or Insurance intermediary,

(vi) it is commensurate with its business strategy,

(vii) brings cost efficiencies in the conduct of business and simplification of the administration of insurance business, and

(viii) gives an indication on the relative degree of importance placed on each of the above.

# Commission payout structure for FY 2024-25

| Channels | Commission rate upto (as % of GWP) |
|---|---|
| Individual Agents | 15% |
| Point of Sales (PoS) | 15% |
| Insurance Marketing Firm | 15% |
| Corporate Agents-Banks | 40% |
| Corporate Agents-Other than Banks | 40% |
| Insurance Brokers | 40% |
| Web-aggregators | 40% |
| Other (Group Employer-Employee) | 15% |

Reward schemes is upto 10% of GWP.

**Criteria for different payout are as follows:**

- Physical infrastructure being leveraged for the purpose of customer acquisition (example company branch vs. distributor branch, tele marketing setup etc.)
- Technology, process and systems being used e.g. whether provided by company or jointly done by company and distributor
- Size of captive customer base and use of the base to cross sell insurance products
- Analytics, marketing and campaign management efforts deployed by distributor
- Staff deployed by company vis-à-vis distributor for the purpose of customer acquisition (example a distributor with a large employee base, cross selling insurance, vis-à-vis individual distributor)

The EMC, from time to time may enhance or limit the scope and parameters. Further, the EMC may set limits on expenses against different parameters, keeping in view the business strategy, business performance and business priority of the Company from time to time.

## 7. Payment of Reward:

The Company shall determine Reward entitlement of the Insurance Distributors on the basis of the parameters as may be set out by EMC**.**

Other than the monetary incentives paid as rewards on the basis of pre-defined parameters and scales as set out by the EMC at the beginning of any financial year and monitored from time to time,

a. the Company may declare and pay non-cash rewards to promote constructive competition amongst Insurance Distributors in the form of rewards and recognition programs, gifts and presents, trips and accolades etc.,

b. the Company may spend on the welfare of the Insurance Distributors by undertaking their cost towards personal and family benefits such as gratuity, term insurance cover, group insurance covers etc. The Company can also extend assistance by bearing their cost towards telephone charges, office allowance, sales promotion activities and such other items and activities.

c. Over and above the responsibility of the Insurance Distributors, the Company may encourage them to equip themselves with the knowledge to and undertake activities such as risk analysis, gap analysis, plan design, predictive modeling, data management, Infrastructure, advertisement and such other items. The Company may bear the cost of such activities and reward the deserving appropriately.

The EMC, from time to time may enhance or limit the scope and parameters**.** Further, the EMC may set limits on expenses against different parameters, keeping in view the business strategy, business performance and business priority of the Company from time to time.

## 8. Ceiling on business

The Company shall equip the Insurance Distributors with every possible wherewithal and extend all possible support to enable the Insurance Distributors to distribute, solicit, procure or transact insurance business and services for and on behalf of the Company in accordance with the conditions set out under the prevailing laws, guidelines set out by the Company, the EMC or under this Policy from time to time. However, the Company may decide upon limiting distribution of certain products, certain geographies or limiting certain class/ individual Insurance Distributors commensurate to its prevailing business strategy and business priority. Under such circumstances, the Company shall make sufficient communication to the Insurance Distributors and ensure that such restrictions are duly met and adhered by all Insurance Distributors.

## 9. Renewal Commission:

The EMC shall from time to time lay down and monitor the guidelines for commission entitlement of Insurance Distributors, upon renewal of such insurance policies or services with or without active intervention of the concerned Insurance Distributors.

## 10. Hereditary Commission:

Any commission to be paid to the legal heirs of any Insurance Agent/Point of Sales Person in the event of his/her unfortunate demise. The guidelines to this effect shall be laid down by the EMC from time to time, which shall include methods for calculation of the commission accruing in favor of the Insurance Distributors (arising out of the policies sourced or renewed by the Insurance Agent during his/her lifetime). The Committee shall also set out necessary process and procedure for transferring the benefits to the legal heirs of the deceased Insurance Distributor.

The EMC shall ensure that any process or procedure set out by the EMC for this purpose is smooth and hassle free and the benefits and entitlements of the deceased Insurance Distributor passes on to the successors or legal heirs of the Insurance Distributor smoothly.

## 11. Manner and conditions regarding transfer of orphan policies

The Company shall put up appropriate process and procedures for transfer and servicing of orphan policies in case of death of or cancellation/ termination/ suspension of appointment of an Insurance Distributor.

## 12. Suspension/ Termination/ Cancellation of appointment of Insurance Distributors

The Company shall put up appropriate process and procedures to carry out disciplinary proceedings against Insurance Distributors for reasons including but not limited to misconduct, resulting in suspension and/or termination and/or Cancellation of their appointment and/or engagement for and on behalf of the Company. However, before making any such decision, the Company shall offer such Insurance Distributors appropriate opportunity of being heard.

## 13. Other guidance:

The EMC and the Company shall at all times ensure and adhere to the following:

a. The commission structure meant for the Insurance Distributors are fair, transparent, compliant, efficient and holds high the reputation of the Company as well as the industry in the insurance distribution process.

b. Insurance Distributors are compensated fairly for their work, regardless of their size or bargaining power,

c. The commission and Reward structure meant for the Insurance Distributors encourage good distribution practice of Insurance Distributors,

d. The review process for commission structure is standard, which includes assessment of its effectiveness, efficiency, impact on premium rates, benefit pay-outs, penetration, alignment with customer needs and interest etc.

e. The Commission and Reward structure instituted by the EMC outlines the governance and oversight mechanism for market conduct issues to ensure that Insurance Distributors adhere to high standards of behaviour and ethical practices which avoids any potential conflicts of interest.

f. No Commission, Remuneration or Reward be given to any Insurance Distributor for and on account of the business sourced by the employees of the Company.

g. The Company shall not procure any insurance business through any Insurance Distributor, whose license or capacity to solicit insurance business has been cancelled, terminated or under suspension either by the Company owing to a disciplinary action or by way of an external enforcement Authority, such as IRDAI, Court etc.

h. For cases where fraudulent activity of the Insurance Distributor has been determined, the Company may not pay any Commission or Remuneration to such Insurance Distributor or may recover the loss amount from the Commission or Remuneration payable to such Insurance Distributor.

## 14. Review of Remuneration Policy

This Remuneration Policy shall be reviewed by the Audit Committee of the Board annually and if necessary, updated when there are significant changes in the applicable law, practices or as warranted in accordance with the business plan, business strategy or business priorities of the Company from time to time. Any such change to this Remuneration Policy shall be approved by the Board.