ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED

Policy on the commission structure for insurance agents and intermediaries

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1. Background

The Insurance Regulatory and Development Authority of India (IRDAI) has notified the IRDAI (Expenses of Management, including Commission, of Insurers) Regulations, 2024 (‘Regulation’) and the Master Circular on Expenses of Management, including Commission, of Insurers, 2024, as amended from time to time. This regulation has come into effect from April 1, 2024. The Regulation states that the total amount of commission payable for life insurance products including health insurance products offered by life insurers shall not exceed the Expense of Management (EOM) limits specified under the Regulation.

The Regulation provides flexibility to insurers in managing their commission expenses by way of having a Board approved policy (hereinafter referred to as ‘Policy’) for payment of commission to insurance agents and insurance intermediaries (“Insurance Distributors”) based on the ever-changing insurance customer needs and the Company’s growth aspirations. Additionally, IRDAI has also issued a guidance note with regards to the Board approved policy on the commission structure for Insurance Distributors.

Further, the Company has opened a branch as International Financial Services Centres (IFSC) Insurance Office (IIO) in GIFT City. The International Financial Services Centres Authority (“IFSCA”) (Management Control, Administrative Control and Market Conduct of insurance business) Regulations, 2023 requires that an insurer have a Board approved policy for payment of commission to insurance agents, intermediary or insurance intermediaries.

2. Objective and Principles

This Policy sets out the framework and guidelines on commission structure for Insurance Distributors taking into consideration the following objectives and principles:

a. Ensure that interest of customers are well-protected at all times and also aim to foster product innovation by designing and developing products based on the evolving insurance needs of customers;

b. Facilitate and focus on increasing insurance penetration and density in the country by empowering a well-trained distribution network;

c. Promote fair and transparent competition among Insurance Distributors without resulting in excessive compensation at the expense of customers of the Company;

d. Protect interests of the Insurance Distributors by ensuring that commission are in line with the efforts required by the Insurance Distributors regardless of their size or bargaining power to acquire and sustain the type of business based on the nature and tenure of the insurance policy;

e. Encouraging efficient and cost-effective distribution and simplified administration of insurance business by aligning incentives with customer needs and the business strategy of the Company;

f. Enhance the performance of the Insurance Distributors and encourage good distribution practices of Insurance Distributor by encouraging them to adhere to high standards of behaviour and by addressing any potential conflict of interest. This will be done with an aim to achieve higher customer satisfaction, build a stronger relationship with the customers and increase market share;

g. Encourage Insurance Distributors in building a sustainable insurance business by incentivizing and providing support including capacity building for the efforts undertaken in creating insurance awareness and administration of insurance policies to enhance the reach of insurance to the masses.

3. Definitions

3.1. "Authority" or "IRDAI" means the Insurance Regulatory and Development Authority of India established under the provisions of Section 3 of the Insurance Regulatory and Development Authority Act, 1999.

3.2. "IFSCA" means International Financial Services Centres Authority established under sub-section (1) of section 4 of The International Financial Services Centres Authority Act, 2019

3.3. "Insurance Agents" as defined *under the* Insurance Act, 1938 and the IRDAI (Appointment of Insurance Agents) Regulations, 2016 and for the purpose of this Policy, shall include Point of Sales Persons – Life Insurance, appointed by the Company as defined through regulations/guidelines/circular as may be notified by the Authority from time to time.

3.4. "Insurance Distributor(s)" shall include Insurance Agents and Insurance Intermediaries

3.5. "Insurance Intermediary":

3.5.1 Insurance Intermediary that may be onboarded for the IIO operations shall be as defined under IFSCA (Insurance Intermediary) Regulations, 2021, IFSCA (Insurance Web Aggregator) Regulations, 2022, IFSCA (Operations of International Financial Services Centres Insurance Offices) Guidelines, 2021 and other applicable regulatory framework of the IFSCA as notified from time to time, and shall include:

3.5.1.1. Corporate Agents
3.5.1.2. Insurance Brokers
3.5.1.3. Web Aggregators
3.5.1.4. Insurance Intermediary registered under the law of any country outside India
3.5.1.5. Any other entity as may be notified by the IFSCA from time to time

3.5.2 Insurance Intermediary that may be onboarded for other than IIO operations shall be as defined under Section 2(1)(f) of the IRDA Act, 1999 and for the purpose of this Policy, the Insurance Intermediary includes:

3.5.2.1 Corporate Agents
3.5.2.2 Insurance Brokers
3.5.2.3 Web Aggregators
3.5.2.4 Insurance Marketing Firm
3.5.2.5 Any other entity as may be notified by the Authority from time to time.

3.6. “Commission” means

3.6.1 For the purpose of IIO business operations: any benefit payable to an insurance agent, intermediary or insurance intermediary in consideration of availing their services in relation to solicitation, procurement, retention or conversion of insurance policies.

3.6.2 For the purpose of other than IIO business operations: any compensation including remuneration, or reward, by whatever name called, paid by an insurer to Insurance agent, Intermediary or Insurance intermediary, as applicable, for soliciting or procuring or transacting insurance business.

3.7. “Reward” means the amounts paid, whether directly or indirectly, as an incentive by whatever name called by an insurer to an Insurance Distributor for creating insurance awareness, garnering and/or supporting in soliciting or procuring or transacting insurance business.

3.8. “Micro insurance agents” means entities or individuals who are appointed as Micro Insurance Agents in accordance with the applicable regulations/guidelines/circular as may be notified by the Authority from time to time.

3.9. “Policies post termination/exit of the sourcing Insurance Distributor” referred as “Orphan policies” for the purpose of this Policy, means the policies effected by an Insurance Distributor whose services were subsequently terminated or removed or deleted from the rolls of the insurer excluding those policies to which the affected insurance agent or insurance intermediary is entitled to renewal commission.

3.10. “Executive Commission Committee (ECC)” means a Committee constituted under this Policy, chaired by Chief Distribution Officer and consisting of the Chief Compliance Officer, Chief Financial Officer and Appointed Actuary of the Company. The Managing Director of the Company is empowered to designate any other person/persons to the Committee for ensuring compliance to this Policy.

4. Roles and Responsibilities

4.1. The Board of Directors shall be responsible for:

a. Formulating and reviewing this Policy in line with the applicable regulations
b. Ensuring over all compliance to the Regulation as amended from time to time
c. Approving returns on payment of commission by the Company under this Policy

4.2. The Board Audit Committee shall be responsible for:

a. Reviewing the assessment conducted by the ECC on the commission structure, at least annually and update on the same to the Board of Directors
b. Reviewing the returns on payment of commission by the Company under this Policy and providing confirmation on the same to the Board of Directors

4.3. The Executive Commission Committee shall be responsible for the following, in line with the objectives and principles prescribed under this Policy:

a. Defining and monitoring commission rates in line with the commission structure prescribed under the Policy including base first year commission, productivity based commission, Rewards, renewal commission and AUM based commission
b. Defining the criteria for deferral and claw back of commission to Insurance Distributors wherever applicable
c. Reviewing the commission structure and its effectiveness, efficiency, impact on premium rates, benefit pay-outs, penetration, alignment with customer needs and interests etc. and update the same to the Board Audit Committee
d. Ensuring that the total amount of commission paid to Insurance Distributors shall not exceed the Expense of Management (EOM) limits specified under Regulation, as amended from time to time and provide confirmation on the same to the Board Audit Committee
e. Reviewing the returns on payment of commission by the Company under this Policy and providing confirmation to the Board Audit Committee
f. Any other duties or responsibilities as assigned by the Board of Directors or the Board Audit Committee

5. Commission structure

5.1. The ECC shall design the commission rates payable to the Insurance Distributor for soliciting or procuring or transacting insurance business in line with applicable laws and the commission structure prescribed under this Policy.

5.2. The Company shall ensure that the total amount of commission payable under life insurance products including health insurance products offered by life insurers shall not exceed the Expense of Management (EOM) limits specified under Regulation, as amended from time to time.

5.3. The Company has defined the following commission structure for the Insurance Distributors:

5.3.1. Base first year commission

5.3.1.1. Base first year commission- Fixed: The Company shall pay base first year commission based on criteria prescribed by the ECC which may include product category, classes of Insurance Distributors and premium payment term of the underlying policies. Maximum commission for savings LOB: 48% and for protection: 40%.

5.3.1.2. Base first year commission- variable: The Company shall pay base first year commission based on various criteria which may include overall production, product mix, no. of lives and any other metric to drive insurance business. Maximum commission for savings and protection LOB: 50%

5.3.2. Productivity-based commission: With the objective of driving the overall insurance penetration in the country and enhancing the productivity and efficiency of the Insurance Distributors, the Company shall pay productivity-based commission based on criteria prescribed by ECC. Maximum commission for protection LOB: 20%

5.3.3. Renewal year commission: The Company shall pay renewal year commission to the Insurance Distributors based on criteria prescribed by ECC which may include product category, classes of Insurance Distributor and premium year of the underlying contract etc. with an objective of driving better persistency and customer experience. Maximum commission for savings LOB: 10% and for protection: 20%.

5.3.4. Assets Under Management (AUM) based Commission: The Company may pay AUM based commission to the Insurance Distributor based on criteria prescribed by ECC. This will be designed with a view to drive better persistency across various products and Insurance Distributors. Maximum commission for savings LOB: 1% of AUM.

5.3.5. Rewards: In order to encourage good distribution practices of Insurance Distributor to enhance customer satisfaction, build a stronger relationship with the customers and increase market share, the ECC may design Reward programs for Insurance Distributors taking into consideration the Company Strategy and the objectives and principles laid down under this Policy.

5.4. Commission for micro insurance products solicited by Micro Insurance Agents shall be in accordance with the applicable laws and regulations, as amended from time to time.

6. Engaging insurance agents for supervising and mentoring other agents

The Company may engage certain agents to train, supervise and/or mentor other agents to enhance their skill sets and provide a better understanding of consumer behavior, company processes and such other matters. The Company may pay fees for supervising and mentoring the agents to drive better quality sales. Since, such fees will be paid to the insurance agents, it shall be reviewed by the ECC.

7. Manner and conditions regarding payment of commission

7.1. The Company shall pay Commission to the Insurance Distributors as per the below mentioned guidelines for soliciting or procuring or transacting insurance business:

7.1.1. The Company shall pay commission as per the commission structure prescribed under this Policy

7.1.2. The commission shall be accrued on recognition/booking of premium income or Annualised Premium Equivalent (APE) or Assets Under Management (AUM) or any other parameter as decided by the ECC from time to time

7.1.3. The Company may pay commission on a deferred basis or claw back commission based on commercial and/or qualitative parameters as prescribed by ECC

7.1.4. The Company may have internal norms to pay commission in advance to Insurance Distributor subject to applicable laws & regulations based on criteria prescribed by ECC

7.1.5. The ECC shall provide internal norms and process in place to pay renewal year commission, hereditary commission and transfer of policies in case of terminated Insurance Distributors and deceased Insurance Agents based on the criteria prescribed by ECC

7.1.6. No commission shall be payable to Insurance Distributors for insurance business solicited, procured or transacted by the employee of the Company

7.1.7. The Company shall ensure that the premium rates and benefits pay-outs offered by the Company under a specific product shall not vary based on class of Insurance Distributor or distributor channel opted by the customer except in case of policies purchased by the customer directly through online channel/website of the Company without any assistance from Insurance Distributor.

8. Grounds and manner of termination, suspension and cancellation of appointment of Insurance Distributors

8.1. The Company shall appoint Insurance Agents and enter into arrangements with Insurance Intermediaries as per applicable laws.

8.2. Such appointment of Insurance Agents/arrangements with Insurance Intermediaries may be terminated or suspended for any reason or violation of any norms as prescribed by the Authority or as prescribed by the Company in their individual contracts.

9. Review of commission structure

The ECC shall convene at least once every quarter to review the commission structure prescribed under this Policy.

10. Market Conduct

The ECC shall outline the governance and oversight mechanism for market conduct issues such as potential conflict of interest due to the commission structure, intermediaries recommending products not in the customer's best interest to earn higher commissions, mis-selling complaints, grievances, persistency, fraud etc. This will be done to ensure that Insurance Distributors adhere to high standards of behaviour and ethical practices which avoids any potential conflicts of interest.

11. Monitoring and Reporting

11.1. The Company shall, within 45 days of the expiration of the financial year, submit to IRDAI the returns on payment of commission by the Company to the Intermediaries as specified in the Regulation, as amended from time to time.
11.2. The returns shall be reviewed by the ECC and the Board Audit Committee prior to being placed for approval of the Board of Directors of the Company.
11.3. Disclosure of average commission including renewal commission for last three financial years is as given below:

	Commission%		
Product category	**FY2024**	**FY2025**	**FY2026**
Linked	2.8%	2.7%	3.0%
Participating	16.3%	15.6%	12.8%
Non-Participating	13.2%	18.0%	17.9%
Non-Par annuities	8.9%	7.3%	5.6%

12. Review of Policy

This Policy will be approved by the Board and may be changed only with its approval. The Board shall review and approve the Policy as the need may arise, but at least annually.