AVIVA LIFE INSURANCE COMPANY INDIA LIMITED

FRAMEWORK FOR EXPENSES OF MANAGEMENT

Policy Owner:

Part I: Policy for Expenses of Management (‘Part I of the Framework’ or the ‘EoM Policy’): Chief Financial Officer

Part II: Policy for Payment of Commission (‘Part II of the Framework’ or the ‘Commission Policy’): Chief Executive Officer and Managing Director and Chief Distribution Officer

S.No.	Description of Change	Date of Approval/Change	Version No.
1.	In compliance with the regulatory requirements, Framework of Expenses of Management consisting of the Expenses of Management Policy and Commission Policy of the Company has been formulated & approved by Board.	28.06. 2023	1.0
2.	Periodic Review	08.08.2023	1.1
3.	Periodic Review	27.09.2023	1.2
4.	Periodic Review	10.05.2024	1.3
5.	Periodic Review	31.07.2024	1.4

Framework for Expenses of Management

The Insurance Regulatory and Development Authority of India (Expenses of Management of Insurers transacting Life Insurance business) Regulations, 2023 (Hereinafter referred to as the 'EoM Regulation') vide notification number IRDAI/Reg./3/191/2023 were notified and published in the Official Gazette of India, bearing number CG-AP-E-28032023-244736 dated March 27, 2023.

Further, through a separate Gazette notification, bearing number CG-AP-E-27032023-244709 dated March 27, 2023 the Insurance Regulatory and Development Authority of India (Payment of Commission) Regulations, 2023 has been notified bearing number IRDAI/Reg/2/190/2023 (hereinafter referred to as the 'Commission Regulation'). Following the same IRDAI has issued vide ref no. IRDA/INT/CIR/MISC/082/03/2023 a Guidance note on Board policy of the insurer on the commission structure dated March 31, 2023, to ensure that commission structures of intermediaries are designed in a manner that promotes fair and transparent practices protecting policyholders' interest and encouraging insurance penetration.

The 'EoM Regulation' makes it incumbent upon the Insurers carrying out Life Insurance Business, *inter-alia* to adopt certain policies at the Board level, prescribing governance and monitoring standards to be followed by the Insurers doing life business in managing their expenses of management and commission to intermediaries and insurance intermediaries, within the scope and ambit of the prescriptions under the EoM Regulation.

The Expenses Management Policy, as envisaged in the EoM Regulations and the Commission Policy as envisaged in the Commission Regulations carry two different philosophies for management of expenses of insurers carrying life insurance business. Basis such philosophies, IRDAI has required the insurers to adopt two different policies, one governing the expenses of management of the insurers and the other governing payment of commission to intermediaries and insurance intermediaries of the insurers. Accordingly, the scope and ambit of both the Policies need to have the following distinct constituents:

A. Expenses of Management Policy
   The orientation and objective of the Expenses of Management Policy has to be for governance, monitoring and administration of the overall expenses that reflects in the financials of the Insurer with the resultant protection being in compliance with the EoM Regulations.

B. Commission Policy
   The orientation and objective of the Commission Policy has to be for governance and administration of the market dynamics in a way that the Company maintains an equilibrium between the business opportunities and cost of acquisition of such business. This has to be

carried out with desired focus on control, strategy and compliance with the Commission Regulations.

Accordingly, the Board of Directors of Aviva Life Insurance Company India Limited vide Circular Resolution no. 297 dated 27th June 2023 adopts the present "Framework for Management of Expenses" comprising of the following two parts:

Part I: Policy for Expenses of Management ('Part I of the Framework' or the 'EoM Policy')

Part II: Policy for Payment of Commission ('Part II of the Framework' or the 'Commission Policy')

Definitions:

Words and expressions used in this Framework, unless specifically defined herein, shall have the same meaning assigned to them under the Insurance Laws (Amendment) Act, 2015, 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 Framework:

a.	**"Board"**	"Board" shall mean Board of Directors of Aviva Life Insurance Company India Limited.
b.	**"Commission"**	'Commission' shall mean compensation or reward, by whatever name called, paid or due to an Insurance Distributor, as applicable under this Framework or otherwise, for soliciting or procuring or transacting insurance business for and on behalf of the Company.
c.	**"Committee for Commission and Rewards" or the "CCR"**	'Committee for Commission and Rewards' or the 'CCR' shall mean the Committee constituted under this Framework, comprising of the senior executives of the Company to govern the payment of Commission and Rewards to the Insurance Distributors on a regular basis, the composition, scope and responsibilities of which is set out herein under clause 13 of Part II or in the Framework.
d.	**"Framework for Management of Expenses" or the "Framework"**	'Framework for Management of Expenses' or the 'Framework' shall mean this present Framework for Management of Expenses comprising of two parts i.e. Part I: Policy for Expenses of Management ('Part I of the Framework' or the 'EoM Policy'), and Part II: Policy for Payment of Commission ('Part II of the Framework' or the 'Commission Policy'), and shall include all its Appendix and Attachments.
e.	**"Insurance Distributor"**	Insurance Agent, Intermediary, Insurance Intermediary, MISP, Corporate Agent 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.
f.	**"Company"**	'Company' shall mean Aviva Life Insurance Company India Limited.

g.	**“Expenses Management Committee” or the “EMC”**	‘Expenses Management Committee’ or the ‘EMC’ shall mean the Committee constituted under this Framework, comprising of the senior executives of the Company to govern the Expenses of Management and the Commission payable by the Company on a regular basis, the composition, scope and responsibilities of which, is set out herein under clause 8 of Part I or in the Framework.
i.	**“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.

Part I: Policy for Expenses of Management or EoM Policy

('Part I of the Framework' or the 'EoM Policy')

In compliance with the prescriptions under the EoM Regulations, the Board of Directors of Aviva Life Insurance Company India Limited vide Circular Resolution no. 297 dated 27th June 2023 adopts the present "EoM Policy", the scope of which has been enumerated in the previous section of this Framework. This EoM Policy shall come into effect from April 01, 2023.

1. Object and Purpose:

The object and purpose of this EoM Policy is to:

a. bring cost efficiencies in the conduct of business and reduce the Expenses of Management on a continuous basis,

b. identify ways and means to share the benefits of effective cost and expenses management with the policyholders and other stake holders.

2. Applicability

This EoM Policy shall:

a. **Govern all expenses of the Company in the nature of Operating Expenses**.
Governance of such expenses shall be on the basis of this Policy and through the Expenses Management Committee constituted under this Policy and in compliance with the IRDAI (Expenses of Management of Insurers transacting Life Insurance business) Regulations, 2023 as amended from time to time.

b. **Monitor the overall Cost of Acquisition (CoA) of business**.
Monitoring of the overall expenses shall be under this Policy. However, given the focus required, the governance and administration of the cost of acquisition of business of the Company shall be carried out by the "Committee for Payment of Commission and Rewards" constituted under Part II of this Framework and in compliance with the IRDAI (Payment of Commission) Regulations, 2023 as amended from time to time.

c. **Administer Commission and expenses on reinsurance inward, which are charged to Revenue Account.**
Administration of such expenses shall be on the basis of this Policy and through the Expenses Management Committee constituted under this Policy and in compliance with the IRDAI (Expenses of Management of Insurers transacting Life Insurance business) Regulations, 2023 along with other regulatory prescriptions for the time being in force.

d. **Review Post Execution Cost Benefit Analysis & Intended benefits for Expenditure proposals**

Review of Cost Benefit analysis & Intended Benefits on expenditure proposals which shall be on the basis of this Policy and through the Expenses Management Committee constituted under this Policy and in compliance with the IRDAI (Expenses of Management of Insurers transacting Life Insurance business) Regulations, 2023 as amended from time to time.

However, this Policy shall not be applicable to any charge against profits such as income tax and other applicable taxes like Goods and Service Tax (GST) borne by the Company and other charges which are levied against the profits of the Company.

3. Limit of Expenses of Management:

At no point of time shall the Company spend any amount directly or indirectly towards Expenses of Management, in excess of the limits set forth under Part II of the EoM Regulations.

4. Additional Allowable Expenses:

The Insurance Regulatory and Development Authority of India (IRDAI) has set out independent enterprise level limits of expenses for Insurers. Amongst such activities and purposes. Besides, IRDAI has also prescribed certain allowances for the Insurers against specified activities, as delineated in the Regulation. Such allowances of expenses to remain available to the Insurer over and above the institutional level limit set forth under the EoM Regulations. The Company may avail additional expense limits for the following:

a. Expenses incurred towards Rural sector, Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), or such other schemes as notified by the IRDAI.

i. Business in the Rural Sector, **Pradhan Mantri Jan Arogya Yojana (PM-JAY)** and **Pradhan Mantri Fasal Bima Yojana** (PMFBY) or such other schemes as specified by the IRDAI.

In the years of growth in these sectors, the Company may incur an additional expense towards Expenses of Management not exceeding 15% of the incremental premium received by the Company over the previous financial year, sourced from the rural sector and the above specified schemes. However, such entitlement shall accrue to the Company during the subsistence of any financial year only after booking of the incremental premium and not on the basis of plans or contemplations. Such expense shall however not exceed the actual expenses of management incurred for the rural sector and the above specified schemes during the previous financial year. For the purposes of this Regulation, ‘Rural Sector’ shall have the meaning specified under the IRDAI (Obligations of Insurers to Rural and Social Sectors) Regulations, 2015, as amended from time to time.

ii. PMJJBY or such other schemes as are notified by the IRDAI.

The Company may incur an additional expense towards Expenses of Management not exceeding 15% of the gross direct premium sourced during the year from such schemes.

The additional limits of expenses stated under this clause could only be used by the Company for meeting out the actual expenses incurred under the rural sector and the above specified schemes.

b. Expenses incurred towards ‘Insurtech’ and ‘Insurance Awareness.

The Company may incur additional Expenses of Management to the extent of 5% of the allowable expenses of management towards Insurtech and Insurance Awareness expenses.

The EMC shall from time to time set out the objectives and parameters of such expenses keeping in view the business strategy and business priorities of the Company.

5. Adoption of strategies for limiting Expenses of Management:

The Expenses Management Committee (EMC) as envisaged in clause 8 of this Policy, shall have the responsibility to ensure that the Company evolves the plans, procedures and strategies to bring cost efficiencies in the conduct and operation of business and reduce the Expenses of Management on a continuous basis. In pursuit of the same and before commencement of any financial year, the EMC shall ensure that the Finance and the Actuarial functions, in consultation with the other functions of the Company shall determine the manner of allocation and apportionment of expenses of management amongst various business segments under countable parameters through:

a) identifying the expenses which shall be allocated,

b) determining the basis of allocation,

c) identifying expenses which shall be apportioned, and

d) determining the basis of such apportionment.

Under such background, the Finance function shall devise a Business Plan in consultation with every other function of the Company well before commencement of any financial year and present the Business Plan pertaining to any financial year to the Board, in the last Board Meeting of the preceding financial year or at any scheduled Board meeting as agreed/advised by the Board, for its approval. The Company may also call a specific meeting of the Board for this purpose or even seek approval through circulation. The Finance function shall seek the inputs of the EMC on the Business Plan before presenting it to the Board.

6. Business Plan:

The Finance function of Aviva India shall, after obtaining inputs from the EMC, in the last Board meeting of any financial year or in any other subsequent Board meeting or through circulation or otherwise, present to the Board a Business Plan for the ensuing or succeeding financial year. The business plan shall, at the minimum, clearly specify the following:

a. The projected requirements of capital for the ensuing or succeeding financial year,

b. Projection of solvency margin for every quarter of the ensuing or succeeding financial year,

c. The projection of expenses of management (in rupees as well as percentage of gross premium written in India) and the compliance or otherwise with the limits of expenses of management,

Consequent to approval of any Business Plan by the Board, the EMC shall continuously monitor performance of the Company upon such Business Plan around the financial year and appraise the Board about the same at the end of every quarter of the financial year.

7. Review of the EoM Policy

This EoM 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(s) to this EoM Policy shall be approved by the Board before implementation.

8. Expenses Management Committee

With a view to undertake the responsibilities assigned to it under this EoM Policy, a Committee comprising of senior executives of the Company is constituted, which shall be named as the “Expense Management Committee” or the “EMC”. The composition, responsibility and reporting of the EMC shall be as under:

A. Composition of EMC

The EMC shall be a five member committee, comprising of senior executives holding the following positions in the Company:

1. Chief Executive Officer & Managing Director
2. Chief Financial Officer
3. Appointed Actuary
4. Head Legal & Compliance
5. Chief Risk Officer

Apart from the abovementioned five members of the EMC, the following shall attend the EMC as permanent invitees:

1. VP, Business Planning, Finance
2. Financial Controller

The EMC shall from time to time add or remove executives from the abovementioned list of permanent invitees, keeping in view their responsibilities and potential to contribute to the cause of the EMC.

B. Responsibilities of the EMC

The EMC shall *inter-alia* have the responsibilities,

- assigned to it by the Board from time to time, or
- as mentioned elsewhere in this Policy.

Besides, the EMC shall remain responsible at all times for the following:

I. Adoption of strategies for limiting Expenses of Management from time to time.

The EMC shall have the responsibility to evolve plans, procedures and strategies to bring cost efficiencies in the conduct and operation of business and reduce the Expenses of Management on a continuous basis. In pursuit of the same and before commencement of any financial year, the EMC, in consultation of the other functions of the Company shall determine the manner of allocation and apportionment of expenses of management amongst various business segments under countable parameters as explained under clause 5 of this Policy.

II. Business Plan:

On the basis of strategies proposed or adopted by the Company post evaluation by the EMC, the Finance function in the last Board meeting of any financial year or in any Board meeting subsequent to it, or through circulation as per applicable laws and Articles of Association of the Company, shall present to the Board a Business Plan for the ensuing or succeeding financial year. The Business Plan shall, at the minimum, clearly specify the sections as specifically delineated under clause 6 of this EoM Policy.

Consequent to approval of any Business Plan by the Board, the EMC shall continuously monitor performance of the Company upon such Business Plan throughout the financial year and appraise the Board about the same at the end of every quarter of the financial year.

III. Expenses incurred towards 'Insurtech' and 'Insurance Awareness.

The EMC shall from time to time set out the objectives and parameters of Expenses incurred or proposed to be incurred towards 'Insurtech' and 'Insurance Awareness' as delineated under clause 4 (b) of this EoM Policy, keeping in view the business strategy and business priorities of the Company.

IV. Monitoring of expenses, accuracy of evaluation

The EMC shall monitor the level of expenses vis-a-vis the limits set for the Expenses of Management on continuous basis. EMC shall also establish a mechanism to ensure that the any deviation in the limits shall be brought to the notice of the committee.

The EMC shall also ensure that the calculations made for the purpose of reporting of EOM are accurate and the EMC shall also identify and designate employees and officers of the Company holding responsibility for such evaluation of Expenses.

Any deviation(s) in terms of breach of expense levels or inaccurate evaluation shall be reported to the Board by the EMC.

V. Effectiveness in the conduct of Business:

EMC shall also carry out periodic review of the steps taken:

a. for cost reduction,
b. implementation of the directions or procedures of the EMC and/or the Board for reduction of cost, and
c. implementation and observance of any strategy approved by the EMC and/or the Board

The EMC shall periodically appraise the Board about the status of different measures taken by the Company with an objective of bringing down the cost of doing business continuously.

VI. Manner of transfer of benefits to policyholder

a) In case where products are sourced through Direct channel (Online, Tele-calling etc.), sourcing of business requires investment in technology, digital promotions and tele-support for seamless digital journey
b) Any benefit to be transferred as a result savings in cost for business (sourced through direct channel) is a factor of product strategy, target segment strategy and distribution strategy etc.
c) Cost savings (if any) achieved in this channel maybe passed on through appropriate

pricing of the product.

C. Meetings of the EMC

The EMC shall conduct at least one meeting during every quarter of any financial year. The presence of any three out of five designated members of the EMC shall constitute the quorum for any meeting.

Every meeting of the EMC shall be chaired by the Chief Financial Officer of the Company. In the absence of the Chief Financial Officer in any meeting, the members of the Committee present in the meeting and form the quorum shall nominate one amongst such members of the Committee as Chairperson of that meeting of the Committee.

The Chief Financial Officer with support from the Company Secretary shall remain responsible for convening the meetings of the EMC periodically and conducting business in the meeting. Besides, any member of EMC can request with reasons, that a non-scheduled meeting of the EMC be convened for conduct of any business with a prior notice of at least one day to the Chief Financial Officer of the Company. The Chief Financial Officer may schedule the discussion on the subject matter raised by the requesting member immediately or at the next scheduled meeting as per the Chief Financial Officer's assessment of the matter.

The Company Secretary shall assist the Chief Financial Officer for publishing the annual meeting calendars, maintaining records of the meeting and generally administering the EMC meetings.

D. Reporting of the EMC

The Chief Financial Officer in the capacity as the Chair of the EMC shall present a report to the Audit Committee of the Board in its every quarterly meeting, appraising the status of compliance of this EoM Policy, apart from any other matter deemed fit and appropriate to be appraised to the Board.

Apart from the above, the Chief Financial Officer in the capacity of the Chair of the EMC shall report to the Board about status of implementation of different measures taken by the Company with an objective of bringing down the cost of doing business continuously as contemplated under clause B(V) of this Policy, as and when required.

E. Review of the responsibilities and performance of the EMC

The responsibilities and performance of the EMC shall be reviewed by the Audit Committee of the Board annually and if necessary, updated when there are significant changes in the 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 the responsibilities and performance of the EMC shall be approved by the Board before implementation.

Part II: Policy for Payment of Commission

('Part II of the Framework' or the 'Commission Policy')

In compliance with the prescriptions under the Commission Regulations, the Board of Directors of Aviva Life Insurance Company India Limited vide Circular Resolution no. 297 dated 27th June 2023 adopts the present "Commission Policy", the scope of which has been enumerated in the previous section of this Framework. This Commission Policy shall come into effect from April 01, 2023 and the obligations under the policy shall be operative/accrue from August 1, 2023.

1. Object and Purpose:

A. To achieve higher penetration and density of insurance in India, along with profitable growth, this Policy should strive to achieve the following objectives:

a. Realise the growth aspirations of the Company by providing a larger part of the country's population under insurance coverage and by meeting their ever-changing insurance needs and aligning incentives with customer needs.
b. 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.
c. Bring cost efficiencies in the conduct of business and align the same with the business strategies devised by the Company from time to time.
d. Facilitate innovation in development and distribution of the products and services of the Company including development of new business models, products, strategies and internal processes, encouraging efficient and cost effective distribution.
e. Facilitate popularizing the product offerings and services of the Company.
f. promoting fair and transparent competition among intermediaries;

B. To govern and administer the overall cost of acquisition of business of the Company.

2. Applicability:

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

3. Limit of Commission and rewards:

At no point of time shall the Company spend in any financial year as Commissions and rewards, an amount exceeding 95% of the EoM for the financial year.

4. Payment of Commission:

While making Payment of any Commission, the Company shall take into consideration the parameters, including but not limited to those set out in **Appendix A**. However, the broad philosophy of determining Commission entitlement for Insurance Distributors shall be based on the following:

(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.

The Committee for Commission and Rewards ("CCR") as defined and described in clause 13 of this Commission Policy, from time to time may enhance or limit the scope and parameters set out in **Appendix A.** Further the CCR may set limits on expenses against different parameters including but not limited to those set out in Appendix A, keeping in view the business strategy, business performance and business priority of the Company from time to time.

5. Payment of Reward:

The Company shall determine the Reward entitlement of the Insurance Distributors on the basis of the parameters including but not limited to those set out in **Appendix B.**

Other than the monetary incentives paid as rewards on the basis of pre-defined parameters and scales as set out by the CCR 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 and motivation amongst Insurance Distributors in the form of rewards and recognition programs, gifts, events, sponsoring and co-sponsoring of events, tours, presents, 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 etc. as may be decided by the CCR.

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.

d. The Company may choose to contribute towards startup expenses for entities who seek to buildup insurance distribution and the Company sees potential in such entities or person(s) to be able to create significant volume of insurance distribution or substantial reach to uninsured communities and assets of the country.

The CCR, from time to time may enhance or limit the scope and parameters set out in **Appendix B.** Further, the CCR may set limits on expenses against different parameters including but not limited to those set out in **Appendix B**, keeping in view the business strategy, business performance and business priority of the Company from time to time.

6. 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 applicable laws, guidelines set out by the Company, the CCR or under this Framework 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.

7. Renewal Commission:

The CCR 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.

8. Hereditary Commission:

It refers to any commission to be paid to the legal heirs of any Insurance Distributors in the event of his/her unfortunate demise. The guidelines to this effect shall be laid down by the CCR 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 CCR shall ensure that any process or procedure set out by the CCR 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.

9. 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.

10. 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 the appropriate opportunity of being heard.

11. Other guidance:

The CCR 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 Commission structure is reviewed periodically 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 CCR 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 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 to such Insurance Distributor or may recover the loss amount from the Commission payable to such Insurance Distributor.

12. Review of Commissions Policy

This Commission 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 Commissions Policy shall be approved by the Board before implementation.

13. Committee for Commission and Rewards (“CCR”)

With a view to undertake the responsibilities assigned to it under this Commission Policy, a Committee comprising of senior executives of the Company is constituted, which shall be named as the “Committee for Commission and Rewards” or the “CCR”. The composition, responsibility and reporting of the CCR shall be as under:

A. Composition of CCR

The CCR shall be a seven-member committee, comprising of senior executives holding following positions in the Company:

1. Chief Executive Officer & Managing Director
2. Appointed Actuary
3. Chief Risk Officer
4. Chief Financial Officer
5. Chief Marketing Officer
6. Chief Technology Officer
7. Head Legal & Compliance

Apart from the abovementioned seven members of the CCR, the following senior executives of the Company shall be permanent invitees to the CCR:

1. Head of Sales Strategy
2. Head of Business Strategy

The CCR shall from time to time add or remove executives from the abovementioned list of permanent invitees, keeping in view their responsibilities and potential to contribute to the cause of the CCR.

B. Responsibilities of the CCR

The CCR shall *inter-alia* have the responsibilities,

- assigned to it by the Board from time to time, or
- as mentioned elsewhere in this Policy.

The CCR shall remain responsible at all times for the following:

I. Levels of Commission payable to the Insurance Distributors.

a. to implement and continuously monitor the implementation of parameters set out in Appendix A, administering the levels of Commission payable to the Insurance Distributors against every parameter set out therein,

b. to add any new parameter over and above those set out in Appendix A, keeping in view the business strategy, business performance and business priority of the Company from time to time,

c. remove, modify or supplement an existing parameter set out in Appendix A, keeping in view the business strategy, business performance and business priority of the Company from time to time,

d. to set limits of expense on account of any or all parameters set out in Appendix A (including in any additional parameters thereto), if and when the CCR considers it desirable,

e. to set volume target on account of any or all parameters set out in Appendix A (including in any additional parameters thereto), if and when the CCR considers it desirable,

f. to perform, carryout, execute all other actions with respect to the Commission payable to the Insurance Distributors in the best interest of the Company and commensurate to the business strategy, business performance and business priority of the Company from time to time.

II. Levels of spending and determination of entitlement of Insurance Distributors on account of Rewards

a. to implement and continuously monitor the implementation of parameters set out in Appendix B, administering the levels of expenditure to be undertaken by the Company on account of Rewards to the Insurance Distributors against every parameter set out therein,

b. to add any new parameter over and above those set out in Appendix B, keeping in view the business strategy, business performance and business priority of the Company from time to time,

c. remove, modify or supplement an existing parameter set out in Appendix B, keeping in view the business strategy, business performance and business priority of the Company from time to time,

d. to set limits of expense on account of any or all parameters set out in Appendix B (including in any additional parameters thereto), if and when the CCR considers it desirable,

e. to perform, carryout, execute all other actions with respect to Rewards payable to the Insurance Distributors in the best interest of the Company and commensurate to the business strategy, business performance and business priority of the Company from time to time.

III. Renewal Commission, Hereditary Commission and transfer of orphan policies

The CCR shall provide operational philosophy, guidelines, and processes from time to time to deal with Renewal Commission, Hereditary Commission and transfer of orphan policies. Apart from the same, the CCR shall continuously monitor the implementation of such prescriptions.

IV. Disciplinary proceedings against misconduct of Insurance Distributors.

In the absence of an established process of initiating disciplinary proceedings against misconduct of any insurance Distributor, the CCR in such events and upon reference to it, shall constitute an appropriate disciplinary body to deal with such misconduct of any Insurance Distributor.

C. Meetings of the CCR

The CCR shall conduct at least one meeting during every quarter of any financial year. The presence of any -four out of seven designated members of the CCR shall constitute the quorum for any meeting. The CCR shall take decisions in any meeting through the process of voting and on the basis of a simple majority of the members present and voting in the meeting.

Every meeting of the CCR shall be chaired by the Chief Financial Officer of the Company. In the absence of the Chief Financial Officer in any meeting, the members of the Committee present in the meeting and forming the quorum shall nominate one amongst such members of the Committee as Chairperson of that meeting of the Committee.

The Chief Financial Officer shall remain responsible for convening the meetings of the CCR periodically and conducting business in the meeting. Besides, any member of CCR can also request that a meeting of the CCR be convened for the conduct of any business with prior notice of atleast one day to the Chief Distribution Officer of the Company. The Chief Distribution Officer shall be at liberty to call a specific meeting for this purpose or even seek approval through circulation. The Chief Distribution Officer may schedule the discussion on the subject matter raised by the requesting member immediately or at the next scheduled meeting as per the Chief Distribution Officer's assessment of the matter.

F. Reporting of the CCR

The Chief Financial Officer in the capacity of the Chair of the CCR shall present a report to the Audit Committee of the Board in its every quarterly meeting, appraising the status of compliance of this Commission Policy, apart from any other matter deemed fit and appropriate to be appraised to the Board.

G. Review of the responsibilities and performance of the CCR

The responsibilities and performance of the CCR shall be reviewed by the Audit Committee of the Board annually and if necessary, updated when there are significant changes in the 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 the responsibilities and performance of the CCR shall be approved by the Board.

Appendix A

Parameters for payment of Commission

The below table defines limits of Commission Payouts at the Company level to agents and intermediaries qualified basis their performance under defined key parameters.

S No	Product type	FY Commission payable as a %age of the Premium collected at a Policy level	Renewal Commission payable as a %age of the Premium collected at a Policy level
1	ULIP	Up to 35%	Up to 15%
2	PAR	Up to 35%	Up to 15%
3	Non-PAR	Up to 35%	Up to 15%
4	Term	Up to 40%	Up to 15%
5	Group Products (excluding fund based product)	Up to 10%	Up to 10%
6	Group Fund based product	Up to 2%	N/a
Policy to allow commission in the above range but not to exceed the maximum limit prescribed.			

Rewards (as a percentage of Premium for each agency/intermediary channel)	**Up to 50%**

Total payout (FY Commission + Rewards), not to exceed	**95% (as a % of maximum EoM limit)**

Appendix B

Parameters for payment of Rewards

The Key parameters to be considered for payment of Reward primarily include;

1. **Business Volumes (Productivity)-** Growth in business volumes; over achievement of the business target etc.
2. **Number of Months of Activeness (Productivity)–** Number of Active Months, defined as months in which an agency/ Intermediary contributes business. This is to drive consistency of performance throughout the year.
3. **Number of new customers acquired** – Drive the productivity in terms of number of policies per agent/ Intermediary to increase insurance penetration and density in the country.
4. **Nature and tenure of the insurance policy (Profile)–** Business Mix (basis defined product weightage)
5. **Interest of Policyholders (No. of Complaints/ 13th Month Persistency/Renewal rate/ Back Book Preservation i.e. No Lapse/Surrender and Re-Entry)**– Quality of sale, Asset under Management (AUM) and persistency of business – Rewarding right behavior to ensure agency/ Intermediary focus on servicing customer at the time of pre & post sales and customer benefit remains intact.
6. **Period of Sourcing (Productivity)** – Basis seasonality of business performance
7. **Quality of Business (as defined in the sales action grid) (No. of Complaints/Free Look Cancellation/13th Month onwards Persistency/Early Claims/Declined Claims/Renewal Rate etc.)**– Drive to maintain good customer outcome resulting in reduced Customer Complaints, Free Look Cancellations, Cheque Bounce, PSC Disputes, Branch RTS and number/amount of early death claims excluding accidental claims