

Policy on Payment of Commission to Insurance agents, Intermediaries or Insurance Intermediaries

Navi General Insurance Limited

Document Control

S. No.	Type of Information	Document Data
1.	Document Title	Policy on payment of commission to Insurance Agents, Intermediaries or Insurance Intermediaries
2.	Document Code	-
3.	Date of First Release	10th October 2017
4.	Document Superseded	NA
5.	Document Revision No	5.0
6.	Document Approvers	Board
7.	Document Owner	Business, Operations and Finance
8.	Document Author(s)	CEO and CFO

Document Approvers

S. No.	Approver	Approved Through / Nominee
1.	Board of Directors	Audit Committee

Document Change History

Version No.	Nature of Change	Date Approved
1.0	First time creation	10th October 2017
2.0	Revised Schedule III of the Policy to incorporate rates for long term policies and MISPs	30th October 2018
3.0	Annual Review without changes	23rd October 2019
4.0	Annual Review without changes	03rd August 2021
5.0	Annual Review with changes	May 25, 2023
6.0	Amendment to include commission rates	August 27, 2023

TABLE OF CONTENTS

SL No.	PARTICULARS	PAGE NUMBER
1.	Introduction	3
2.	Scope of the Policy	3
3.	Objective	4
4.	Definitions	5
5.	Applicability	6
6.	Empowered Group	7
7.	Oversight on the Empowered Group	7
8.	Commission to Insurance Agents and Insurance Intermediaries	7
9.	Returns on payment of Commission	9
10.	Monitoring and Reporting	9
11.	Review of policy	9
12.	Disclosure	10
13.	Annexure-A	11

1. Introduction:

The Insurance and Regulatory Development Authority of India (“IRDAI/ Authority”) vide its notification on the IRDAI (Payment of Commission) Regulations 2023, and any other amendment made thereafter, from time to time (“**Regulations**”) has notified the provisions applicable for payment of commissions to Insurance Agents and Insurance Intermediaries (defined below).

In accordance with the Regulations, an Insurer is required to have in place a written policy for payment of Commission to Insurance Agents and Insurance Intermediaries, as applicable, for soliciting or procuring or transacting insurance business, as approved by the Board of the Insurer. Further, the IRDAI vide its circular on “*Guidance note - Board policy of the insurer on the commission structure*” of 31 March 2023 (“**Commission Guidance Note**”) read with R8 of the Regulations has clarified that such Board approved Policy should be clear and transparent to ensure “*fairness, transparency, compliance, efficiency, and industry reputation in the insurance distribution process*”.

This policy (“**Policy**”) has been prepared by Navi General Insurance Limited (“**Company**”) in accordance with the Regulations, the Commission Guidance Note, the IRDAI (Expenses of Management of Insurers transacting General or Health Insurance business) Regulations 2023 (as amended or any other norms notified in this regard from time to time) (“**EOM Regulations**”), the Insurance Act 1938 (as amended from time to time), the Insurance Regulatory and Development Authority Act 1999 (as amended from time to time), and any applicable rules or regulations made thereunder.

This Policy covers the compensation related aspects pertaining to individual Insurance Agents (appointment of which is governed per the IRDAI (Appointment of Insurance Agents) Regulations 2016) and various Insurance Intermediaries (in accordance with the respective regulations governing such intermediaries), and any other intermediaries permitted by the IRDAI, as prescribed under the Regulations.

This Policy will be reviewed annually. The Policy shall come into effect from 1 April 2023.

2. Scope of the Policy:

- i) **Objectives and Principles:** The Board will ensure that objectives and principles of this Policy shall underpin setting and implementation of the Commission structure. These objectives include promoting fair and transparent competition among Insurance Agents and Insurance Intermediaries, aligning incentives with customer needs, and encouraging efficient and cost-effective distribution of insurance products.
- ii) **Fairness and Reasonableness:** The Board shall ensure that the Commission structure adopted is reasonable and does not result in excessive compensation to any particular Insurance Agents or Insurance Intermediaries. The Board shall ensure that its Commission structure is commensurate with the efforts required to acquire and

sustain that type of business, regardless of the size or bargaining power of the Insurance Agents and Insurance Intermediaries.

- iii) **Good distribution Practice:** The Board shall ensure that Commission structure adopted and implemented encourages good distribution practices of Insurance Agents and Insurance Intermediaries, with a view to enhancing customer satisfaction, building a stronger relationship with the customers, increasing the Company's market share and ensuring compliance with regulatory requirements.
- iv) **Regular Review:** The Board shall ensure a standardised review process is carried out in relation to the Company's Commission structure, including assessments of its effectiveness, efficiency, impact on premium rates, benefit pay-outs, penetration, alignment with customer needs and interests etc. The review shall be conducted by the Audit Committee of the Company in accordance with this Policy.
- v) **Market Conduct:** For this purpose, the performance and compliance of the Commission structure shall be reviewed in accordance with this Policy. The Board shall set out an outline of the governance and oversight mechanism of the market practices and conduct of its Insurance Agents and Insurance Intermediaries, with a view to ensure that they adhere to high standards of behaviour and ethical practices.
- vi) **Monitoring and Reporting:** The Board has put in place reporting requirements for the Commission structure, which includes regular reporting to itself as well as the senior management of the Company.

3. Objective:

The objective of this Policy is to put in place a broad framework on payment of Commissions to the Insurance Agents and Insurance Intermediaries of the Company pursuant to the aforesaid Regulations, as amended, and any other norms issued by the IRDAI in this regard from time to time.

The objectives of this Policy are to ensure the following in all aspects in relation to the creation and implementation of the Commission structure:

- i. It is in the interests of the policyholders;
- ii. It increases insurance penetration and density in the country;
- iii. It recognizes the nature and tenure of the Company's insurance policies;
- iv. It is in the interest of the insurance agent, intermediary or insurance intermediary;
- v. It enhances the performance of the insurance agent, intermediary or insurance intermediary;
- vi. It is commensurate with the business strategy of the Company;

- vii. It brings cost-effectiveness in the conduct of business and simplification of the administration of the insurance business of the Company;
- viii. It promotes fair and transparent competition among Insurance Agents and Insurance Intermediaries, aligning incentives with customer needs, and encouraging efficient and cost-effective distribution;
- ix. Insurance Agents and Insurance Intermediaries are compensated fairly for their work, regardless of their size or bargaining power;
- x. It encourages good distribution practices of Insurance Agents and Insurance Intermediaries;
- xi. It gives an indication of the relative degree of importance placed on each of the above.

In formulating the Commission payable, the objectives of this Policy shall be followed, as may be deemed appropriate for a particular insurance policy, insurance agent, intermediary or insurance intermediary and the growth and development of the Company's business.

4. Definitions:

- i) **"Commission"** means any compensation including remuneration or reward, by whatever name called, paid by the Company to insurance agents, intermediary or insurance intermediary, as applicable, for soliciting and procuring or transacting of insurance business for the Company.
- ii) **"Insurance Agent"** means an individual appointed by the Company who receives or agrees to receive payment by way of Commission in consideration of his soliciting or procuring insurance business for the Company including business relating to the continuance, renewal or revival of policies of insurance.

For the purpose of this Policy, "Insurance Agent" shall also include a Point of Sales Person ("**POSP**") appointed by the Company, and who possesses the minimum qualifications, has undergone training and passed the examination as specified in the IRDAI's Guidelines on Point of Sales Person-Non life & Health Insurers of 26 October 2015 as issued and amended by the Authority from time to time.

- iii) **"Insurance Intermediary"** shall mean an insurance intermediary as defined under Section 2(f) of the IRDA Act 1999, and shall include:
 - a) Corporate agents
 - b) Insurance brokers
 - c) Web aggregators
 - d) Insurance marketing firm

- e) Any other entity as may be notified by the Authority from time to time.

For the purpose of this Policy, “Insurance Intermediary” shall also include:

- i) Any MISIP sponsored by the Company or by an insurance intermediary in accordance with the IRDAI’s “*Guidelines on Motor Insurance Service Provider*” of 31 August 2017 (as amended from time to time), who solicit, procures, and services any motor insurance policies of the Company.
- iv) “**Regulations**” means the IRDAI (Payment of Commission) Regulations 2023, and any other amendment made thereafter, from time to time.

5. **Applicability:**

- i) This Policy sets out a broad framework on payment of Commissions to the Insurance Agents and Insurance Intermediaries of the Company. All other matters for implementing the objectives and goals set out in this Policy and various day-to-day matters in terms of implementation of the norms on payment of Commission to Insurance Agents and Insurance Intermediaries shall be dealt with by the Company with the approval of the empowered group comprising of the Chief Executive Officer and the Chief Financial Officer, as mentioned in clause 6 of this Policy (“**Empowered Group**”).
- ii) The Empowered Group shall act in accordance with the key points laid down under clause 2 of the Policy and the objectives set out in clause 3 of the Policy.
- iii) It is clarified that the computation of the Company’s overall limits on Commission shall be done at the organization level, and not at each policy level. The Empowered Group may consider paying separate Commission across its Insurance Agents and across different classes of Insurance Intermediaries, as the case may be.
- iv) Any new Commission structure for payment of Commission to the Insurance Agents and Insurance Intermediaries under this Policy shall not apply to already sold insurance policies.
- v) Where the insurance policies are sourced and procured directly by the Company, no Commission shall be payable to an Insurance Agent or Insurance Intermediary.

6. Empowered Group

An Empowered Group comprising of the Chief Executive Officer and Chief Financial Officer of the Company (acting jointly) shall be authorized to decide and implement the Commission program for payout of Commission, in accordance with this Policy and the objectives set out hereunder.

Considering that the schemes and campaigns are launched throughout the year, the Board authorizes the Empowered Group to jointly approve the business promotion scheme or campaign from time to time.

7. Oversight on the Empowered Group

Notwithstanding the foregoing, the Company's Board shall have effective oversight on the implementation of the Policy and on the working of the Empowered Group. The Empowered Group shall submit a periodical report on the manner of implementation and compliance with the Policy to the Company's Board in accordance with Clause 10 of this Policy.

8. Commission to Insurance Agents and Insurance Intermediaries

I. The aggregate of all Commission payable by the Company to Insurance Agents and Insurance Intermediaries shall not exceed the expenses of management limit ("**EOM Limits**") prescribed by the IRDAI under the EOM Regulations, which is 30 percent of gross premium written in India in a financial year.

II. The Policy sets out the upper limits on payment of Commission to Insurance Agents and Insurance Intermediaries, as follows:

The maximum Commission shall be payable as per the limits prescribed in Annexure A. Any exception to the limits mentioned in Annexure A requires prior approval of Empowered Group.

III. The Empowered Group is further authorized to decide the rewards and any similar performance-related bonuses payable to Insurance Agents and Insurance Intermediaries.

IV. The Commission payable to Insurance Agents and Insurance Intermediaries under this Policy may also depend on various factors, including continuity, renewal, termination or death of an Insurance Agent etc. These payments shall be decided by the Empowered Group, in accordance with the following:

(i) Commission on orphan policies

Post termination of any Insurance Agent or Insurance Intermediary, the Company may allot all or any affected insurance policy(ies) (ie, the Orphan Policies) to any other eligible insurance agents, intermediaries or insurance intermediaries.

The Empowered Group shall decide the Commission, eligibility and other conditions for allotment of orphan policies to Insurance Agents and Insurance intermediaries.

Orphan policies to be transferred to active Insurance Agents and/or Insurance Intermediaries on the basis of:

- Vintage - Minimum one year experience with the Company;
- Business Norms –Consistent record in terms of ethics and compliance, in accordance with the applicable IRDAI code of conduct governing them;
- Business Quality- As per the IRDAI stipulated standards with complaints ratio being lower than tolerance limits decided by the Empowered Group.

Orphan policies will be transferred for servicing and will not entail Commission payment. However, a lumpsum servicing fees as decided by the Company from time to time, may be paid as decided by the Empowered Group, where so permitted under applicable law.

Re-activation of an Insurance Agent and/or Insurance Intermediary would not entail automatic transfer-back of its old insurance policies to it . However, this may be done at the discretion of the Company.

(ii) Restrictions on the products to sold by any insurance agents and insurance intermediaries

Individual Insurance Agent shall pass an insurance agency examination conducted by the examination body as per the syllabus prescribed by the Authority to be eligible for appointment as an Insurance Agent.

Specified person of the corporate agent shall be responsible for the solicitation and procuring insurance business on behalf of the corporate agent and shall fulfill the requirements of qualification, training, and passing of examination as specified in the prescribed IRDAI regulations and as amended from time to time. A corporate agent (general) shall solicit, procure and service retail lines of general insurance products and commercial lines of such insurers having a total sum insured not exceeding Rupees five crores per risk for all insurances combined.

The Principal Officer and employees of the insurance brokers responsible for Solicitation of Insurance should possess required minimum qualification and pass the examination conducted by the National Insurance Academy Pune or the Insurance Institute of India or any other examining body recognized by the Authority, as applicable from time to time.

Point of Sales Persons shall solicit pre underwritten products and shall undergo the training as specified under the IRDAI norms from time to time.

The designated person appointed by Motor Insurance Service Provider ('MISP') shall be at least 12th pass and shall undergo training and examination to the extent specified by the Authority.

"Insurance Sales Person" (ISP) employed by insurance marketing firm shall hold a valid certificate issued by the Authority to solicit or procure insurance products.

9. Returns on payment of Commission:

- i) Within 45 days of the expiration of each financial year, the Company will submit returns on payment of Commission made by the Company to the Insurance Agents and the Insurance Intermediaries during the preceding financial year, approved by the Board of the Company, in the format prescribed by the IRDAI.
- ii) The Return shall be reviewed by the Audit Committee of the Company prior to being placed for approval of the Board of the Company.

10. Monitoring and Reporting

The Empowered Group shall on an annual basis report to the Board of Directors of the Company and senior management on the performance and compliance of the Policy and the commission structure.

For this purpose, the Empowered Group of the Company shall submit details of payment of Commission to the Insurance Agents and Insurance Intermediaries, including a report on any complaints and grievances received and any conflicts of interest identified by the Empowered Group, before the Board and senior management with the details of Commission paid by the Company to its Insurance Agents / Insurance Intermediary for its monitoring and oversight. Any changes suggested by the Board on such implementation, or any other aspect shall be incorporated in the Policy and/or implemented as required.

11. Review of the Policy

This Policy will be reviewed by the Audit Committee of the Company on annual basis.

This Policy will also be reviewed by the Board on an annual basis and any modifications or improvements will be accordingly incorporated in the Policy. Notwithstanding the foregoing, this Policy may be modified, with the approval of the Board or notification/ratification thereof to/by the Board at any time during the year.

12. Disclosure:

- (i) This Policy is subject to the rules, regulations and guidelines issued by the IRDAI from time to time.
- (ii) Any aspect relating to Commission which is specifically not included in this Policy shall be governed in accordance with the applicable regulatory provisions of the IRDAI from time to time read with the Board approved policy on expenses of management and other internal separate operating procedure and guidelines as decided by the Company.
- (iii) Except in so far as specified in the Regulations, Commission Guidance Note and other IRDAI regulatory framework, nothing contained here in the Policy shall deem to prevent the Company to avail services of the Insurance Agents and Insurance Intermediaries, in the ordinary course of business and at arm's length basis.

Annexure A

Segment	Commission (% of premium)
Fire	Upto 20%
Marine	Upto 20%
Motor-OD	Upto 60%
Motor-TP	Upto 60%
Personal Accident	Upto 20%
Health Insurance	Upto 40%
Liability	Upto 20%
Engineering	Upto 20%
Others	Upto 20%