Generali Central Insurance Company Limited

Policy on Expenses of Management and Payment of Commission (Version 5.0)

Title	Policy on Expenses of Management and Payment of Commission.
FGII Classification	Internal
Document code	FGII/Finance/23-24/63
Approved by	Board of Directors
Effective date	May 13, 2026
Accountable Function	Finance
Key contact	Devidayal.Garg@generalicentral.com

DOCUMENT SUMMARY

Sr. No.	Roll out date	Prepared/ revised by	Approved by	Purpose of Adoption/Revision
1	April 01, 2023 *(Approved by the Board of Directors on May 17, 2023)*	Mr. Devi Dayal Garg	Board of Directors	This Policy is prepared in line with IRDAI (Expenses of Management of Insurers transacting General and Health Insurance Business) Regulations, 2023 and IRDAI (Payment of Commission) Regulations, 2023. *Note: The aforesaid policy will supersede the existing policies i.e. Policy on Payment of Commission or Remuneration or reward to insurance agents and intermediaries and Policy on Allocation and Apportionment of Expenses amongst business segments in the financial statement.*
2	August 02, 2023	Mr. Devi Dayal Garg	Board of Directors	Certain lines of business, which are transacted in, have been segregated and specifically inserted in Annexure A to the policy. Additionally, the lower limits of commissions payable under few lines of business are revisited and revised in order to render the policy more comprehensive.
3	November 07, 2023	Mr. Devi Dayal Garg	Board of Directors	Allocation of cost in claims.
4	May 08, 2024	Mr. Devi Dayal Garg	Board of Directors	This Policy is aligned with the IRDAI (Expenses of Management, including Commission, of Insurers) Regulations, 2024
5	May 14, 2025	Mr. Devi Dayal Garg	Board of Directors	Annual Review
6	May 13, 2026	Mr Devi Dayal Garg	Board Directors	Update related to Individual Health Portability Commission.

REGULATORY REFERENCES

IRDAI has notified the Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024 with effect from April 01, 2024.

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I. DEFINITIONS & ABBREVIATIONS

(a) “Charges” means charge against profits such as income tax and other taxes like Goods and Service Tax (GST) borne by the insurer and other charges which are levied against the profits.

(b) “Commission” means 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.

(c) “Expenses of Management” shall include

- all expenses in the nature of operating expenses of General or Health Insurance business.
- commission to the insurance agents, intermediaries or insurance intermediaries.
- commission and expenses on reinsurance inward, which are charged to Revenue Account.
- Provided that it shall not include the charges as defined in these Regulations.

(d) “Insurtech Expenses” means expenses incurred towards technology enabled innovation in insurance services (Policyholder oriented) that could result in new business models, applications, processes or products.

(e) “Insurance Awareness” means awareness creation done by Insurers through (a) direct campaigns including through branches, social media campaign, etc. and/or (b) supporting the General Insurance Council, to educate its customers and public at large in making the right choices by being aware of insurance requirements and role of insurance agents, intermediaries or insurance intermediaries.

Provided that it shall not include Insurance Advertisement as defined under IRDAI (Insurance Advertisements and Disclosure) Regulations, 2021 as amended from time to time.

(f) “Insurance Agent” means an individual appointed by an insurer for the purpose of soliciting or procuring insurance business including business relating to the continuance, renewal or revival of policies of insurance.

(g) “Point of Sales Person” means an individual who possess the minimum qualifications, has undergone training and passed the examination as specified in these guidelines and solicits and markets only certain pre-underwritten products approved by the Authority.

(h) “Insurance Intermediary” shall include, for the purpose of this Policy, the insurance brokers, corporate agents, insurance web aggregators, motor insurance service providers, insurance marketing firms, common service centres, micro-insurance agents appointed by the Company and any other classification that the Authority may notify from time to time.

II. OBJECTIVE & SCOPE

This policy aims to provide methodology of allocation and apportionment of expenses of Management amongst the business segments in the financial statement of the company in line with Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024.

The endeavour of the Company shall be to ensure incurrence of expenses of management within thirty (30) percent of its gross written premium in India in a financial year.

The governing principles of this Policy are to ensure:

1. the interest of the policyholders;
2. increase in insurance penetration and density in the Company's area of operation;
3. commensuration with the nature and tenure of the insurance policy;
4. protection of the interest of the Insurance agent, Intermediary or Insurance intermediary and enhancement of their performance;
5. commensuration with the Company's business strategy;
6. simplicity in administration and cost effectiveness.

Additional Allowable Expenses:

In addition to expenses of management limit as specified above, the following additional expenses are allowed:

(1) Head Office Expenses An insurer having his principal place of business in India and having branch offices outside India or having International Financial Service Centre (IFSC) Insurance office (IIO) shall be allowed an additional allowance towards share of Head Office expenses. Such allowance shall not exceed 10 per cent of the gross premium income written outside India through such branch office or International Financial Service Centre Insurance Office (IIO) during the year.

(2) Expenses incurred towards Rural sector, Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jan Arogya Yojana (PMJAY) and Pradhan Mantri Fasal Bima Yojana (PMFBY) business or such other schemes as notified by the Authority An insurer reporting growth in the gross direct premium sourced from Rural Sector, PMJAY and PMFBY or such other schemes as specified by the Authority shall be allowed an additional allowance.

Provided that such allowance shall not exceed 15 per cent of the incremental premium over the previous financial year, sourced from the rural sector and the above specified schemes.

Provided further that in no case, such allowance shall exceed the actual expenses of management incurred for the rural sector and the above specified schemes during the previous financial year. Provided also that in case of PMSBY or such other schemes as are notified by the Authority, such allowance shall not exceed 15 per cent of the gross direct premium sourced during the year from such schemes. 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.

(3) Expenses incurred towards ‘Insurtech’ and ‘Insurance Awareness’: An insurer shall be allowed an additional allowance towards Insurtech and Insurance Awareness expenses to the extent of five percent of the allowable expenses of management as specified in Regulation 3 to widen customer reach.

Further, with respect to the payment of commission the Company shall ensure that the total amount of commission payable by the Company shall not exceed the EOM limits specified under EOM Regulations as amended from time to time.

The above mentioned regulation stipulates that every insurer shall have a well-documented policy for allocation and apportionment of expenses of management amongst various business segments and shall, at the minimum, cover

i. To enhance responsiveness of the regulation to market innovation.
ii. To facilitate the insurers in development of new business models, products, strategies, internal processes and enable in easy compliance with the Regulations while fulfilling the regulatory objectives.
iii. To provide the insurers the flexibility to manage their expenses based on their growth aspirations and the ever-changing insurance needs with an objective to improve insurance penetration.

This policy is framed to ensure compliance with the above mentioned regulation and adopt the same while allocating/apportioning expenses of management amongst various business Segments.

III. ADOPTABLE MEASURES FOR EXPENSES OF MANAGEMENT

(A) Measures to bring cost effectiveness in the conduct of business and reduction of the expenses of management on an annual basis.

The Appointed Actuary and CFO shall quarterly review the cost incurred for the conduct of the business and on the basis of the same shall recommend/adopt the suitable measures to reduce the expenses of management.

Finance team will set up meeting on a quarterly basis with Functional Heads for review of all major expenses and discuss and agree on specific cost control measures.

(B) Manner of transfer of benefits, arising from reduction of expenses and/or from directly sourced business to the policyholders by way of reduction in premium.

The Appointed Actuary and CFO shall recommend the benefits, if any that can be transferred by way of reduction in premium arising from reduction of expenses and/or from directly sourced business.

(C) Manner in which compliance with computation of additional allowable expenses shall be ensured.

Pursuant to the additional expenses of management permitted against the qualifiers laid down under reg. 4 of the EOM Regulations, the Chief Financial Officer shall be responsible towards the computation of additional allowable expenses through the categories of Head office Expenses, Expenses incurred towards Rural sector business,

Union & State Govt. insurance schemes and Expenses towards 'Insurtech' and 'Insurance Awareness'.

(D) Manner of allocation and apportionment of expenses of management amongst various business segments including the following parameters:

For Expenses:

I. Allocation of Expenses (direct expenses):
Allocation of expense is assigning the whole expense directly to a particular business segment. Operating expenses directly related and identifiable with a specific business segment shall be allocated to that business segment.

II. Apportionment of Expenses:
Operating Expenses that cannot be directly identifiable with a specific business segment and hence cannot be assigned in whole to any particular business segment shall be apportioned to each business segment on the basis of Gross Written Premium or any other most suitable basis of apportionment.

Nature of Expense*	Method
Employee related Cost	To be apportioned on the basis of Gross Written Premium /any other most suitable basis of apportionment to all segments of Business.
Rents & branch related cost	1) To be allocated to specific business segment (for instance RSBY, weather) for which branch has been opened 2) Balance to be apportioned on the basis of Gross Written Premium / any other most suitable basis of apportionment to all segments of business.
Insurance Pool related expenses	To be allocated to specific business segment (for instance terrorism pool to fire & Eng only on the basis of statement received from the Pool)
Outsourcing expenses, business support and advertisement	1) To be allocated to specific business segment which are incurred for that specific business segment. 2) General expenses to be apportioned on the basis of Gross Written Premium/any other most suitable basis of apportionment to all segments of business
Communication, Printing, Bank Charges, Audit fees, membership fees, Depreciation, Information technology related expenses	To be apportioned on the basis of Gross Written Premium / any other most suitable basis of apportionment to all segments of business.

*** indicative in nature and not an exhaustive list**

(E) Structure of commission payable in terms of IRDAI (Expenses of Management, including Commission, of Insurers) Regulations, 2024, as amended from time to time.

Commission/brokerage/other remuneration:

All commission/brokerage/rewards and other remunerations incurred to the insurance agents, intermediaries and insurance intermediaries are allocated to the respective business segment on direct basis as per the sourcing of business done by them.

(F) Manner in which the compliance with the policy shall be ensured.

The Appointed Actuary, Chief Financial Officer and the respective Business Heads shall be responsible for ensuring for compliance of this policy.

(G) BUSINESS PLAN

The Chief Financial Officer shall formulate a Business Plan in advance on an annual basis covering the following, which shall be approved by the Board:

i. the projected requirements of capital during the said financial year;
ii. projection of solvency margin on a quarterly basis;
iii. 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.

The Annual business plan shall be monitored/reviewed by the Board at regular intervals as may be deem fit by the Board.

IV. ADOPTABLE MEASURES FOR PAYMENT OF COMMISSION

The remuneration scheme, including distribution fees payable to Motor Insurance Service Providers [MISPs], shall be governed by the grid attached as Annexure A to this policy. The Committee of KMPs is empowered to act on and decide upon:

1. Any payout exceeding the limit specified in Annexure A;
2. Other aspects, i.e. reward programs, training and conferences, incidental to procurement of business, and any revision thereto, from time to time; and
3. Grounds and manner of calculation of remuneration in case of termination, suspension or cancellation of relationships with insurance agents, POSPs and insurance intermediaries.

The Constitution of the said Committee shall be as follows:

I. Chief Financial Officer;
II. Chief Distribution Officer;
III. Chief Operating Officer;
IV. Chief Legal & Compliance Officer and Company Secretary; and
V. Chief Bancassurance Officer

Overriding Effect:

The terms of this Policy shall be in accordance with the provisions of EOM Regulations and Payment of Commission Regulations as amended from time to time and relevant circulars issued therein, and in the event of any conflict between the terms of this Policy and the said Regulations, the provisions of the Regulations shall prevail.

V. REVIEW PROCESS

The Finance Department would maintain records for allocation/apportionment of such expenses as per above policy which are subject to audit by the Statutory Auditors of the Company.

This policy is subject to review by the Audit committee and the Board on annual basis. Any revision in the policy along with its implication on various segments, shall be disclosed suitably under notes to accounts forming part of financial statements.

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Annexure A

Annexure-A.xlsx

Retail and corporate other than Banca/Rural

Distribution Fee on new business, renewals, rollovers

PRODUCT VERTICAL	LOB	PARTICULARS	BUSINESS TYPE	GRID
Motor	PRIVATE CAR		Renewal & Rollover (Net OD+TP)	0% to 45%
			New (Net OD+TP)	0% to 85%
Motor	TWO WHEELER		New/ Renewal/ Rollover (Net OD + TP)	0% to 55%
Motor	PCV & GCV (NET OD+TP)		New/ Renewal/ Rollover	0% to 75%
Motor	SCHOOL BUS + Black and yellow Taxi		New/ Renewal/ Rollover(Net OD+TP)	0% to 80%
Motor	CPA		New/ Renewal/ Rollover	0% to 50%
	MotorTrade Risk		New/ Renewal/ Rollover(Net OD+TP)	0% to 50%
	MISC. TYPE OF VEHICLE		New/ Renewal/ Rollover(Net OD+TP)	0% to 50%
Non Motor	MARINE		New/ Renewal/ Rollover	0% to 65%
Non Motor	FIRE	Fire	New/ Renewal/ Rollover	0% to 55%
Non Motor	Terrorism Pool			0% to 5%
	Terrorism SAT			0% to 55%
Non Motor	MEGA	Fire/Engg	New/ Renewal/ Rollover	0% to 25%
Non Motor	ENGINEERING		New/ Renewal/ Rollover	0% to 55%
Non Motor	ALL PACKAGE POLICIES		New/ Renewal/ Rollover	0% to 55%
Non Motor	MISC other than package		New/ Renewal/ Rollover	0% to 55%
Non Motor	LIABILITY - ALL		New/ Renewal/ Rollover	0% to 45%
Non Motor	WORKMEN COMPENSATION		New/ Renewal/ Rollover	0% to 50%
Non Motor	AVIATION		New/ Renewal/ Rollover	0% to 25%
Health	PERSONAL ACCIDENT		New/ Renewal/ Rollover	0% to 65%
Health	INDIVIDUAL HEALTH		New	0% to 70%
			Renewal	0% to 50%
			Portability/Rollover	0%
Health	TRAVEL			0% to 70%
Health (Group)	GMC POLICY		New/ Renewal/ Rollover	0% to 30%
Health (Group)	GPA POLICY		New/ Renewal/ Rollover	0% to 30%

Bancassurance/Rural

Distribution Fee on new business, renewals, rollovers

Line of Business	Partner Business Volume (INR Mn.)	Grid
LOBs- Fire, Misc, Eng, Marine,GMC		
Slab 1	0-500 mn	0% to 50%
Slab 2	501 mn- 750mn	0% to 55%
Slab 3	751mn and above	0% to 75%
LOB's-PA, GPA, Ind. Health, Motor OD, Travel, Liability,WMC		
Slab 1	0-100 mn	0% to 65%
Slab 2	101 mn - 300 mn	0% to 70%
Slab 3	301 mn & Above	0% to 75%
Motor TP		
Slab 1	0-100 mn	0% to 50%
Slab 2	101 mn - 300 mn	0% to 55%
Slab 3	301 mn & Above	0% to to 60%

Non Motor	Terrorism Pool	0% to 5%
Non Motor	Terrorism SAT	0% to 55%

Future Generali India Insurance Company Limited

FUTURE GENERALI
TOTAL INSURANCE SOLUTIONS

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2. increase in insurance penetration and density in the Company's area of operation;
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Additional Allowable Expenses:

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Provided that such allowance shall not exceed 15 per cent of the incremental premium over the previous financial year, sourced from the rural sector and the above specified schemes.

Provided further that in no case, such allowance shall exceed the actual expenses of management incurred for the rural sector and the above specified schemes during the previous financial year. Provided also that in case of PMSBY or such other schemes as are notified by the Authority, such allowance shall not exceed 15 per cent of the gross direct premium sourced during the year from such schemes. 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.

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Further, with respect to the payment of commission the Company shall ensure that the total amount of commission payable by the Company shall not exceed the EOM limits specified under EOM Regulations as amended from time to time.

The above mentioned regulation stipulates that every insurer shall have a well-documented policy for allocation and apportionment of expenses of management amongst various business segments and shall, at the minimum, cover

i. To enhance responsiveness of the regulation to market innovation.
ii. To facilitate the insurers in development of new business models, products, strategies, internal processes and enable in easy compliance with the Regulations while fulfilling the regulatory objectives.
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(A) Measures to bring cost effectiveness in the conduct of business and reduction of the expenses of management on an annual basis.

The Appointed Actuary and CFO shall quarterly review the cost incurred for the conduct of the business and on the basis of the same shall recommend/adopt the suitable measures to reduce the expenses of management.

Finance team will set up meeting on a quarterly basis with Functional Heads for review of all major expenses and discuss and agree on specific cost control measures.

(B) Manner of transfer of benefits, arising from reduction of expenses and/or from directly sourced business to the policyholders by way of reduction in premium.

The Appointed Actuary and CFO shall recommend the benefits, if any that can be transferred by way of reduction in premium arising from reduction of expenses and/or from directly sourced business.

(C) Manner in which compliance with computation of additional allowable expenses shall be ensured.

Pursuant to the additional expenses of management permitted against the qualifiers laid down under reg. 4 of the EOM Regulations, the Chief Financial Officer shall be responsible towards the computation of additional allowable expenses through the categories of Head office Expenses, Expenses incurred towards Rural sector business,

Union & State Govt. insurance schemes and Expenses towards 'Insurtech' and 'Insurance Awareness'.

(D) Manner of allocation and apportionment of expenses of management amongst various business segments including the following parameters:

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I. Allocation of Expenses (direct expenses):
Allocation of expense is assigning the whole expense directly to a particular business segment. Operating expenses directly related and identifiable with a specific business segment shall be allocated to that business segment.

II. Apportionment of Expenses:
Operating Expenses that cannot be directly identifiable with a specific business segment and hence cannot be assigned in whole to any particular business segment shall be apportioned to each business segment on the basis of Gross Written Premium or any other most suitable basis of apportionment.

Nature of Expense*	**Method**
Employee related Cost	To be apportioned on the basis of Gross Written Premium /any other most suitable basis of apportionment to all segments of Business.
Rents & branch related cost	1) To be allocated to specific business segment (for instance RSBY, weather) for which branch has been opened 2) Balance to be apportioned on the basis of Gross Written Premium / any other most suitable basis of apportionment to all segments of business.
Insurance Pool related expenses	To be allocated to specific business segment (for instance terrorism pool to fire & Eng only on the basis of statement received from the Pool)
Outsourcing expenses, business support and advertisement	1) To be allocated to specific business segment which are incurred for that specific business segment. 2) General expenses to be apportioned on the basis of Gross Written Premium/any other most suitable basis of apportionment to all segments of business
Communication, Printing, Bank Charges, Audit fees, membership fees, Depreciation, Information technology related expenses	To be apportioned on the basis of Gross Written Premium / any other most suitable basis of apportionment to all segments of business.

*** indicative in nature and not an exhaustive list**

(E) Structure of commission payable in terms of IRDAI (Expenses of Management, including Commission, of Insurers) Regulations, 2024, as amended from time to time.

Commission/brokerage/other remuneration:

All commission/brokerage/rewards and other remunerations incurred to the insurance agents, intermediaries and insurance intermediaries are allocated to the respective business segment on direct basis as per the sourcing of business done by them.

(F) Manner in which the compliance with the policy shall be ensured.

The Appointed Actuary, Chief Financial Officer and the respective Business Heads shall be responsible for ensuring for compliance of this policy.

(G) BUSINESS PLAN

The Chief Financial Officer shall formulate a Business Plan in advance on an annual basis covering the following, which shall be approved by the Board:

i. the projected requirements of capital during the said financial year;
ii. projection of solvency margin on a quarterly basis;
iii. 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.

The Annual business plan shall be monitored/reviewed by the Board at regular intervals as may be deem fit by the Board.

IV. ADOPTABLE MEASURES FOR PAYMENT OF COMMISSION

The remuneration scheme, including distribution fees payable to Motor Insurance Service Providers [MISPs], shall be governed by the grid attached as Annexure A to this policy. The Committee of KMPs is empowered to act on and decide upon:

1. Any payout exceeding the limit specified in Annexure A;
2. Other aspects, i.e. reward programs, training and conferences, incidental to procurement of business, and any revision thereto, from time to time; and
3. Grounds and manner of calculation of remuneration in case of termination, suspension or cancellation of relationships with insurance agents, POSPs and insurance intermediaries.

The Constitution of the said Committee shall be as follows:

I. Chief Financial Officer;
II. Chief Distribution Officer;
III. Chief Operating Officer;
IV. Chief Legal & Compliance Officer and Company Secretary; and
V. Chief Bancassurance Officer

Overriding Effect:

The terms of this Policy shall be in accordance with the provisions of EOM Regulations and Payment of Commission Regulations as amended from time to time and relevant circulars issued therein, and in the event of any conflict between the terms of this Policy and the said Regulations, the provisions of the Regulations shall prevail.

V. REVIEW PROCESS

The Finance Department would maintain records for allocation/apportionment of such expenses as per above policy which are subject to audit by the Statutory Auditors of the Company.

This policy is subject to review by the Audit committee and the Board on annual basis. Any revision in the policy along with its implication on various segments, shall be disclosed suitably under notes to accounts forming part of financial statements.

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Annexure A

Annexure A to
Policy on Expenses c

Retail and corporate other than Banca/Rural
Distribution Fee on new business, renewals, rollovers

PRODUCT VERTICAL	**LOB**
Motor	PRIVATE CAR
Motor	TWO WHEELER
Motor	PCV & GCV (NET OD+TP)
Motor	SCHOOL BUS + Black and yellow Taxi
Motor	CPA
	MotorTrade Risk
	MISC. TYPE OF VEHICLE
Non Motor	MARINE
Non Motor	FIRE
Non Motor	Terrorism Pool
	Terrorism SAT
Non Motor	MEGA
Non Motor	ENGINEERING
Non Motor	ALL PACKAGE POLICIES
Non Motor	MISC other than package
Non Motor	LIABILITY - ALL
Non Motor	WORKMEN COMPENSATION
Non Motor	AVIATION
Health	PERSONAL ACCIDENT
Health	INDIVIDUAL HEALTH
Health	TRAVEL
Health (Group)	GMC POLICY
Health (Group)	GPA POLICY

Bancassurance/Rural

Distribution Fee on new business, renewals, rollovers

Line of Business	Partner Business Volume (INR Mn.)
LOBs- Fire, Misc, Eng, Marine,GMC	
Slab 1	0-500 mn
Slab 2	501 mn- 750mn
Slab 3	751mn and above
LOB's-PA, GPA, Ind. Health, Motor OD, Travel, Liability,WMC	
Slab 1	0-100 mn
Slab 2	101 mn - 300 mn
Slab 3	301 mn & Above
Motor TP	
Slab 1	0-100 mn
Slab 2	101 mn - 300 mn
Slab 3	301 mn & Above

Non Motor	Terrorism Pool
Non Motor	Terrorism SAT

PARTICULARS	**BUSINESS TYPE**	**GRID**
	Renewal & Rollover (Net OD+TP)	0% to 45%
	New (Net OD+TP)	0% to 85%
	New/ Renewal/ Rollover (Net OD + TP)	0% to 55%
	New/ Renewal/ Rollover	0% to 75%
	New/ Renewal/ Rollover(Net OD+TP)	0% to 80%
	New/ Renewal/ Rollover	0% to 50%
	New/ Renewal/ Rollover(Net OD+TP)	0% to 50%
	New/ Renewal/ Rollover(Net OD+TP)	0% to 50%
	New/ Renewal/ Rollover	0% to 65%
Fire	New/ Renewal/ Rollover	0% to 55%
		0% to 5%
		0% to 55%
Fire/Engg	New/ Renewal/ Rollover	0% to 25%
	New/ Renewal/ Rollover	0% to 55%
	New/ Renewal/ Rollover	0% to 55%
	New/ Renewal/ Rollover	0% to 55%
	New/ Renewal/ Rollover	0% to 45%
	New/ Renewal/ Rollover	0% to 50%
	New/ Renewal/ Rollover	0% to 25%
	New/ Renewal/ Rollover	0% to 65%
	New	0% to 70%
	Renewal and Rollover	0% to 50%
		0% to 70%
	New/ Renewal/ Rollover	0% to 30%
	New/ Renewal/ Rollover	0% to 30%

Grid
0% to 50%
0% to 55%
0% to 75%
0% to 65%
0% to 70%
0% to 75%
0% to 50%
0% to 55%
0% to to 60%

0% to 5%
0% to 55%

Future Generali India Insurance Company Limited

Policy on Expenses of Management and Payment of Commission (Version 4.0)

Title	Policy on Expenses of Management and Payment of Commission.
FGII Classification	Internal
Document code	FGII/Finance/23-24/63
Approved by	Board of Directors
Effective date	May 08, 2024
Accountable Function	Finance
Key contact	Devidayal.Garg@futuregenerali.in

DOCUMENT SUMMARY

Sr. No.	Roll out date	Prepared/ revised by	Approved by	Purpose of Adoption/Revision
1	April 01, 2023 *(Approved by the Board of Directors on May 17, 2023)*	Mr. Devi Dayal Garg	Board of Directors	This Policy is prepared in line with IRDAI (Expenses of Management of Insurers transacting General and Health Insurance Business) Regulations, 2023 and IRDAI (Payment of Commission) Regulations, 2023. *Note: The aforesaid policy will supersede the existing policies i.e. Policy on Payment of Commission or Remuneration or reward to insurance agents and intermediaries and Policy on Allocation and Apportionment of Expenses amongst business segments in the financial statement.*
2	August 02, 2023	Mr. Devi Dayal Garg	Board of Directors	Certain lines of business, which are transacted in, have been segregated and specifically inserted in Annexure A to the policy. Additionally, the lower limits of commissions payable under few lines of business are revisited and revised in order to render the policy more comprehensive.
3	November 07, 2023	Mr. Devi Dayal Garg	Board of Directors	Allocation of cost in claims.
4	May 08, 2024	Mr. Devi Dayal Garg	Board of Directors	This Policy is aligned with the IRDAI (Expenses of Management, including Commission, of Insurers) Regulations, 2024

REGULATORY REFERENCES

IRDAI has notified the Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024 with effect from April 01, 2024.

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I. DEFINITIONS & ABBREVIATIONS

(a) “Charges” means charge against profits such as income tax and other taxes like Goods and Service Tax (GST) borne by the insurer and other charges which are levied against the profits.

(b) “Commission” means 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.

(c) “Expenses of Management” shall include

- all expenses in the nature of operating expenses of General or Health Insurance business.
- commission to the insurance agents, intermediaries or insurance intermediaries.
- commission and expenses on reinsurance inward, which are charged to Revenue Account.
- Provided that it shall not include the charges as defined in these Regulations.

(d) “Insurtech Expenses” means expenses incurred towards technology enabled innovation in insurance services (Policyholder oriented) that could result in new business models, applications, processes or products.

(e) “Insurance Awareness” means awareness creation done by Insurers through (a) direct campaigns including through branches, social media campaign, etc. and/or (b) supporting the General Insurance Council, to educate its customers and public at large in making the right choices by being aware of insurance requirements and role of insurance agents, intermediaries or insurance intermediaries.

Provided that it shall not include Insurance Advertisement as defined under IRDAI (Insurance Advertisements and Disclosure) Regulations, 2021 as amended from time to time.

(f) “Insurance Agent” means an individual appointed by an insurer for the purpose of soliciting or procuring insurance business including business relating to the continuance, renewal or revival of policies of insurance.

(g) “Point of Sales Person” means an individual who possess the minimum qualifications, has undergone training and passed the examination as specified in these guidelines and solicits and markets only certain pre-underwritten products approved by the Authority.

(h) “Insurance Intermediary” shall include, for the purpose of this Policy, the insurance brokers, corporate agents, insurance web aggregators, motor insurance service providers, insurance marketing firms, common service centres, micro-insurance agents appointed by the Company and any other classification that the Authority may notify from time to time.

II. OBJECTIVE & SCOPE

This policy aims to provide methodology of allocation and apportionment of expenses of Management amongst the business segments in the financial statement of the company in line with Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024.

The endeavour of the Company shall be to ensure incurrence of expenses of management within thirty (30) percent of its gross written premium in India in a financial year.

The governing principles of this Policy are to ensure:

1. the interest of the policyholders;
2. increase in insurance penetration and density in the Company's area of operation;
3. commensuration with the nature and tenure of the insurance policy;
4. protection of the interest of the Insurance agent, Intermediary or Insurance intermediary and enhancement of their performance;
5. commensuration with the Company's business strategy;
6. simplicity in administration and cost effectiveness.

Additional Allowable Expenses:

In addition to expenses of management limit as specified above, the following additional expenses are allowed:

(1) Head Office Expenses An insurer having his principal place of business in India and having branch offices outside India or having International Financial Service Centre (IFSC) Insurance office (IIO) shall be allowed an additional allowance towards share of Head Office expenses. Such allowance shall not exceed 10 per cent of the gross premium income written outside India through such branch office or International Financial Service Centre Insurance Office (IIO) during the year.

(2) Expenses incurred towards Rural sector, Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jan Arogya Yojana (PMJAY) and Pradhan Mantri Fasal Bima Yojana (PMFBY) business or such other schemes as notified by the Authority An insurer reporting growth in the gross direct premium sourced from Rural Sector, PMJAY and PMFBY or such other schemes as specified by the Authority shall be allowed an additional allowance.

Provided that such allowance shall not exceed 15 per cent of the incremental premium over the previous financial year, sourced from the rural sector and the above specified schemes.

Provided further that in no case, such allowance shall exceed the actual expenses of management incurred for the rural sector and the above specified schemes during the previous financial year. Provided also that in case of PMSBY or such other schemes as are notified by the Authority, such allowance shall not exceed 15 per cent of the gross direct premium sourced during the year from such schemes. 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.

(3) Expenses incurred towards 'Insurtech' and 'Insurance Awareness': An insurer shall be allowed an additional allowance towards Insurtech and Insurance Awareness expenses to the extent of five percent of the allowable expenses of management as specified in Regulation 3 to widen customer reach.

Further, with respect to the payment of commission the Company shall ensure that the total amount of commission payable by the Company shall not exceed the EOM limits specified under EOM Regulations as amended from time to time.

The above mentioned regulation stipulates that every insurer shall have a well-documented policy for allocation and apportionment of expenses of management amongst various business segments and shall, at the minimum, cover

i. To enhance responsiveness of the regulation to market innovation.
ii. To facilitate the insurers in development of new business models, products, strategies, internal processes and enable in easy compliance with the Regulations while fulfilling the regulatory objectives.
iii. To provide the insurers the flexibility to manage their expenses based on their growth aspirations and the ever-changing insurance needs with an objective to improve insurance penetration.

This policy is framed to ensure compliance with the above mentioned regulation and adopt the same while allocating/apportioning expenses of management amongst various business Segments.

III. ADOPTABLE MEASURES FOR EXPENSES OF MANAGEMENT

(A) Measures to bring cost effectiveness in the conduct of business and reduction of the expenses of management on an annual basis.

The Appointed Actuary and CFO shall quarterly review the cost incurred for the conduct of the business and on the basis of the same shall recommend/adopt the suitable measures to reduce the expenses of management.

Finance team will set up meeting on a quarterly basis with Functional Heads for review of all major expenses and discuss and agree on specific cost control measures.

(B) Manner of transfer of benefits, arising from reduction of expenses and/or from directly sourced business to the policyholders by way of reduction in premium.

The Appointed Actuary and CFO shall recommend the benefits, if any that can be transferred by way of reduction in premium arising from reduction of expenses and/or from directly sourced business.

(C) Manner in which compliance with computation of additional allowable expenses shall be ensured.

Pursuant to the additional expenses of management permitted against the qualifiers laid down under reg. 4 of the EOM Regulations, the Chief Financial Officer shall be responsible towards the computation of additional allowable expenses through the categories of Head office Expenses, Expenses incurred towards Rural sector business,

Union & State Govt. insurance schemes and Expenses towards 'Insurtech' and 'Insurance Awareness'.

(D) Manner of allocation and apportionment of expenses of management amongst various business segments including the following parameters:

For Expenses:

I. Allocation of Expenses (direct expenses):
Allocation of expense is assigning the whole expense directly to a particular business segment. Operating expenses directly related and identifiable with a specific business segment shall be allocated to that business segment.

II. Apportionment of Expenses:
Operating Expenses that cannot be directly identifiable with a specific business segment and hence cannot be assigned in whole to any particular business segment shall be apportioned to each business segment on the basis of Gross Written Premium or any other most suitable basis of apportionment.

Nature of Expense*	Method
Employee related Cost	To be apportioned on the basis of Gross Written Premium /any other most suitable basis of apportionment to all segments of Business.
Rents & branch related cost	1) To be allocated to specific business segment (for instance RSBY, weather) for which branch has been opened 2) Balance to be apportioned on the basis of Gross Written Premium / any other most suitable basis of apportionment to all segments of business.
Insurance Pool related expenses	To be allocated to specific business segment (for instance terrorism pool to fire & Eng only on the basis of statement received from the Pool)
Outsourcing expenses, business support and advertisement	1) To be allocated to specific business segment which are incurred for that specific business segment. 2) General expenses to be apportioned on the basis of Gross Written Premium/any other most suitable basis of apportionment to all segments of business
Communication, Printing, Bank Charges, Audit fees, membership fees, Depreciation, Information technology related expenses	To be apportioned on the basis of Gross Written Premium / any other most suitable basis of apportionment to all segments of business.

*** indicative in nature and not an exhaustive list**

(E) Structure of commission payable in terms of IRDAI (Expenses of Management, including Commission, of Insurers) Regulations, 2024, as amended from time to time.

Commission/brokerage/other remuneration:

All commission/brokerage/rewards and other remunerations incurred to the insurance agents, intermediaries and insurance intermediaries are allocated to the respective business segment on direct basis as per the sourcing of business done by them.

(F) Manner in which the compliance with the policy shall be ensured.

The Appointed Actuary, Chief Financial Officer and the respective Business Heads shall be responsible for ensuring for compliance of this policy.

(G) BUSINESS PLAN

The Chief Financial Officer shall formulate a Business Plan in advance on an annual basis covering the following, which shall be approved by the Board:

i. the projected requirements of capital during the said financial year;
ii. projection of solvency margin on a quarterly basis;
iii. 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.

The Annual business plan shall be monitored/reviewed by the Board at regular intervals as may be deem fit by the Board.

IV.ADOPTABLE MEASURES FOR PAYMENT OF COMMISSION

The remuneration scheme, including distribution fees payable to Motor Insurance Service Providers [MISPs], shall be governed by the grid attached as Annexure A to this policy. The Committee of KMPs is empowered to act on and decide upon:

1. Any payout exceeding the limit specified in Annexure A;
2. Other aspects, i.e. reward programs, training and conferences, incidental to procurement of business, and any revision thereto, from time to time; and
3. Grounds and manner of calculation of remuneration in case of termination, suspension or cancellation of relationships with insurance agents, POSPs and insurance intermediaries.

The Constitution of the said Committee shall be as follows:

I. Chief Financial Officer;
II. Chief Distribution Officer;
III. Chief Operating Officer;
IV. Chief Legal & Compliance Officer and Company Secretary; and
V. Chief Bancassurance Officer

Overriding Effect:

The terms of this Policy shall be in accordance with the provisions of EOM Regulations and Payment of Commission Regulations as amended from time to time and relevant circulars issued therein, and in the event of any conflict between the terms of this Policy and the said Regulations, the provisions of the Regulations shall prevail.

V. REVIEW PROCESS

The Finance Department would maintain records for allocation/apportionment of such expenses as per above policy which are subject to audit by the Statutory Auditors of the Company.

This policy is subject to review by the Audit committee and the Board on annual basis. Any revision in the policy along with its implication on various segments, shall be disclosed suitably under notes to accounts forming part of financial statements.

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Annexure A

Annexure A to
Policy on Expenses c

Retail and corporate other than Banca/Rural Distribution Fee on new business, renewals, rollovers				
PRODUCT VERTICAL	**LOB**	**PARTICULARS**	**BUSINESS TYPE**	**GRID**
Motor	PRIVATE CAR		Renewal & Rollover (Net OD+TP)	0% to 45%
			New (Net OD+TP)	0% to 85%
Motor	TWO WHEELER		New/ Renewal/ Rollover (Net OD + TP)	0% to 55%
Motor	PCV & GCV (NET OD+TP)		New/ Renewal/ Rollover	0% to 75%
Motor	SCHOOL BUS + Black and yellow Taxi		New/ Renewal/ Rollover(Net OD+TP)	0% to 80%
Motor	CPA		New/ Renewal/ Rollover	0% to 50%
	MotorTrade Risk		New/ Renewal/ Rollover(Net OD+TP)	0% to 50%
	MISC. TYPE OF VEHICLE		New/ Renewal/ Rollover(Net OD+TP)	0% to 50%
Non Motor	MARINE		New/ Renewal/ Rollover	0% to 65%
Non Motor	FIRE	Fire	New/ Renewal/ Rollover	0% to 55%
Non Motor	Terrorism Pool			0% to 5%
	Terrorism SAT			0% to 55%
Non Motor	MEGA	Fire/Engg	New/ Renewal/ Rollover	0% to 25%
Non Motor	ENGINEERING		New/ Renewal/ Rollover	0% to 55%
Non Motor	ALL PACKAGE POLICIES		New/ Renewal/ Rollover	0% to 55%
Non Motor	MISC other than package		New/ Renewal/ Rollover	0% to 55%
Non Motor	LIABILITY - ALL		New/ Renewal/ Rollover	0% to 45%
Non Motor	WORKMEN COMPENSATION		New/ Renewal/ Rollover	0% to 50%
Non Motor	AVIATION		New/ Renewal/ Rollover	0% to 25%
Health	PERSONAL ACCIDENT		New/ Renewal/ Rollover	0% to 65%
Health	INDIVIDUAL HEALTH		New	0% to 70%
			Renewal and Rollover	0% to 50%
Health	TRAVEL			0% to 70%
Health (Group)	GMC POLICY		New/ Renewal/ Rollover	0% to 30%
Health (Group)	GPA POLICY		New/ Renewal/ Rollover	0% to 30%

Bancassurance/Rural Distribution Fee on new business, renewals, rollovers		
Line of Business	**Partner Business Volume (INR Mn.)**	**Grid**
LOBs- Fire, Misc, Eng, Marine,GMC		
Slab 1	0-500 mn	0% to 50%
Slab 2	501 mn- 750mn	0% to 55%
Slab 3	751mn and above	0% to 75%
LOB's-PA, GPA, Ind. Health, Motor OD, Travel, Liability,WMC		
Slab 1	0-100 mn	0% to 65%
Slab 2	101 mn - 300 mn	0% to 70%
Slab 3	301 mn & Above	0% to 75%
Motor TP		
Slab 1	0-100 mn	0% to 50%
Slab 2	101 mn - 300 mn	0% to 55%
Slab 3	301 mn & Above	0% to to 60%

Non Motor	Terrorism Pool	0% to 5%
Non Motor	Terrorism SAT	0% to 55%