INDUSIND GENERAL INSURANCE COMPANY LIMITED

POLICY ON EXPENSES OF MANAGEMENT INCLUDING COMMISSION

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Version 1.3

IndusInd GENERAL INSURANCE
FORMERLY RELIANCE GENERAL INSURANCE

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1. Background and Introduction:

Insurance Regulatory and Development Authority of India (IRDAI) has notified Insurance Regulatory and Development Authority of India (Expenses of Management of Insurers transacting General or Health Insurance business) Regulations, 2023 and IRDAI (Payment of Commission) Regulation, 2023. Currently IRDAI has repealed above regulations vide Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024 (hereinafter referred to as "EOM Regulations, including Commission") Notification no. IRDAI/Reg/2/196/2024 dated 22nd January, 2024 and comes into effect from 1st April, 2024.

The purpose of this policy is to provide a framework for the planning and implementation of the EOM of the company and payment of commission to all Insurance agent, Intermediary or Insurance intermediary engaged by the Company for solicitation and procurement of insurance business and for compliance with regulatory requirements.

This Policy is made in reference to the IRDAI Circular Ref no. IRDAI/Reg/2/196/2024 dated 22nd January, 2024 and Master Circular Ref no. IRDAI/F&I/CIR/79/5/2024 dated 15th May, 2024 issued in supplementation of the IRDAI (Expenses of Management, including Commission, of Insurers) Regulations, 2024 and comes into effect from 1st April, 2024 and shall stand automatically amended in consonance with further Regulations/Guidelines/Notifications etc. issued by IRDAI from time to time.

2. Objective:

The objective of this policy is to enable and provide flexibility to the Company to manage its expenses, including commissions, within the overall limits based on its gross written premium as specified by the Authority to optimally utilize its resources for enhancing benefits to policyholders and to improve insurance penetration.
The objectives of this under commission are:

(a) To take into consideration the interest of the policyholders.
(b) To increase insurance penetration and density in the country.
(c) To take into consideration the nature and tenure of the insurance policy.
(d) The commission paid should be commensurate with the company's business strategy.
(e) To ensure cost efficiencies in the conduct of business and simplification of the administration of insurance business.

(f) To keep the interest and enhance the performance of the Insurance Agent, Intermediary or Insurance Intermediaries intact.

3. Definitions:

a) "Act" means the Insurance Act, 1938 (4 of 1938).

b) "Authority" means the Insurance Regulatory and Development Authority of India established under sub- section (1) of Section 3 of Insurance Regulatory and Development Authority Act, 1999 (41 of 1999).

c) "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.

d) "Commission" means any compensation including remuneration, or reward, by whatever name called, paid by an insurer to an Insurance agent, Intermediary or Insurance intermediary, as applicable, for soliciting or procuring or transacting insurance business.

e) "Duration of Business" means the duration of an insurer's business reckoned from the beginning of the financial year of commencement of business if the date of commencement is in the first half of the financial year, and from the beginning of the immediately succeeding financial year if the date of commencement is in the second half of the financial year.

f) "Expenses of Management" shall include:

i) all expenses in the nature of operating expenses of Life or General or Health Insurance Business

ii) commission to the insurance agents, intermediaries or insurance intermediaries.

iii) commission and expenses on reinsurance inward, charged to Revenue Account.

Provided that it shall not include the charges as defined in this Policy.

g) "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.

h) "Insurance Awareness" means awareness creation done by Insurers through (i) direct campaigns including through branch office, social media campaign and/or (ii) supporting

Life Insurance Council or General Insurance Council, as applicable to educate their customers and public at large in making the right choices base on their 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. More specifically the content/material shall include an advertisement of any nature issued in any mode or medium including those that highlight sponsorships which is not, either directly or indirectly, intended to solicit the insurance business, but only promotes the brand image of the RGICL and/or its intermediaries and may contain the registered name, address, toll-free number, logo or trademark thereof.

All words and expressions used herein and not defined, but defined in the Insurance Act,1938 (4 of 1938) or in the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), or in any Rules or Regulations made thereunder, shall have the meaning respectively assigned to them in those Acts or Rules or Regulations.

Provided that any revision in the policy along with its implication on various business segments shall be disclosed under notes to accounts forming part of the financial statements.
The Appointed Actuary and the Chief Financial Officer shall be responsible for the allocation and apportionment of the expenses of management in accordance with the Board approved policy.

4. Board Approved Business Plan:

(1) The Company shall formulate a business plan prior to the commencement of the financial year, on an annual basis, which shall be approved by the Board. The plan shall at the minimum cover the various parameters as laid down in the format as per **Annexure I** specified by the Authority from time to time and at the minimum, clearly specify the following:
(a) the projected requirements of capital during the said financial year;
(b) projection of solvency margin on a quarterly basis;
(c) the projection of expense 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.

(2) The Business plan as above shall be monitored by the Board at regular intervals.

5. Limit of Expenses of Management in General Insurance Business:

The Company shall not incur expenses of management in excess of 30 percent of gross premium written in India in a financial year. The Company shall ensure that its expenses of management are within the allowable limits on the overall basis. Where the Company exceeded the limit of expenses of management, excess of such expenses shall be charged to Profit & Loss Account.

6. Additional Allowable Expenses:

In addition to expenses of management limit as specified in clause 5 of this policy, the Company shall be allowed the following additional allowable expenses as defined in Regulation 10 and 11 of EOM, including Commission, of Insurers) Regulations, 2024 of IRDAI:

(1) Expenses incurred towards 'Insurtech' and 'Insurance Awareness'
(2) Head Office Expenses
(3) Expenses incurred towards Rural sector, Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jan Arogya Yojana (PMJAY), Pradhan Mantri Fasal Bima Yojana (PMFBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) or such other schemes as specified by the Authority.

7. Allocation of Expenses:

In accordance with the Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission of Insurers) Regulations, 2024, management has reassessed the methodology for allocation and apportionment of management expenses to ensure alignment with regulatory requirements and accurate reflection of the Company's organizational structure.

Further, the allocation and apportionment principles have been evaluated for consistency with Ind AS, to ensure appropriate recognition and measurement of expenses.

Basis of Allocation and Apportionment

Management expenses are allocated and apportioned as follows:

i. Directly Attributable Expenses

Expenses that are clearly identifiable and directly attributable to specific business segments are charged directly to those respective business segments.

ii. Expenses Allocated Based on Organizational Structure

Expenses not directly identifiable with any specific business segment are apportioned based on the Company's organizational structure, which comprises the following:

Business Verticals – Comprises of Corporate Business, Retail Business and Government Business

Service Functions – Comprises of Claims and Underwriting

Support Functions – Comprises of Investments, Operations, Legal, Actuarial, Human Resources, Finance & Accounts, Reinsurance, Technology and Other support functions

Accordingly, the allocation is carried out as under:

a) Business Vertical–Specific Expenses

Expenses directly related to a business vertical are apportioned to the business segments within that vertical in proportion to the Gross Written Premium (GWP) of the respective business segments.

b) Service Function Expenses

Expenses directly related to the service function are apportioned to the respective lines of business which is further allocated at the sub-segment level as follows:

- Claims service function costs are allocated based on Gross Claims Paid of the respective class of business.
- Underwriting service function costs are allocated based on Gross Written Premium of the respective class of business.

c) Support Function Expenses

Expenses relating to support functions are allocated across lines of business in proportion to the Net Written Premium (NWP) of the respective lines of business.

iii. Other Indirect Expenses

Expenses that are not attributable either directly or based on the organizational structure are allocated as follows:

a) Advertisement and Publicity Expenses

Advertisement and publicity expenses are apportioned exclusively to the Retail Business Vertical, in proportion to the Net Written Premium of the respective lines of business within the Retail segment.

b) Other Indirect Expenses

All other indirect expenses are allocated across lines of business in proportion to the Net Written Premium.

Expenses related to investment activities and Interest on borrowings are charged directly to the Statement of Profit and Loss and are not apportioned to business segments.

Change in Allocation Methodology

There is no change in the overall policy of allocation and apportionment of management expenses, except for a change in the basis of allocation of claims service function costs.

Claims service function costs, which were earlier allocated based on Gross Written Premium, are now allocated based on Gross Claims Paid. This change has been implemented to align with Ind AS, under which claims service function costs form part of the liability for incurred claims.

8. Manner and conditions for paying commission to Insurance agent, Intermediary or Insurance intermediary:

(1) The cycle of payment of Commission shall be decided by the Chief Distribution Officer, Chief Marketing Officer, as per the need of the specific channels.

(2) The Commission payable to Insurance agent, Intermediary or Insurance intermediary:

a) The commission payable to the Insurance agent, Intermediary or Insurance intermediary shall be subject to the limits stipulated by IRDAI (Expenses of Management, including Commission, of Insurers) Regulations, 2024.

b) However, the Chief Distribution Officer, Chief Marketing Officer, Chief Underwriting Officer may decide to pay differential commission to an Insurance agent, Intermediary or Insurance intermediary based on some predefined criteria which may include:

- Business performance of Insurance agent, Intermediary or Insurance intermediary;
- Business mix of the Insurance agent, Intermediary or Insurance intermediary;
- Quality of Services to Policy Holders by the Insurance agent, Intermediary or Insurance intermediary;
- Usage of systems by an Insurance agent, Intermediary or Insurance intermediary and adherence to the code of conduct of the business or any other criteria as proposed by the Chief Distribution Officer, Chief Marketing Officer.

c) The criteria for payment of the commission may change from time-to-time basis business requirement subject to approval of the Chief Distribution Officer, Chief Marketing Officer, Chief Underwriting Officer to whom authority has been delegated under this Policy.

d) While deciding the commission structure the company shall ensure that the intermediaries are fairly compensated for their work, regardless of their size or bargaining power.

(3) The total amount of commission payable under general insurance products including health insurance products offered by the Company shall not exceed the EOM limits specified under Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024 as amended from time to time. Average Commission payable to Insurance agent, Intermediary or Insurance intermediary is defined in **Annexure II.**

In exceptional circumstances, the average commission payable to Insurance agent, Intermediary or Insurance intermediary may exceed the average rates as prescribe in Annexure II within the overall limit prescribed in EOM if there is business need & the same is specifically approved by CDO/CMO & CFO.

(4) In addition to the total Commission / Remuneration paid in line with this policy, the Company may also pay a maximum Reward up to 30% of Commission / Remuneration paid at an aggregate level:

- The reward to be paid to an Insurance agent, Intermediary or Insurance intermediary over and above the Commission / Remuneration shall be decided by the Company based on an objective criterion and it has to be within the overall limit of EOM.
- However, Insurance agent, Intermediary or Insurance intermediary may be offered differential rate of reward.
- The criteria of differential reward may include business performance, quality of business, quality of services to Policy Holders, number of trainings, longevity of association with the organization, adherence to the code of conduct of the business or any other criteria.

9. Applicability:

a) No commission shall be paid by the Company either to the Insurance agent, Intermediary or Insurance intermediary for policies which are procured directly by the Company.
b) The new commission structure as defined under this policy shall not apply to already sold policy (i.e., prior to 1st April 2026).

10. Market Conduct:

The Insurance agent, Intermediary or Insurance intermediary shall adhere to high standards of behaviour and ethical practices. They shall ensure that there is no conflict of interest such as the said Insurance agent, Intermediary or Insurance intermediary recommending products that does not suit the customer's interest. They shall ensure that the need of the customer is given first preference while selling products. This will help enhance customer satisfaction and ensure compliance with regulatory requirements.

11. Compliance with the above Policy shall be ensured in following manner:

i. Annual Operating expense budget shall be approved by Board of Directors.
ii. Monthly review by management for actual expenses against budgeted expenses for each line of business and reporting of expense deviation to the Board of Directors on a quarterly basis.
iii. All outsourcing expenses shall be monitored by the Committee of Key Management Persons.
iv. Additional allowance as defined in the regulations shall be available for Insurtech and Insurance awareness expenses. The same shall be regularly monitored by the management.

12. Other matters:

i. The company shall reduce expenses of management through various measures which may include automation, digitization, promoting a paperless environment, training and skill development, achieving economies of scale, etc.
ii. The Company will endeavor optimizing EOM by 0.5% of GWP (on current business model) on an annual basis.

iii. The benefits derived from above efficiencies will be utilized by the Company to reward customers where policies are procured directly by the Company as well as enabling new business models.
iv. If an insurance policy is acquired directly by the Company, the Company shall consider a suitable reduction in the premium collected for such a policy as compared to a similar policy not acquired directly by the Company, provided that:
    a) There is zero commission payable to any intermediary for such policies.
    b) There is no additional expense incurred by the Company as compared to similar policies not acquired directly by the Company.
    c) Such commission and cost advantage are expected (by the management) to be continuing for at least for next 4 quarter.
    d) The risk exposure in terms of claims outgo potential for such policies are not actuarially higher than similar policies issued for policies not acquired directly.
    e) The filed premium rating for the policy has been approved by the PMC and filed with IRDAI.
    f) Such reduced premium shall be subject to review and modifications as the evolving situations warrant.

The pricing of the products shall reflect the 3-year view of the Management on the Expense Ratio (as defined under this Policy). The management shall take appropriate correction in the premium rates if expenses ratios materially change from the closing position of the previous two Financial Years. Such correction shall be undertaken at a product level and is to be taken up in accordance to provision of the applicable filing guidelines of the IRDAI.

13. Return of Expense of Management:

i. The Company, at the expiration of each financial year, shall prepare with reference to that year, Return of Expenses of Management as per the format prescribed by IRDAI. The Return shall be signed by the Chief Executive Officer, the Chief Financial Officer, the Chief Compliance Officer and the Appointed Actuary of the Company.
ii. The Return shall be certified by the statutory auditors of the Company and the certificate duly signed by at least one of the statutory auditors shall be filed in the format specified by the Authority from time to time.
iii. The Return along with the statutory auditor's certificate shall be reviewed by the Audit Committee prior to being placed for approval of the Board of the Company.
iv. The Return of expenses of management duly adopted by the Board along with the certified true copy of minutes of the meetings wherein the Board of the Company has

approved these documents, shall be filed with the Authority along with returns indicated in sub-section (1) of Section 15 of the Insurance Act, 1938.

14. Return of payment of Commission:

i. The Company, within 45 days of the expiration of each financial year, shall submit to the Authority the Board approved return on payment of commission by the Company to the Insurance agent, Intermediary or Insurance intermediary in the format prescribed by IRDAI and signed by the Appointed Actuary and Chief Financial Officer of the Company.
ii. These returns shall be reviewed by the Audit Committee prior to being placed for approval of the Board of the Company.

15. Review and Effective date of the Policy:

a) This policy shall be reviewed by the Board annually. This Policy shall be effective from 1st April 2026.
b) There shall be a standard review process for the commission structure which will include assessment of its effectiveness, efficiency, impact on premium rates, benefit pay-outs, penetration, alignment with customer needs and interest etc. This review shall be conducted by Audit Committee at least on annual basis.
c) A committee shall be constituted comprising of Chief Distribution Officer, Chief Marketing Officer, Chief Underwriting Officer and Appointed Actuary which shall apprise the performance and compliance of the commission structure to the Senior Management and Board of Directors.

16. Annexures:

Annexure I – Business Plan

(Rs. in lakhs)

Particulars	Financial Year			
Gross Premium Written				
Less : Reinsurance ceded				
Net Premium Written				
Investment Income (Policyholder account)				
Other Income				
Total Income (A)				
Claims Incurred /Benefits paid (Net of Reinsurance)				
Operating Expenses				
Commission				
Change in Liability/Provisions, etc.				
Total Outgo and Liability/Provisions, etc. (B)				
Operating Profit/Surplus (C) = (A) – (B)				
Profit Before Tax (PBT)				
Expenses of Management (Operating Expenses + Commission)				
Expenses of Management to Gross Premium Written (in %)				
Projected EoM Ratio (in %)				
Projected Requirement of capital				
Projected Solvency Ratio	Q1	Q2	Q3	Q4

Annexure II – Average Commission payable by Line of business (LOB)

Type	Sub-Type	Average Commission %
FIRE	Fire	14.75
MARINE	Marine Cargo	13.25
	Marine - Other than Marine Cargo	0.75
MOTOR	Motor - Private car	26.00
	Motor - Two-Wheeler	30.25
	Motor - Commercial Vehicle	57.50
HEALTH	Health Insurance – Individual	27.00
	Health Insurance – Group	16.50
PERSONAL ACCIDENT	Personal Accident – Individual	37.50
	Personal Accident – Group	21.75
TRAVEL	Travel	52.50
OTHER MISCELLANEOUS	Engineering	8.75
	Aviation	3.75
	Liability	15.50
	Workmen Compensation/ Employer's Liability	20.50
	Others	19.75

Note:
The above average % does not include the rewards which shall be in addition to above as defined in para (4) of clause 8.