Commission Policy for Insurance Agents and Insurance Intermediaries

HDFC Life

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1. Introduction

1.1 The Insurance Regulatory and Development Authority of India (hereinafter, IRDAI/Authority) through its notification of the Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024 and any other amendment made thereafter, from time to time has notified the provisions applicable for payment of Commissions to insurance agents and insurance intermediaries. The Regulations supersede the IRDAI (Payment of Commission) Regulations 2023 of 26 March 2023 and come into force from 1 April 2024 onwards.

1.2 The Regulations require every insurer to have a written policy for payment of Commissions to insurance agents and insurance intermediaries, as applicable, for soliciting or procuring or transacting insurance business (hereinafter, Policy/policy), duly approved by the Board and reviewed periodically. Further, the Policy should be clear and transparent to ensure "*fairness, transparency, compliance, efficiency, and industry reputation in the insurance distribution process*".

1.3 This Policy has been prepared by HDFC Life Insurance Company Limited (Company) in accordance with the Insurance Regulatory and Development Authority Act 1999 (as amended from time to time), and all extant and applicable rules or regulations made there under.

1.4 This Policy covers the Commission related aspects pertaining to the individual Insurance Agents (appointment of which is governed as 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.

1.5 This Policy will be approved by the Board and reviewed periodically by the Board wef April 1, 2024, which has further been amended in line with applicable regulatory changes and provisions, as amended from time to time. Accordingly, this policy shall come into effect from 1 April 2026.

1.6 **Definitions:**

a) "Act" means the Insurance Act, 1938 (4 of 1938), as amended from time to time.

b) "Authority" or "IRDAI" means the Insurance Regulatory and Development Authority of India established under the provisions of Section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999).

c) "CRC" means the Commission & Remuneration Committee, constituted under this Policy, and responsible for approving and overseeing the commission and remuneration framework, including the CROM, in accordance with applicable regulations. The CRC was earlier referred to as the CROM (Commission & Remuneration Oversight Management) Committee.

d) "CROM" means the Commission & Remuneration Operating Manual, which sets out the operating procedures and computation methodology for processing commission and remuneration payable to Insurance Agents and Insurance Intermediaries.

e) "Commission" means any Commission including remuneration, or reward, by whatever name called, paid by the Company to insurance agent, intermediary or insurance intermediary, as applicable, for soliciting or procuring or transacting insurance business for the Company.

For the purpose of this Policy, the Commission shall also include any Productivity Based Remuneration payable to Insurance Agents and the Insurance Intermediaries upon meeting certain pre-specified parameters, as specified in the CROM.

f) Words and expressions used and not defined in these Regulations but defined in the Act, as amended from time to time, the Insurance Regulatory and Development Authority Act 1999 or in any of the rules or regulations made there under shall have the meaning respectively assigned to them in those acts, rules or regulations.

g) "Insurance Intermediary" means insurance intermediary or intermediary as defined under section 2(f) of the Insurance Regulatory and Development Authority Act 1999 and shall include insurance brokers, reinsurance brokers, insurance consultants, corporate agents, insurance marketing firms and web aggregators and any intermediary, as prescribed under the Regulations, as may be permitted by the IRDAI.

h) "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.

1.7 **Objective:**

The objective of this Policy is to focus on the interest of the policy holder by putting in place the broad framework for payment of Commissions to Insurance Agents and Insurance Intermediaries 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 relation to the creation and implementation of Commission structure:

a) it increases insurance penetration and density in the country through dedicated efforts towards education, awareness and reach;
b) Encourage business quality through persistency, sustainable long term business & right selling practices
c) it recognises the continuity of the long term nature and tenure of the Company's insurance policies;
d) It fairly compensates the insurance agent / intermediary towards enhancing their performance
e) it is commensurate with the business strategy of the Company;
f) it brings cost efficiencies in the conduct of business and simplification of the administration of insurance business of the Company;
g) it promotes fair and transparent market conduct practices among the Insurance Agents and Insurance Intermediaries, aligning incentives with customer needs, and encouraging efficient and cost-effective distribution;
h) it encourages good distribution practices of Insurance Agents and Insurance Intermediaries; and
it gives an indication on the relative degree of importance placed on each of the above.

In formulating the structure for the Commissions payable, the objectives of this Policy shall be followed, as may be deemed appropriate for particular insurance products, Insurance Agents, Insurance Intermediaries and the overall growth and development of the Company's business.

1.8 **Scope of the Policy:**

- The Board will ensure that objectives and principles of this Policy shall underpin the setting and implementation of the Commission structure. These objectives include promoting fair and transparent competition among the Insurance Agents and Insurance Intermediaries thereby reducing conflicts, aligning incentives with a focus on addressing customer needs, and encouraging efficient and cost-effective distribution.
- The Board shall ensure that the Policy recognises and addresses potential conflicts of interest due to the Commission structure, such as the Insurance Agents or Insurance Intermediaries recommending products that are not in the customer's best interest in order to earn higher commissions.
- All payouts to insurance agents and insurance intermediaries for solicitation of insurance business for the Company both through in-person engagement and through its own or the Company's ISNP platform, shall comply with IRDAI's evolving regulatory landscape, including but not limited to all extant and applicable regulatory provisions towards payment of Commission and Expenses of Management limits.
- The Commission for different insurance products in the same line of business/product category has been homogenized to avoid any conflicts. Additionally, the Company recognises the need to acknowledge insurance intermediaries who drive insurance penetration through high business quality and a wider reach across the country, for whom an additional Productivity based remuneration / payout over and

above the commissions paid shall be made available under the provisions of this policy. Such productivity related payouts / remuneration shall depend on the achievement of the specific parameters agreed with the Insurance Agents or Insurance Intermediaries which are reviewed and approved by the Commission and Remuneration Committee (CRC) (as defined in Section 3).

1.9 **Applicability:**

(a) 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.

(b) The Policy sets out a broad framework on payment of Commission to the Insurance Agents and Insurance Intermediaries. The Policy does not detail all other operational matters for implementing the objectives and goals set out in this Policy and various day-to-day matters in terms of implementation of norms on payment of Commission to the Insurance Agents and Insurance Intermediaries. Such matters shall be dealt with by the Company though separate procedures and operating process and guidelines called as “Commission & Remuneration Operating Manual (CROM)” issued with the approval of the “Commission and Remuneration Committee (CRC).

(c) The CRC shall ensure that the CROM prescribed schemes are in line with the key points laid down under clause 1.8 of the Policy and are in accordance with the objectives set out in clause 1.7 of the Policy.

(d) The CROM, including any Commission structure set out there under, may be subject to change, due to any changes in applicable law, the Company’s internal considerations as well as market practices, and shall be effective from the date on which the CROM is amended.

(e) 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 or Insurance Agent, Insurance Intermediary or class of Insurance Intermediary or at any channel level. The CRC may consider paying separate Commission for its Insurance Agents and Insurance Intermediaries, as the case may be.

(f) Where the insurance policies are sourced and procured directly by the Company without involvement of any intermediary / intermediary website, no Commission shall be payable to any Insurance Agent or Insurance Intermediary.

(g) All commission and remuneration decisions shall be executed strictly within the regulatory boundaries defined by IRDAI, and as amended and notified from time to time.

(h) Any mid-year changes due to new IRDA regulatory provisions, or adjustments needed to maintain EoM compliance, will take effect from the date of CRC approval.

2. Commission & Remuneration Committee (CRC)

2.1 A group comprising of the, Executive Director & Chief Business Officer (Chairperson), Executive Director & Chief Financial Officer, Appointed Actuary, Chief Risk Officer, General Counsel & Chief Compliance Officer, and Group Head - Products & Segments of the Company (all of them acting jointly) shall constitute the CRC, and be authorized to formulate and administer the CROM in order to lay down and implement the Commission program for payout of Commission. Additionally, there may be permanent or event-based invitees to the CRC as may be deemed fit by the chairperson of the CRC.

2.2 The CRC is further authorized to review, amend, repeal or modify any part of the CROM including any criteria/parameter, etc., either prospectively or retrospectively, on a case-to-case basis assessed on merit, across various versions of products, so far as there is no detrimental impact on policyholders’ interest and in accordance with this Policy and the extant applicable laws.

2.3 At any given point of time, while convening the meeting of the CRC, the quorum shall be considered adequate as long as there is a 50% attendance of the designated committee members.

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

3. Oversight of the implementation of the CROM

Notwithstanding the foregoing, the Board shall have effective oversight on the implementation of the Policy and the CROM. The CRC shall submit an annual update on the manner of implementation, changes (if any) and compliance with the Policy and the underlying CROM to the Board. Any changes suggested by the Board shall be incorporated in the Policy and/or the CROM and/or implemented as may be applicable.

4. Commission structure for insurance agent / insurance intermediary

4.1 The Commission structure for payment of commission to the Insurance Agents and Insurance Intermediaries shall be in accordance with the existing provisions under Reg 4 of IRDAI (Expenses of Management, including Commission, of Insurers) Regulations, 2024 and shall be linked to the EOM related compliances of the Company.

4.2 For business sourced from 1st April 2026 the following shall be applicable:

A. The CROM which includes all matters for implementing the objectives and goals set out in this Policy and various the day-to-day matters in terms of implementation of norms on payment of Commission to the Insurance Agents and Insurance Intermediaries.

B. The CROM will contain the details of the Commission, including the Commission for Solicitation of Insurance; Productivity based remuneration and Transacting Insurance business / Developing Insurance penetration remuneration, if any, payable to the individual Insurance Agents and Insurance Intermediaries.

C. The Commission structure shall be based on factors such as new business volume, frequency of disbursement, deferment, claw-back arrangement and or a combination of other parameters as deemed suitable as detailed in subsection “K” for individual Agents and Insurance Intermediaries

D. Actual payable Commission for the Insurance Agents and Insurance Intermediaries shall be in the form of:

- Commission for solicitation of insurance (New Business & Renewal business)
- Productivity based remuneration (New Business & Renewal business)
- Transacting Insurance business / Developing insurance penetration remuneration (New Business & Renewal business)

E. Commission for solicitation of Insurance shall be applicable to all the Insurance Agents and Insurance Intermediaries. This would be applicable for Individual and Group business

F. Productivity based remuneration shall be applicable to all the Insurance Agents and Insurance Intermediaries who qualify on the parameters specified in the CROM. This would be applicable both for Individual life insurance and Group insurance business

G. Transacting Insurance business / Developing Insurance penetration remuneration shall be applicable to the Insurance Agents and Insurance Intermediaries where the organization has a requirement for doing additional activities. This would be applicable for Individual and Group business

H. The frequency of commission payout to the Insurance Agents and Insurance Intermediaries shall be on a daily / weekly / fortnightly / monthly / quarterly / half yearly / annual basis, as may be deemed feasible / operationally optimal.

I. The approved Commission structure shall be detailed in the CROM and shall be executed by the department concerned as defined in the CROM

J. Deviations if any under this Policy or the CROM shall be notified to CRC for appropriate action.

K. Productivity Based Remuneration (Applicable to Individual Agents and Intermediaries)

To enable Individual Agents and Intermediaries to perform optimally while adhering to sound distribution practices, promote right selling & penalize mis-selling, the Company places importance on safeguarding policyholder interests. Accordingly, remuneration and commission structures are designed to promote right selling, sustainable long-term business growth, as well as improved quality and persistency of business, with due emphasis on the nature and tenure of policies, alongside a stronger focus on protection-oriented offerings.

In furtherance to these objectives, Productivity Based Remuneration (PBR) may be payable for eligible Individual Agents and Insurance Intermediaries which shall be governed by the CROM and approved and monitored by the CRC. These provisions are intended to support individual agents and distribution partners through productivity enhancement, capability building, and business enablement, while maintaining alignment with regulatory expectations.

Eligible Individual Agents and Insurance Intermediaries may receive PBR under CRC approved schemes, as outlined in the CROM, based on one or more of the following broad parameter/categories:

Individual Agents

- Gratuity / Term Insurance /PA Cover / Medical Insurance;
- Education / Skill development benefits / Learning Programs (Domestic / International) (Physical or Digital);
- Development of new strategies for penetration of insurance (Lead Generation / Insurance Awareness activities);
- Persistency ratio;
- Volume of new business;
- Contribution to the Company's Assets under management (AUM);
- Number of months active with new business;
- Vintage in the Organisation as an Agent;
- Number of lives;
- Product Mix;
- Quality of business;
- Or any other parameter as deemed fit by the CRC.

Intermediaries:

- Data Modelling / Management Services
- Technology implementation;
- Volume of New Business;
- Contribution to the Company's Assets Under Management (AUM);
- Channel Sales Targets;
- Persistency Ratio;
- Product Mix;
- Number of lives;
- Number of policies;
- Branch Activation;
- Specified Person / Broker Qualified Person Activation;
- Specified Person / Broker Qualified Person Skill building / Learning Programs (Domestic/International) (Digital / Physical)

- Business (Premium or NOP generated from different category of branches);
- Policy Term;
- Market share for HDFC Life;
- Or any other parameter as deemed fit by the CRC

L. The Company shall have right to claw-back Commission including Productivity Based Remuneration and / or take appropriate disciplinary action including penalty in case of free look-in, mis selling, as detailed in the CROM.

M. Orphan policies currently are serviced directly by the Company's Direct Channel Front Line Sales (FLS) and Business Retention Teams. The Company may at its discretion consider allocating orphan policies to any Insurance Agent / Intermediary which will be governed by the provisions as laid down in the CROM.

N. The Insurance Agents and Insurance Intermediaries shall be eligible to sell products as per the File and Use document filed with the IRDAI or the Use and File document of the respective product/plan offering, as may be applicable. Nonetheless the Company may, depending on customer segments may have a discretionary approach towards certain products being sold through certain channels or to certain category of customers only.

O. Renewal commission in the event of the death of the Insurance Agent shall be governed by CROM. The Company at its discretion may consider hiring spouse or children of the deceased Insurance Agent to work with the Company as an Insurance Agent or employee based on their eligibility as per the Company terms and conditions.

5. Ownership and Regular Review of the Policy

5.1 The Policy is owned by the Board. Payouts done basis this Policy and further administered by the CROM shall be reviewed by the Audit Committee of the Company, at least, on an annual basis.

5.2 This Policy shall 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.

5.3 Any amendments in the Regulations, Commission Guidance Note and other IRDAI regulatory framework applicable to this Policy shall automatically be deemed to be incorporated herein. Such changes in the Policy will be ratified by the Board during the next review.

6. Monitoring and Reporting

6.1 For effective monitoring and oversight, the CRC shall at least on annual basis report to the Board of Directors of the Company and senior management on the performance and compliance of the commission structure, including assessments of its effectiveness, efficiency, impact on premium rates, benefit pay-outs, penetration, alignment with customer needs and interests, report on any complaints and grievances received and any conflicts of interest identified by the CRC.

7. Disclosure

7.1 This Policy is subject to the rules, regulations and guidelines issued by the IRDAI from time to time.

7.2 The Policy shall be reviewed on an annual basis or as and when required on account of changes in the applicable laws.

7.3 Any aspect relating to Commission which is not specifically included in this Policy shall be governed in accordance with the applicable regulatory provisions of the IRDAI from time to time read with the CROM and the Board approved policy on EOM and other internal separate operating procedure and guidelines as decided by the Company.

Except in so far as specified in the Regulations, and other IRDAI regulatory framework, nothing contained herein 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: (New Grid Incorporated basis the direction from CROM committee)

Maximum Commission for solicitation of Insurance (CSI) for Insurance agents & Insurance Intermediaries:

Premium Payment Term (PPT)	**Column A**	**Column B**
Par - Savings / Non Par - Savings / Term - ROP & Income Plus / Health / Pension Deferred	**Commission for Solicitation of Insurance in % (Upto) (All Products & remaining term plan options)**	**Commission for Solicitation of Insurance in % (Upto) (Term plans other than Return Of Premium & Income Plus)**
2	6.00%	Same as grid mentioned in column A
3	9.00%	
4	12.00%	
5	30.00%	40.00%
6	36.00%	40.00%
7	42.00%	Same as grid mentioned in **column A**
8	48.00%	
9	54.00%	
10	60.00%	
11	60.00%	
12	60.00%	
13+	65.00%	
Immediate Annuity or Pension (Single Premium)	2.00%	
Other Single premium policies	7.00%	
UL Regular - PPT <= 10 (Incl Smart Protect)	15.00%	
UL Regular - PPT >10 (Incl Smart Protect)	20.00%	
UL - C2I	7.50%	
UL - C2W (All modes)	1.00%	

Group Term Products – upto 15%

Credit Life Products – upto 10%

Any revisions to the grid during the financial year shall be approved by the CRC. All such approved modifications shall be incorporated in the BACP of the subsequent year.