GO DIGIT LIFE INSURANCE LIMITED

POLICY FOR EXPENSES OF MANAGEMENT INCLUDING COMMISSION

Policy on Expenses of Management including Commission

Go Digit Life Insurance Limited ("Company") is a life insurance company which offers life insurance products and must adhere to the Insurance Regulatory and Development Authority of India .(Expenses of Management, including commission, of Insurers) Regulations, 2024 ("Regulations").. The Regulations require every insurance company to have in place a well-documented policy approved by its Board . In accordance with Regulation 4 of the Regulations, the Policy for Payment of Commission may be subsumed in the Board approved Policy for Expenses of Management and accordingly a consolidated policy covering below aspects is being placed before Board:

i. Policy on Expenses of Management of Insurers
ii. Policy on Payment of Commission

I. Objectives of the Policy:

The Policy sets out the framework related to Expenses of Management of Insurers to achieve the objective of the Regulations i.e., to ensure flexibility to the Company to manage expenses, including commissions, within the overall limits, to optimally utilize resources for enhancing benefits to policyholders and to bring transparency in business process.

This Policy sets out the framework for payment of commission to Insurance Distributors for Go Digit Life Insurance Limited ("**Company**"). The objective of the policy is to ensure the best utilization of capacities of Insurance Distributors and put in place an effective framework with respect to the commissions payable to Insurance Distributors to achieve the desired scale, mix, tenure and profile of business, further to protect the interests of policyholders in long term by way of reducing per unit cost and passing it back through consistent pricing assumptions in future. This policy is intended to consider the commissions payable at overall level, as stipulated in the Expense of Management (EOM) limits specified under Insurance Regulatory and Development Authority of India (Expenses of Management, including commission, of Insurers) Regulations, 2024 ("Regulations"), and not at each contract / distributor level.

In furtherance, this Policy also sets out the framework for payment of commission to Insurance distributors for soliciting or procuring or transacting insurance business which aims at promoting fair and transparent competition among Insurance distributors, aligning incentives with customer needs and encouraging efficient and cost-effective distribution keeping in mind policyholders' interests.

In the event of any difficulties in application or interpretation of any of the provisions of any circulars/ guidelines/ regulations governing expenses of management, payment of commission/ remuneration/ reward/ distribution fees to Insurance Distributors, the Company will be guided by the Regulations and provisions of this Policy to ensure uniformity in approach and better implementation.

This policy will take into consideration following aspects and ensure that it:

(i) is in the interest of the policyholders,
(ii) increases insurance penetration and density in the country especially low premium policies,
(iii) considers the nature and tenure of the insurance policy,

(iv) protects the interest of the Insurance distributors
(v) enhances the performance of the Insurance distributors,
(vi) it is commensurate with its business strategy,
(vii) brings cost efficiencies in the conduct of business and simplification of the administration of insurance business, and
(viii) gives an indication on the relative degree of importance placed on each of the above,
(ix) enhances responsiveness of the Regulations to market innovation; and
(x) facilitates development of new business models, products, strategies, internal processes and enable in easy compliance with the Regulations while fulfilling the regulatory objectives.

II. Definitions

The definitions used in this policy is in accordance with the regulations of the Authority.

1. **"Act"** means the Insurance Act, 1938 (4 of 1938), as amended from time to time.
2. **"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).
3. **"Board"** means Board of Directors of Go Digit Life Insurance Limited.
4. **"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.
5. **"Commission"** shall mean compensation including remuneration or reward, by whatever name called, paid or due by an insurer to an Insurance agent, Intermediary or Insurance intermediary, as applicable, for soliciting or procuring or transacting insurance business.
6. **"Company"** means Go Digit Life Insurance Limited.
7. **"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.
8. **"Expenses of Management"** shall include:
   (a) All expenses in the nature of operating expenses of Life or General or Health Insurance business.
   (b) Commission to the insurance agents and intermediaries or insurance intermediaries.
   (c) Commission & expenses on reinsurance inward, which are charged to Revenue Account.

   Provided that it shall not include the Charges as defined hereinabove.
9. **"Insurance Distributors"** means Insurance Agent, Insurance Intermediary, Point of Salesperson, or any person or entity authorized under the law to distribute, solicit, procure or transact insurance business and services for and on behalf of the Company.
10. **"Rewards"** shall mean the amount paid directly to or borne by the Company indirectly in favour of any Insurance Distributor, for soliciting or procuring or transacting insurance business for and on behalf of the Company.

Note: *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 Regulations / Guidelines made there under shall have the meaning respectively assigned to them in those Acts/ Regulations / Guidelines.*

III. Standard review process for Commission Structure:

a. The Audit Committee shall annually review the Commission Structure as defined under the Policy.
b. The Review shall be conducted to assess the effectiveness, efficiency, impact on premium rates, benefit pay-outs, penetration, alignment with customer needs and interests etc.

IV. Review of the Policy:

a) This Policy will be reviewed annually by the Audit Committee of the Board and any modifications or improvements will be accordingly incorporated.
b) Any changes made to the Policy shall be placed before the Audit Committee of the Board for approval/ratification.
c) The Managing Director and CEO of the Company is authorized to make changes in the foregoing policy as may be required from time to time, which shall be presented to the Board at its subsequent meeting for approval / ratification. Any requirement under the law, to the extent applicable to the Company, that needs to be covered under the policy or any changes in the applicable laws, to the extent applicable, shall be deemed to be incorporated into this policy automatically.

GO DIGIT LIFE INSURANCE LIMITED

POLICY FOR EXPENSES OF MANAGEMENT INCLUDING COMMISSION

PART- I

(Policy on Expenses of Management of Insurers)

I. Applicability:

a) This Policy shall govern all expenses planned or incurred by the Company:
   - In the nature of operating expenses.
   - Commission including remuneration or reward to insurance distributors.
   - Commission and expenses on reinsurance inward, which are charged to the Revenue Account.

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

II. Limit of Expenses of Management:

Subject to any forbearance as may be granted by the Authority under Part VII of the Regulations for insurers having "duration of business" less than 5 years, the total amount of expenses shall not exceed the limits specified under the Regulations.

III. Business Plan:

The Company will consistently evolve plans, procedures and strategies to bring cost efficiencies in the conduct and operation of business to manage the Expenses of Management efficiently on an ongoing basis. In pursuit of the same, the Company, before commencement of any financial year, shall determine the manner of allocation and apportionment of expenses of management amongst various business segments using appropriate parameters through:

a) identifying the expenses which shall be allocated
b) determining the basis of allocation
c) identifying expenses which shall be apportioned, and
d) determining the basis of such apportionment.

Taking the above factors into account, the Company shall develop a Business Plan that projects the expenses of management in addition to the solvency position of the Company and any capital requirements. The Business Plan shall be presented to the Board for its approval before the commencement of the financial year.

The plan shall at the minimum cover the various parameters as laid down in the format 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.

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

As required by the Regulations, the Company shall undertake the following:

1) Measures for being cost effective and reduce expenses in conducting business:

The Company shall continue to monitor its expenses and take measures to bring down the expenses through various means including but not limited to:

(a) Changing business mix

(b) Increasing penetration to get economies of scale and reduction of fixed expenses

(c) Reducing acquisition cost

(d) Participate in Govt business which is dependent on auction/tender process

2) Manner of transfer of benefits to policyholders due to reduction of expenses:

With the use of technology and other efficient means, the Company shall endeavor to reduce operating expenses so as to create a competitive value proposition for the customers through better returns in the case of Savings products and lower price in the case of protection products.

3) Manner of computation of additional allowance as per Part IV of the Regulation :

A. Insurance Awareness

The Company shall initiate various insurance awareness activities with a view to increasing insurance penetration in the country.

B. Expenses incurred towards 'Insurtech':

The Company may incur additional Expenses towards Insurtech initiatives. The Company shall track such Insurtech initiatives separately in accordance with the requirements of the Regulations.

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

i. Business in the Rural Sector

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

The Company shall track related expenses incurred for rural business, government schemes and PMJJBY business separately through robust systems.

a Life Insurer reporting growth in the gross direct premium sourced from Rural Sector, or such other schemes as specified by 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 PMJJBY or such other schemes as are specified by 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 relevant Regulations as amended from time to time.

4) Manner of allocation and apportionment of expenses of management amongst various business segments:

The Company shall decide the manner of allocation and apportionment of expenses of management amongst various business segments guided by the following aspects:

(i) Expenses which are directly attributable and identifiable are allocated to the respective business segments

(ii) Reinsurance administration charges / recoveries are directly allocated to the respective business segments

(iii) The remaining expenses that are not directly attributable shall be apportioned among various segments using an appropriate cost driver such as Premiums, Sum Assured, Number of policies, Assets under management, Annuity / Income payments. These shall be further split between Acquisition and Maintenance depending on the nature of the activity

5) Commission structure:

This will be in line with the Part II of this Policy prepared in compliance with the Regulations.

6) Forbearance in case of excess Expenses of Management:

The Company shall compute the expense allowance as specified in the Regulations and compare with the expenses expected in accordance with the Business Plan.

The Regulations states that the Authority may exercise forbearance in case a Life insurer exceeds the limits of expenses of management on an overall basis in the Participating and Non-Participating (including Linked) business. Such forbearance may be exercised on a case to case basis in respect of insurers having 'duration of business' up to 5 years.

Given the nascency of the business, it is likely that the planned expenses would exceed the allowance computed. In this scenario, the Company has duly made a representation to the Authority seeking forbearance which is under consideration with the authority. The Company shall act in accordance to the forbearance that may be granted by the Authority.

7) Manner in which compliance with the Policy shall be ensured:

Consequent to approval of the Business Plan by the Board, the Board shall monitor the Expense of Management and the performance of the Company at the end of every quarter of the financial year.

IV. Return of Expenses of Management:

a) The Company shall prepare a Return of the Expenses of Management as per the format specified under Schedule I of the Regulation signed by the Chief Executive Officer, the Chief Financial Officer, the Chief Compliance Officer and the Appointed Actuary of the Company.
b) The Return prepared shall be verified 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 given in Schedule- II of the Regulation.
c) The Return along with the statutory auditor's certificate shall be reviewed by the Audit Committee prior to being placed at the Board of the Company for approval.
d) The necessary documents as required by the Regulation shall be filed with the Authority.

The return duly adopted by the Board along with the certified true copy of the minutes of the meetings wherein the Audit committee and/or Board of the Company has approved these documents, shall be filed with the Authority along with returns provided in sub-section (1) of Section 15 of the Act in the manner and within the time specified therein

V. Reporting Segments:

For the purpose of these Regulations, the Company shall consider the following segments of reporting for monitoring by the Authority:

(1) Linked policies:
- (i) Life;
- (ii) General Annuity and Pension;
- (iii) Health;
- (iv) Others as specified by the Authority.

(2) Non-linked:
- (a) Non-participating policies:
  - (i) Life;
  - (ii) General Annuity and Pension;
  - (iii) Health;

(iv) Others as specified by the Authority.

(b) Participating Policies:

(i) Life;

(ii) General Annuity and Pension;

(iii) Health;

(iv) (iv) Others as specified by the Authority.

VI. Compliances

Company shall ensure that its expenses of management are within the allowable limits on the Participating policies on an overall basis. Where the Life Insurer has exceeded the overall limits of expenses of management for Participating policies, excess of such expenses shall be charged to Profit & Loss Account.

In case of Non-participating (including Linked) policies, the Life Insurer shall ensure that its expenses of management are within the allowable limits on an overall basis. Where the Life Insurer has exceeded the limits of expenses of management on overall basis for Non-participating (including Linked) policies, the excess of such expenses shall be charged to Profit & Loss Account.

Such allowable limits on an overall basis shall be calculated on the basis of specific limits stipulated in Regulation 8

The above shall be subject to the Forbearance application made by the Company.

GO DIGIT LIFE INSURANCE LIMITED

POLICY FOR EXPENSES OF MANAGEMENT INCLUDING COMMISSION

PART- II

(Policy on Payment of Commission)

I. Applicability

Part II of this policy shall be applicable for payment of commission by the Company to Insurance Distributors for policies procured from 1st April 2024 onwards.

a. In the event of any difference in the interpretation of any of the provisions of any circulars/ guidelines/ regulations governing payment of commission/ remuneration/ reward/ distribution fees to Insurance Distributors, the company will be guided by the IRDAI (Expenses of Management, including commission, of Insurers) Regulations, 2024 ("Regulations") and provisions of this Policy to ensure uniformity in approach and better implementation.

II. Basic principles of payment of commission/rewards

The target level of total commission as defined in the policy above, payable at overall level will be in accordance with the Expense of Management (EOM) limits specified under Insurance Regulatory and Development Authority of India **(Expenses of Management, including commission, of Insurers) Regulations, 2024 ("Regulations")** as amended from time to time. However, considering the business and market requirements, the commission payable at individual contract / distributor level may vary and exceed the limit stipulated in the EoM regulations, keeping the overall target limits unchanged.

The Company shall be responsible for ensuring the implementation of this Policy. While making payment of commission, the Company shall take into consideration the following factors:

a. Efforts required to acquire and sustain the type of business
b. Good distribution practices
c. Enhanced customer satisfaction
d. Stronger relationship with customers
e. Increased insurance penetration and density in the country
f. increase market share
g. ensure compliance with regulatory requirements;
h. Nature and tenure of the business procured
i. Alignment with the Company's business strategy

j. Cost efficiencies in the conduct of business and simplification of administration of insurance business
k. Performance of business procured by Insurance Distributors in the previous financial year.
l. Support extended by Insurance Distributors on meeting obligatory target i.e., rural/social sector

In addition to the above, the Company shall be guided by the following aspects for payment of commission and rewards to Insurance Distributors. The Company shall be authorized to make changes to these aspects based on the contemporary business experience of the Company and/or market response. Such changes shall be placed before the Audit Committee of the Board for review and ratification in the succeeding meeting.

1. **Profitability or other criteria:**
   The Company may consider profitability or other criteria, either on totality or on different business lines, segments etc. and link part of the Commission to the achievement of such criteria.

2. **Claw back of commission:**
   The Company may prescribe procedure and circumstances for claw-back of Commission paid based on criteria determined by the Company for reasons including business cancelled, business surrendered, premium refunded, fraud etc. In such circumstances the Company may claw back the Commission to the extent it relates to the premium refunded or forfeited.

3. **Renewal Commission:**
   The Company will follow the EOM limits in determining the renewal commission to be paid to various insurance distributors. The company may define commission entitlement of Insurance Distributors upon renewal of such insurance policies with or without active intervention of the concerned Insurance Distributors.

4. **Advance Commission:**
   The Company may pay commission in advance to Insurance Distributors.
   The company shall not grant temporary advances to any insurance agent to facilitate the carrying out of his functions as such except in cases where such advances do not exceed in the aggregate the renewal commission earned by him during the immediately preceding year.

5. **Insurance Awareness:**
   The Company may reimburse expenses incurred towards activities relating to insurance awareness conducted by an Insurance Distributors and where such activities have contributed to the Insurance Distributors' overall business performance. Such reimbursement may be made in favour of the Insurance Distributors directly or to any associate/vendor whose services were availed by such Insurance Distributors for performing such activities.

6. **Business Auxiliary Service:**
   In addition to solicitation of insurance, Insurance Distributors may perform various servicing related activities for the customers of the Company on self-service portal like reporting a claim, facilitating endorsements, etc. The offices of such Insurance Distributors are a crucial factor in facilitating geographical reach of the Company. The Company may consider reimbursement of business auxiliary expenses to such Insurance Distributors for delivering all such services. The reimbursement in this regard may be to the Insurance Distributors directly or to any associate/vendor whose services were availed by such Insurance Distributors for performing such activities.

7. **Technology Services**
   For Insurance Distributors who have infrastructural and technical capabilities in developing and integrating their platform with the platform of the Company for various digital initiatives, the Company may reimburse appropriate fee towards such collaborated initiatives with a view to promote insurance across the country. Such reimbursement may be to the Insurance Distributors directly or to any associate/vendor whose services were availed by such Insurance Distributors for performing such activities.

8. **Death of Insurance Agent:**
   In the event of death of an insurance agent, the company will endeavour to make legal heir as agent and transfer the business to legal heir.

9. **Payment of commission to POSPs:**

   POSPs appointed by the Company or sponsored by intermediaries need to be commensurately compensated to ensure their continued contribution in insurance penetration. To further this objective, the Company may consider, subject to applicable regulatory and legal framework, direct payment of commission to POSPs.

10. **Fraud by Insurance Distributors:**
    For cases where the Insurance Distributors is involved in any fraud/misrepresentation, the Company may not pay any commission and/or may also claw-back the commission paid and/or, the amount of loss borne by the Company owing to the fraud attributable to the Distributor.

11. **Commission on orphan policies:**

    Commission on orphan policy shall be in accordance with Board Approved Policy for Allotment of Lapsed Orphan Policies

III. Oversight:

The Company shall have effective oversight of implementation of payment of commission to Insurance Distributors in line with this Policy and shall be guided by following measures:

- The commission structure is fair, transparent, compliant, efficient and holds high the reputation of the Company as well as the industry in the insurance distribution process and also protect policyholders' interests and encourage insurance penetration.
- Insurance Distributors are compensated fairly for their work, regardless of their size or bargaining power.
- The commission structure encourages good distribution practice.
- Effectiveness, efficiency, impact on premium rates, benefit pay-outs, penetration, alignment with customer needs and interest etc., is assessed on a regular basis.
- Insurance distributors adhere to high standards of behavior and ethical practices.

IV. Returns on payment of Commission by the Company:

1. The Company, within 45 days of the expiration of each financial year, shall submit to the Authority the Board approved returns on payment of commission by the Company to the Insurance Distributors.
2. These returns shall be reviewed by the Audit Committee prior to being placed for approval by the Board of Directors of the Company.

V. Potential conflicts of interest due to the commission structure:

Insurance Distributor recommending products not in the customer's best interest to earn higher commissions.