ICICI LOMBARD GENERAL INSURANCE COMPANY LIMITED

Framework for Expenses of Management

The Official Gazette of India, vide notification bearing notification number CG-TL-E-23012024-251565 dated January 23, 2024, has notified the Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission of Insurers) Regulations, 2024 (hereinafter referred to as the 'Regulation'). The aforesaid regulation has consolidated IRDAI (Expenses of Management of Insurers transacting General or Health Insurance Business) Regulations, 2023 and IRDAI (Payment of Commission) Regulations, 2023. Further, the Authority on May 15, 2024 vide Ref no. IRDAI/F&I/CIR/79/5/2024 issued Master Circular on Expenses of Management, including Commission, of Insurers, 2024 ((hereinafter referred to as the 'Master Circular').

Insurance Regulatory and Development Authority of India (IRDAI) vide ref: IRDAI/INT/CIR/MISP/083/03/2023 dated March 31, 2023 issued circular with respect to Payment of Distribution Fees to Motor Insurance Service Provider (MISP) clarifying that the payment of distribution fee payable to MISP shall be in accordance with Board approved policy.

The regulation makes it incumbent upon the Insurers carrying out General and Health Business (Non-life Business), *inter-alia* to adopt certain policies at the Board level, prescribing governance and monitoring standards to be followed by the Insurers doing Non-life business in managing their expenses of management and payment of commission to Insurance Distributors, within the scope and ambit of relevant regulatory prescriptions.

Further, the Official Gazette of India, vide notification bearing notification number CG-GJ-E-02052023-245592 dated April 26, 2023, has notified the International Financial Service Centre (IFSC) Authority (Management Control, Administrative Control and Market Conduct of insurance business) Regulations, 2023, (IFSC Regulations) requiring the insurers setting up an IFSC Insurance Office (IIO) in the IFSC *inter-alia* to adopt policies at the Board level, prescribing standards to be followed by an IIO in managing its expenses of management and payment of commission to Insurance Distributors, within the scope and ambit of the IFSC Regulations. Furthermore, the IFSC Regulations also prescribes that an IIO established as a branch office may adopt the Board approved policies of its parent Company, if the standards specified under the IFSC Regulations are covered thereunder.

In view of the same, ICICI Lombard General Insurance Company Limited (Company) proposes to adopt the present "Framework for Management of Expenses" comprising the following three parts:

Part I: **Policy for Expenses of Management**

Part II: **Policy for Payment of Commission to Insurance Distributors**

Part III: **Expense Management Committee**

1. Important definitions:

Words and expressions used in this Framework, unless specifically defined herein, shall have the same meaning assigned to them under the "The Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act 2025, different rules framed under the Act, the regulatory prescriptions in the form of Regulations, Guidelines, Circulars, Notifications issued by the IRDAI and IFSCA from time to time. However, the following terms shall have specific meaning as assigned to them hereunder for the purpose of application and interpretation of this Framework:

A	"**Board**"	"Board" shall mean Board of Directors of ICICI Lombard General Insurance Company Limited
B	"**Commission**"	'Commission' shall mean any compensation, remuneration or reward, by whatever name called, paid or due to an Insurance Distributor, as applicable under this Framework or otherwise, for soliciting or procuring or transacting insurance business for and on behalf of the Company.
C	"**Framework for Expenses of Management**" or the "**Framework**"	'Framework for Expenses of Management' or the 'Framework' shall mean this present Framework for Expenses of Management comprising of all three parts i.e. Part I: Policy for Expenses of Management, Part II: Policy for Payment of Commission to Insurance Distributors, and Part III: Expense Management Committee and shall include all its Appendices and Attachments.
D	"**Insurance Agent**"	'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.
E	"**Insurance Intermediary**"	'Insurance Intermediary' is as defined under section 2(10B) of insurance act 1938, amended from time to time.

F	“**Insurance Distributor”**	‘Insurance Distributor’ shall mean and include Insurance Agent, Insurance Intermediary or any person or entity authorized under the law/regulatory prescriptions to distribute, solicit, procure or transact insurance business and services for and on behalf of the Company.
G	**“Company”**	‘Company’ shall mean ICICI Lombard General Insurance Company Limited including its IIO established in IFSC Gandhinagar.
H	“**Expense Management Committee” or the “EMC”**	‘Expenses Management Committee’ or the ‘EMC’ shall mean the Committee constituted under this Framework, comprising of the senior executives of the Company to govern the Expenses of Management and the Commission payable to Insurance Distributors of the Company on a regular basis. The composition, scope and responsibilities of which, is set out herein under Part III of the Framework.
I	**“Expenses of Management”**	‘Expenses of Management’ shall mean and include the expenses incurred or proposed to be incurred under the heads and exclusions expressed in Clause 2 of the ‘Policy for Expenses of Management’.

2. Review of the Framework

This Framework shall be reviewed by the Audit Committee of the Board annually and if necessary, updated when there are significant changes in the applicable law, practices or as warranted in accordance with the business plan or priorities of the Company from time to time. Any such change to this Framework shall be approved by the Board.

Part I: Policy for Expenses of Management

This policy shall be named and called as the “Policy for Expenses of Management” (EoM Policy) and shall be effective from April 01, 2024.

1. **Object and Purpose:**

   The object and purpose of this EoM Policy is to:

   a. bring cost efficiencies in the conduct of business and reduce the Expenses of Management on a continuous basis,

   b. identify ways and means to share the benefits of effective cost and expenses management with the policyholders and other stake holders.

2. **Applicability**

   This EoM Policy shall govern all expenses incurred by the Company:

   a. In the nature of operating expenses
   b. Commission to the Insurance Distributors
   c. Commission and expenses on reinsurance inward, which are charged to Revenue Account.

   However, this EoM 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.

3. **Limit of Expenses of Management:**

   The Company shall not spend any amount directly or indirectly towards Expenses of Management, in excess of 30 percent of the gross premium written by the Company in India in the financial year. The limit of 30% as mentioned herein above shall also be applicable to the business written by IIO in the financial year.

4. **Additional Allowable Expenses:**

   The IRDAI has set out additional limits of expenses for Insurers on account of certain identified activities and purposes. Amongst such activities and purposes, the Company may avail additional expense limits for the following:

a. **Head office expenses**

The Company may incur an additional expense towards Expenses of Management not exceeding 10 percent of the Gross Premium income written outside India through Branch offices outside India or through International Financial Service Centre (IFSC) Insurance Office (IIO), towards share of Head Office Expenses.

b. **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 IRDAI.**

i. Business in the Rural Sector, PMJAY and PMFBY or such other schemes as specified by the IRDAI.

The Company may incur an additional expense towards Expenses of Management not exceeding 15 percent of the incremental premium received by the Company over the previous financial year, sourced from the rural sector and the above specified schemes. Such additional expense cannot exceed the actual expense incurred for the rural sector and the above specified schemes during the previous financial year. However, such entitlement shall accrue to the Company during the subsistence of any financial year only after booking of the incremental premium and not on the basis of plans or contemplations.

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

The Company may incur an additional expense towards Expenses of Management not exceeding 15 percent of the gross direct premium sourced during the year from such schemes.

c. **Expenses incurred towards ‘Insurtech’ and ‘Insurance Awareness.**

The Company may incur an additional Expenses of Management to the extent of 5 percent of the allowable expenses of management as specified in Clause 3 towards Insurtech and Insurance Awareness expenses.

The Expenses Management Committee shall from time to time set out the objectives and parameters of such expenses keeping in view the business strategy and business priorities of the Company.

5. **Adoption of strategies for limiting Expenses of Management:**

The Expense Management Committee shall have the responsibility to consistently evolve plans, procedures and strategies to bring cost efficiencies in the conduct and operation of business and reduce the Expenses of Management on a continuous basis.

6. **Transfer of Benefits to the Policyholders**

Product Management Committee (PMC) shall assess the Loss Ratio and Expenses of Management Ratio experience every year, for the products which have at least 3 years of experience available and will decide on commensurate premium adjustment to be passed on to the policyholders.

7. **Allocation and Apportionment of Expenses**

The Company has envisaged an allocation and apportionment of Expenses based on the organizational structure of the Company. The broad structure comprises Business, Services & Support.

Business comprises Corporate Business Group, Retail Business Group (including sub-groups), Emerging Markets Group and Government Business Group. Expenses incurred by such groups would be direct in nature.

Services comprise the Underwriting and Claims Groups which are structured based on the product segments.

Support consists of Investments, Operations, Legal, Finance and Accounts, Reinsurance, Technology, etc. Expenses incurred by Service and Support are indirect in nature.

The following methodology will be used to allocate and apportion direct and indirect expenses to various segments:

Expenses which shall be allocated	**Basis of allocation**
• Expenses pertaining to business	• Expenses that are directly identifiable to a segment are allocated on actual • Other expenses- Proportionate to the NWP of the segment within the

	However, in case of Retail Business group the Other expenses of sub group will be allocated based on NWP contributed by the respective sub-group.
• Expenses pertaining to services	Directly to the segment to which it pertains and in case of multiple segments, expenses to be allocated proportionate to the NWP of the multiple segments.

Expenses which shall be apportioned	**Basis of apportionment**
• Expenses pertaining to support and any other expenses not directly	• Across segments proportionate to the NWP on a company level

8. Commission Payable to Insurance Distributors

Commission payable to Insurance Distributors shall be governed by the 'Policy for Payment of Commission to Insurance Distributors'.

9. Business Plan:

The Company shall present to the Board a business plan for the financial year. The business plan shall, at the minimum, clearly specify the following:

a. The projected requirements of capital for financial year,
b. Projection of solvency margin on quarterly basis;
c. 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,

Consequent to approval of the Business Plan by the Board, the Expense Management Committee shall continuously monitor the Business Plan with respect to expenses of management around the financial year and appraise the Board about the same at the end of every quarter of the financial year.

10. Review of the EoM Policy

Along with the review of the Framework, this Policy for Expenses of Management shall be reviewed by the Audit Committee of the Board annually and if necessary, updated when there are significant changes in the applicable law, practices or as warranted in accordance with the business plan or priorities of the Company from time to time. Any such change to this Policy for Expenses of Management shall be approved by the Board.

Part II: Policy for payment of Commission to Insurance Distributors

This policy shall be named and called as the “Policy for payment of Commission to Insurance Distributors” (Commission Policy) and shall be effective from April 01, 2024.

1. Object and Purpose

The Policy shall govern the matters pertaining to payment of Commission to Insurance Distributors appointed by the Company for solicitation and procurement of general insurance business in accordance with the Insurance Act, 1938 as amended from time to time. The broad philosophy of determining Commission entitlement for Insurance Distributors shall be based on the following:

i. being in the interest of the policyholders,
ii. helping increases insurance penetration and density in the country,
iii. the nature and tenure of the insurance policy,
iv. the interest of the Insurance Distributors,
v. enhancing the performance of the Insurance Distributors,
vi. being in line with the company’s business strategy,
vii. bringing cost efficiencies in the conduct of business and simplification of the administration of insurance business,
viii. bringing cost efficiencies in the conduct of business and aligning the same with the business strategies devised by the Company from time to time,
ix. facilitating innovation in development and distribution of the products and services of the Company,
x. facilitating development of new business models, products, strategies and internal processes in order to popularize the product and service offerings of the Company,
xi. realizing the growth aspiration of the Company by bringing in a larger part of the Population and assets of the country into the fold of insurance and by meeting their ever-changing insurance needs,
xii. ensuring capacity building through continuous training and skill development for the insurance intermediaries,
xiii. opening scope for sufficient income generation and thereby attracting the unemployed and under-employed segments of the population to adopt insurance distribution as an attractive career option.

2. Applicability

The Commission Policy shall be applicable for all products allowed to be sold and all services allowed to be extended through Insurance Distributors

3. Limit of Commission

The total amount of Commission, including rewards, payable by the Company to the Insurance Distributors shall not exceed the Expense of Management limits specified by IRDAI (Expenses of Management, including Commission of Insurers) Regulations, 2024.

4. Payment of Commission

The manner and criterion for payment of Commission to the Insurance Distributors shall be laid down by the Board of the Company. The Expense Management Committee shall be responsible for governing and monitoring implementation of the same.

While making payment of any Commission, the Company shall take into consideration the parameters, criterion and structure as set out in the Schedule. However, the broad philosophy of determining Commission entitlement for Insurance Distributors shall include the following:

- Fulfilment of specified business criterion in line with the business strategy of the Company
- Quality of risk
- Type of product
- Type of policy transaction
- Risk location/geography
- Retention and growth of business as per specified norms
- Cost efficiencies in the conduct of business
- Engagement / Support from channel partners
- Access to customers through campaigns
- Brand Promotion and sales marketing efforts
- Increase in insurance penetration
- High standards of customer servicing
- Channel partner vintage with the Company
- Increasing standards of customer servicing
- Business placed in preferred segments
- Portfolio profitability

- Competitive landscape
- Any other parameters as may be decided based on business dynamics

Other than the monetary incentives paid as rewards on the basis of pre-defined parameters and scales as set out by the Expense Management Committee at the beginning of any financial year and monitored from time to time:

i. the Company may declare and pay non-cash rewards to promote constructive competition amongst Insurance Distributors in the form of rewards and recognition programs, gifts and presents and accolades etc.,

ii. the Company may spend on the welfare of the Insurance Distributors by undertaking their cost towards personal and family benefits such as gratuity, term insurance cover, group insurance covers, etc. The Company can also extend assistance by bearing their cost towards telephone charges, office allowance, sales promotion activities and such other items and activities.

iii. Over and above the responsibility of the Insurance Distributors, the Company may encourage them to equip themselves with the knowledge to and undertake activities such as risk analysis, gap analysis, plan design, predictive modeling, data management, Infrastructure, advertisement and such other items. The Company may bear the cost of such activities and reward the deserving appropriately.

The Expense Management Committee, from time to time may enhance or limit the scope and parameters set out in the Schedule. Further the Expense Management Committee may set limits on expenses against different parameters including but not limited to those set out in the Schedule, keeping in view the business strategy, business performance and business priority of the Company from time to time.

5. Ceiling on business

The Company shall extend all possible support to enable the Insurance Distributors to distribute, solicit, procure or transact insurance business and services for and on behalf of the Company in accordance with the conditions set out under the prevailing laws, guidelines set out by the Company, the Expense Management Committee or under this Framework from time to time. However, the Company may decide upon limiting distribution of certain products, certain geographies or limiting certain class/ individual Insurance Distributors in line with to its prevailing business strategy and business priority. Under such circumstances, the Company shall make sufficient communication to the Insurance Distributors and ensure that such restrictions are duly met and adhered by all Insurance Distributors.

6. **Renewal Commission**

The Expense Management Committee shall from time to time lay down and monitor the guidelines for commission entitlement of Insurance Distributors, upon renewal of such insurance policies or services with or without active intervention of the concerned Insurance Distributors.

7. **Hereditary Commission**

Any commission to be paid to the legal heirs of any Insurance Distributors in the event of his/her unfortunate demise. The guidelines to this effect shall be laid down by the Expense Management Committee from time to time, which shall include methods for calculation of the commission accruing in favor of the Insurance Distributors (arising out of the policies sourced or renewed by the Insurance Agent during his/her lifetime). The Expense Management Committee shall also set out necessary process and procedure for transferring the benefits to the legal heirs of the deceased Insurance Distributor.

8. **Other guidance:**

The Expense Management Committee and the Company shall at all times ensure and adhere to the following:

a. The commission structure meant for the Insurance Distributors is fair, transparent, compliant, efficient and holds high the reputation of the Company as well as the industry in the insurance distribution process.

b. Insurance Distributors are compensated fairly for their work, regardless of their size or bargaining power,

c. The commission structure meant for the Insurance Distributors encourage good distribution practices of Insurance Distributors,

d. The review process for commission structure is standard, which includes assessment of its effectiveness, efficiency, impact on premium rates, benefit pay-outs, penetration and alignment with customer needs and interest.

e. The Commission structure instituted by the EMC outlines the governance and oversight mechanism for market conduct issues to ensure that Insurance Distributors adhere to high standards of behavior and ethical practices which avoids any potential conflicts of interest.

f. No Commission, be given to any Insurance Distributor for and on account of the business sourced by the employees of the Company.

g. The Company shall not procure any insurance business through any Insurance Distributor, whose license or capacity to solicit insurance business has been cancelled, terminated or under suspension either by the Company owing to a disciplinary action or by way of an external enforcement Authority, such as IRDAI, Court etc.

h. For cases where fraudulent activity of the Insurance Distributor has been determined, the Company may not pay any Commission to such Insurance Distributor or may recover the loss amount from the Commission or payable to such Insurance Distributor.

9. **Review of Commission Policy**

Along with the review of the Framework, this Commission Policy shall be reviewed by the Audit Committee of the Board annually and if necessary, updated when there are significant changes in the applicable law, practices or as warranted in accordance with the business, plan, business strategy or business priorities of the Company from time to time. Any such change to this Commission Policy shall be approved by the Board.

Part III: Expense Management Committee

With a view to undertake the responsibilities assigned under Part I and Part II of the Framework, a Committee comprising of senior executives of the Company called the "Expense Management Committee" or the "EMC" shall be constituted. The composition, responsibility and reporting of the EMC shall be as under:

1. **Composition of EMC**

The Expense Management Committee shall include the following members:

1. Chief Financial Officer
2. Appointed Actuary
3. Chief – Customer Support and Operations (by whatever designation called)
4. Chief – Technology and Health Underwriting & Claims (by whatever designation called)
5. Chief – Underwriting and Claims, Property & Casualty (by whatever designation called)
6. Principal Officer – IFSC Insurance Office (IIO)
7. Head of Business Strategy and Solutions (by whatever designation called)

8. Representative officer from Finance and Accounts function not below Band II
9. Representative officer from Taxation function not below Band II

The Chief Financial Officer shall be the administrative Chair of the Committee for the operation and implementation of the Framework and shall chair every meeting of the Committee.

The quorum for the meeting shall consist of minimum three member(s) out of which the Chair and either one of members 2 or 3, as stated above shall be mandatory. For IIO related discussions, in addition to the existing quorum, Principal Officer – IIO shall be mandatory. Meetings can either be attended in person or through any other mode of communication.

2. **Responsibilities of the EMC**

The EMC shall *inter-alia* undertake the responsibilities:

- assigned to it by the Board from time to time, or
- mentioned elsewhere in this Framework, and

shall remain responsible at all times for the following:

I. **Business Plan**

The Expense Management Committee shall ensure that 'Expenses of Management' of the Company, as specified in the Business Plan, are within the limits defined under EoM Policy. The Expense Management Committee shall continuously monitor 'Expenses of Management' of the Company as per the Business Plan around the financial year and appraise the Board and in case the actual expenses of management of an insurer exceeds the specified threshold, of the projected expenses of management levels as per the Business Plan, the EMC and the Board Nomination and Remuneration Committee shall ensure that no variable pay shall be payable to Managing Director (MD) / Chief Executive Officer (CEO) / Whole-Time Directors (WTD) and Key Management Persons (KMPs) for the said financial year.

II. **Adoption of strategies for limiting Expenses of Management from time to time.**

The EMC shall have the responsibility to consistently evolve plans, procedures, and strategies to bring cost efficiencies in the conduct and operation of business and reduce the Expenses of Management on a continuous basis. In pursuit of the same and before commencement of any financial year, the EMC, in consultation of the other functions of the Company shall determine the manner of allocation and apportionment of expenses of management amongst various business segments.

III. **Expenses incurred towards 'Insurtech' and 'Insurance Awareness**.

The EMC shall from time to time set out the objectives and parameters of Expenses incurred or proposed to be incurred towards 'Insurtech' and 'Insurance Awareness' as delineated under clause 4 (c) of the EoM Policy at Part I of the Framework, keeping in view the business strategy and business priorities of the Company.

IV. **Levels of Commission payable to the Insurance Distributors.**

a. to monitor the payment of Commission to Insurance Distributors in accordance with the laws and regulations prevalent for the time being in force.

b. to lay down the guidelines regarding payment of Renewal and Hereditary Commission to the Insurance Distributors.

c. to implement and continuously monitor the implementation of parameters set out in the Schedule, administering the levels of Commission and payable to the Insurance Distributors against every parameter set out therein,

d. to add any new parameter over and above those set out in the Schedule keeping in view the business strategy, business performance and business priority of the Company from time to time,

e. to remove, modify or supplement an existing parameter set out in the Schedule, keeping in view the business strategy, business performance and business priority of the Company from time to time,

f. to set limits of expense on account of any or all parameters set out in the Schedule (including in any additional parameters thereto), if and when the EMC considers it desirable,

g. to perform, carryout, execute all other actions with respect to the Commission payable to the Insurance Distributors in the best interest of the Company and in line with the business strategy, business performance and business priority of the Company from time to time.

h. to review the returns to be placed before the Audit committee.

V. **Audit and review mechanism**

The Committee reserves the right to take the services of an independent body or an auditor, as it may deem fit, to check and validate the compliance of the Framework, at any time during the financial year or at defined periodicity, in addition to regular audits undertaken by the Company, in the normal course.

VI. **Disciplinary proceedings against misconduct of Insurance Distributors**

In the absence of an established process of initiating disciplinary proceedings against market conduct issues (including mis-selling of policies) of any insurance Distributor, the EMC in such events and upon reference to it, shall constitute an appropriate disciplinary body to deal with such misconduct of any Insurance Distributor.

3. **Meetings of the EMC**

The EMC shall conduct at least one meeting during every quarter of any financial year. Every meeting of the EMC shall be chaired by the Chief Financial Officer. Head of Central Product Team - Retail shall be responsible for convening the meetings of the EMC periodically and conduct of business in the meeting.

4. **Reporting of the EMC**

The Chair of the EMC shall present necessary reports to the Audit Committee of the Board appraising the status of compliance of the Framework, apart from any other matter deemed fit and appropriate to be appraised to the Board.

5. **Review of the responsibilities and performance of the EMC**

Along with the review of the Framework the responsibilities and performance of the EMC shall be reviewed by the Audit Committee of the Board annually and if necessary, updated when there are significant changes in the practices or as warranted in accordance with the business plan or priorities of the Company from time to time. Any such change to the responsibilities and performance of the EMC shall be approved by the Board.

Schedule

The commission structure and limits defined below represent the Average Commission / Brokerage payable for the entire policy period, irrespective of distribution channel, business segment or policy tenure, unless otherwise mandated by applicable law, regulation or government directive.

Line of business (LOB) wise Commission Structure including rewards:

Sr. No.	Product Class	Average Commission / Brokerage
1	Fire	15%
2	Marine	17.5%
3	Motor	38%
4	Health, Travel & PA	28%
5	Liability	20%
6	Engineering	17.5%
7	Crop	5% or As per Government mandate
8	Miscellaneous	27.5%