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| **Category:**  **Standard** | | **Functional Area***:*  **Global Commercial Underwriting** |
| **Effective Date***:*  ***July 15, 2013*** | | **Date Issued***:*  ***July 15, 2013*** |
| **Owner:**  **Global Commercial Underwriting Committee** | | **Contact for Questions**:  **Global Commercial Head of Technical Underwriting** |
| **Approver**: **Global Commercial Chief Underwriting Officer** | | |
| **Purpose** | This Global Standard on Producer Compensation establishes the AIG Property Casualty Global Commercial minimum operational requirements pertaining to the amount of remuneration, by way of a percentage of the premium or agreed fees, payable by the Company to the producer for the introduction and retention of policyholders, or for services rendered on behalf of the Company in related to any insurance product or service in any location worldwide. | |
| **Scope** | The requirements set out in this Standard apply to employees of AIG Property Casualty Commercial with responsibility for distribution, underwriting or managing insurance risks, policies and portfolios. Compensation for reinsurance transactions is not included in the scope of this Standard. | |
| **Operational Requirements** |  | |
| *Definitions* | ***Producer***  An insurance broker, insurance agent, or similar intermediary which acts to bring parties seeking insurance together with insurance providers. An independent insurance agent, defined as a person or entity which solicits, negotiates or sells an insurance contract on behalf of an insurance company for compensation, is a Producer for purposes of this Standard if it is not owned or controlled by AIG and its agency agreement does not prohibit the representation of other insurers  Commission may be defined differently in different countries. The relevant local definition must be applied. If commission is not defined locally, the following standard definitions apply.  ***Standard Commission***  The amount or percentage of premium paid to a producer as compensation for the placement and/or servicing of a particular insurance contract as part of the transaction. Such commissions are typically stated in the Declarations of an insurance policy.  ***Supplemental Commission***  Commission paid to a Producer, such as an over-ride, or enhanced commission, that is over and above the standard insurance contract commission, as compensation for for the placement and/or servicing of a defined set of insurance policies, paid in the aggregate at specified intervals.      ***Contingent Commission***  Commission paid to a Producer based on the achievement of a pre-negotiated contractual contingency, such as a designated level of premium or profitability of a specific account or portfolio of business.  ***Advanced Commission***  An advanced or upfront commission is any agreement to pay a commission or fee to a producer, before the expected subject premiums are received or earned. Such agreements can be structured in a variety of ways, including but not limited to an advance against a commission rate to be earned by the producer as each policy is written, or an override on top of the agreed commission rate.  *Other forms of Producer compensation include*  ***Distribution Mark-up***  Compensation to a third party sponsor or vendor for the distribution of AIG products, where with AIG’s knowledge and approval, the end customer makes a payment which is higher than the premium charged to the sponsor by the company.  **Fee for Service Agreement:**  An agreement with a Producer under which the Producer agrees to provide services or information about their business. Such service or information is in connection with activities agreed to be undertaken by the Producer and AIG to enhance the efficiency of the placement of insurance business, for example placement system access, access to Producer events, commitments to hold meetings and participate in relationship governance efforts, outside of the normal course of seeking to place business with AIG as part of services the Producer provides to its clients. As a matter of form, such agreements may be standalone or consolidated with agreements on commission to be provided to Producers.  Brokerage fees charged by the Producer directly to the customer in contracts or agreements to which AIG is not a party, are not included in the definition of commissions, Distribution Mark Up or Fee for Service  ***Other Acquisition Expenses***  Payments made by the Company which may include both monetary compensation as well as awards which may include travel and or training of Producers are not included in the definition of commission, Distribution Mark-Up or Fee for Service . Such remuneration is governed by the AIG Property Casualty Gifts and Entertainment Standard. Additionally, those expenses which are incurred for the marketing, advertising, and promotion of any product or group of products distributed through a producer are likewise not considered to fall under the definition of commissions. | |
| *General Principles* | * Commercial Insurance works closely with Producers and to provide competitive and valued products for mutual customers. * Producer compensation is intended to provide reasonable remuneration for the services provided. | |
| *Standard Commission payment controls* | Each Product Tower, in consultation with local and regional management, must establish, document, and communicate permissible Standard Commission levels with respect to each product line to all appropriate staff.Standard Commission payment levels must be included as part of technical price, and must be regularly monitored and managed through established reports.Standard Commission payment levels must detail the amount and type of commission that may be offered by underwriters.Local and regional management must establish referral and approval procedures for handling requests for commission payments in excess of Standard Commission levels. | |
| *Approval of agreements other than Standard Commissions* | * Supplemental, Contingent, Advanced Commission, and Fee for Service agreements may be proposed globally, regionally, or by country. Prior to negotiation and execution, all such proposals must be reviewed and approved in each country where business is affected, by the respective Country Manager or US Regional President, the Country Distribution Officer, and the relevant Product Line Managers. Agreements must also be reviewed and approved by Legal, Finance and Accounting, and Compliance before execution. * If multiple countries are involved, the respective region(s) must be engaged for approval. If multiple regions are involved, Global Distribution must be engaged for approval. * All agreements for Supplemental, Contingent, Advanced Commission, and Fee for Service agreements must be reported to the applicable regional Executive(s) Distribution Officer(s), and Product Tower manager(s), the Chief Distribution Officer, and the Product Tower Chief Underwriting Officer.   Any Supplemental, Contingent, Advanced Commission, and Fee for Service agreement with a Producer with which there is a global agreement in effect requires the prior approval of the Chief Distribution Officer.   * All Producer compensation arrangements other than Standard Commissions are required to be written contracts signed by an officer of the applicable legal entity of the company, or their designee. | |
| Disclosure of Commission | Payments of commission must be disclosed wherever required by local law or regulation. | |
| **Related AIG PC Global Commercial**  **Documents** | * Underwriting Policy * Product Development Policy * Authority Management Standard * AIG Business Partner Risk Management and Governance Program Policy | |
| **Implementation** | Product Towers and Regions are required to develop a plan for implementing this Global Underwriting Standard.  This plan must be agreed with the Global Commercial CUO and set out the projected implementation timeframes and any exemptions that will be made. | |
| **Roles and Responsibilities** |  | |
| *Global Commercial Underwriting Committee* | The Global Commercial Underwriting Committee is responsible for establishing and maintaining global underwriting policies and standards, and is accountable for ensuring that they are consistently and uniformly implemented locally. | |
| *Global Product Line underwriting managers* | Global Product Line underwriting managers are responsible for establishing and maintaining global product underwriting standards, guidelines, and procedures, and are accountable for ensuring that they are consistently and uniformly implemented in their product areas. | |
| *Global management & distribution executives* | Global management & distribution executives are responsible for establishing and maintaining global broker agreements, and in assisting with the approval process when non-standard commission agreements impact multiple regions. | |
| *Regional & local management & distribution executives* | Regional & local management & distribution executives are responsible for assisting with the approval process when non-standard commission agreements impact multiple countries. | |
| *Regional and local product line managers* | Regional and local product managers are responsible for establishing and maintaining regional/local product underwriting standards, guidelines and procedures, and are accountable for ensuring that they, along with all applicable global and product underwriting standards, guidelines and procedures, are consistently and uniformly implemented in their geographic areas. | |
| *All Employees* | All employees performing functions subject to this Standard must adhere to its principles, as well as all other applicable standards, guidelines and procedures. | |
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| **Country Specific Requirements** | Standards and Guidelines will be written and agreed where there is the need for distinct local clarification or to comply with local rules and regulations. Any conflict between Global and locally required standards must be identified, documented, escalated and addressed in accordance with applicable AIG corporate policies. | |
| **Reference to Corporate Policies** | This Global Commercial Underwriting Standard document is subject to adherence to all relevant AIG Corporate Policies. | |
| **Updates** | *Oct 7, 2014 Updated reference to AIG PC Gifts and Entertainment Standard under “Other Acquisition Expenses”*  *September 29, 2015: Template Updated.* | |