

**Suggested Usage**

**Non target – Base Coverage, Riders/Benefits, Excess Risk, Increases and General Agent splits**

*Approved by Commissions Working Group*

**II. Examples of Commission Events**

- 1. Commissions Earned on Contractual Premiums Submitted (non target based). Base Coverage, Increases in Base Coverage, Riders/Benefits, Excess Risk premiums (Flat Extra Premium or Multiple Extra Premium)**

**Commission Schedule**

<b>Product</b>	<b>First Year</b>	<b>Renewal 2-5</b>	<b>Renewal 6-11</b>
Base Coverage*	90%	5%	4%
Child Rider	50%	2%	1%
Waiver of Premium	5%	1%	0%
Excess Risk	10%	3%	0%

\* Base Coverage is reduced by 10% when General Agent split is involved

When a Product CUSIP can have more than 1 commission rate there is a need for the carrier to define the Commission extension values that will be included on the commission feed. In the commission schedule above the carrier has defined them as follows.

<b>Product</b>	<b>Commission Extension</b>
Base Coverage	Spaces
Child Rider	Child
Waiver of Premium	WOP
Excess Risk	FE Prem
GA split	GA split

Commission rates are adjusted in 2005 on an existing product for the Base Coverage commission schedule and the Product CUSIP does not change. Commissions paid on new sales after the change will get revised commission schedule

<b>Product</b>	<b>First Year</b>	<b>Renewal 2-5</b>	<b>Renewal 6-11</b>
Base Coverage	95%	2%	6%

**Scenario 1a: Commission on Initial Base Coverage premium Submitted (Gross Premium)**

In 2004 the distributor submits \$10,000.00 gross premium (paper) on a new contract and does not net any commissions. The contract is for a contractual premium product with no benefits, riders or excess risk premiums. The carrier pays commission at 90% and pays the distributor \$9000.00.

<b>Column No:</b>	<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>	<b>Column 6</b>	<b>Column 7</b>
<b>What's in this Column:</b>	Commission Basis Reason Code	Commission Rate  (Item 2062)	Commission Basis Amount  (Item 2061)	Commission Earned or Calculated  (Item 2063)	Commission Previously Netted or Advanced  (Item 2064)	Commission Due - NSCC Settling Amount  (Item 2096)	Commission Extension  (Item 2074)

	(Item 2060)						
Scenario 1a:	PPP or PY1	0.90	10000.00	9000.00	0.00	9000.00	Spaces

**Scenario 1b: Commission on Initial Base Coverage with a coverage rider premium Submitted (Gross Premium)**

In 2004 the distributor submits \$5,000.00 gross premium on a new contract (electronically) and does not net any commissions. The contract is for a contractual premium product with Child Term Insurance rider and a Waiver of Premium benefit. The \$5,000.00 premium is the sum of \$4,000.00 Base coverage premium, \$800.00 Child Term Insurance rider premium and \$200 Waiver of premium benefit. The carrier pays commission at 90% for the base coverage, 50% commission on the Child Term Insurance rider and 5% commission on the Waiver of premium benefit. The distributor receives a total of \$4010.00.

Column No:	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7
What's in this Column:	Commission Basis Reason Code (Item 2060)	Commission Rate (Item 2062)	Commission Basis Amount (Item 2061)	Commission Earned or Calculated (Item 2063)	Commission Previously Netted or Advanced (Item 2064)	Commission Due - NSCC Settling Amount (Item 2096)	Commission Extension (Item 2074)
Scenario 1b:	PEP or PY1	0.90	4000.00	3600.00	0.00	3600.00	Spaces
Scenario 1b:	PEP or PY1	0.50	800.00	400.00	0.00	400.00	Child
Scenario 1b:	PEP or PY1	0.05	200.00	10.00	0.00	10.00	WOP

**Scenario 1c: Commission on renewal Base Coverage premium.**

In 2005 the distributor submits \$2,000.00 annual renewal gross premium (paper) on a contract entering the seventh anniversary year and does not net any commissions. The contract is for a contractual premium product. The carrier pays commission at 4% on the base coverage. The distributor receives a total of \$80.00

Column No:	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7
What's in this Column:	Commission Basis Reason Code (Item 2060)	Commission Rate (Item 2062)	Commission Basis Amount (Item 2061)	Commission Earned or Calculated (Item 2063)	Commission Previously Netted or Advanced (Item 2064)	Commission Due - NSCC Settling Amount (Item 2096)	Commission Extension (Item 2074)
Scenario 1c:	PIR or PY2	0.04	2000.00	80.00	0.00	80.00	Spaces

Note: Enhancement IPS00175 will result in the PY2 value in Column 1 to change to PY7.

**Scenario 1d: Commission on renewal Base Coverage premium with excess risk premium Submitted (Gross Premium)**

In 2004 the distributor submits \$1,500.00 annual renewal gross premium (paper) on a contract entering the fourth anniversary year and does not net any commissions. The contract is for a contractual premium product with excess risk premiums. The \$1,500.00 premium is the sum of \$1,200.00 base coverage premium and \$300.00 excess risk premium. The carrier pays commission at 5% on the base coverage and 3% on excess risk premiums. The distributor receives a total of \$69.00

Column No:	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7
What's in this Column:	Commission Basis Reason Code (Item 2060)	Commission Rate (Item 2062)	Commission Basis Amount (Item 2061)	Commission Earned or Calculated (Item 2063)	Commission Previously Netted or Advanced (Item 2064)	Commission Due - NSCC Settling Amount (Item 2096)	Commission Extension (Item 2074)
Scenario 1d:	PIR or PY2	0.05	1200.00	60.00	0.00	60.00	Spaces
Scenario 1d:	PIR or PY2	0.03	300.00	9.00	0.00	9.00	FE Prem

Note: Enhancement IPS00175 will result in the PY2 value in Column 1 to change to PY4.

Scenario 1e: Commission on renewal of Base Coverage premium with initial Increase in Base Coverage premium Submitted (Gross Premium)

In 2005 the distributor submits \$3,000.00 gross premium (electronically) on a contract entering the second anniversary and does not net any commissions. The contract is for a contractual premium product with no benefits, riders or excess risk premiums but the client has requested a face amount increase. The \$3,000 premium is the sum of \$2,000 base coverage renewal premium and \$1,000.00 of Increase in base coverage initial premium. The carrier pays commission at 5% on the base coverage and 90% on the base coverage increase at the new commission schedule rates. The distributor receives a total of \$1000.00.

Column No:	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7
What's in this Column:	Commission Basis Reason Code (Item 2060)	Commission Rate (Item 2062)	Commission Basis Amount (Item 2061)	Commission Earned or Calculated (Item 2063)	Commission Previously Netted or Advanced (Item 2064)	Commission Due - NSCC Settling Amount (Item 2096)	Commission Extension (Item 2074)
Scenario 1e:	PIR or PY2	0.05	2000.00	100.00	0.00	100.00	Spaces
Scenario 1e:	PY1	0.90	1000.00	900.00	0.00	900.00	Spaces

Scenario 1f: Commission on Initial Base Coverage premium Submitted (Gross Premium) with a General Agent split.

The distributor submits \$10,000.00 gross premium (paper) on a new contract and does not net any commissions. The contract is for a contractual premium product with no benefits, riders or excess risk premiums. The commission is split between the distributor and general agent. Listed below is what the distributor would receive:

Column No:	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7
What's in this Column:	Commission Basis Reason Code (Item 2060)	Commission Rate (Item 2062)	Commission Basis Amount (Item 2061)	Commission Earned or Calculated (Item 2063)	Commission Previously Netted or Advanced (Item 2064)	Commission Due - NSCC Settling Amount (Item 2096)	Commission Extension (Item 2074)
Scenario 1f	PY1	.80	10000.00	8000.00	0.00	8000.00	GA Split