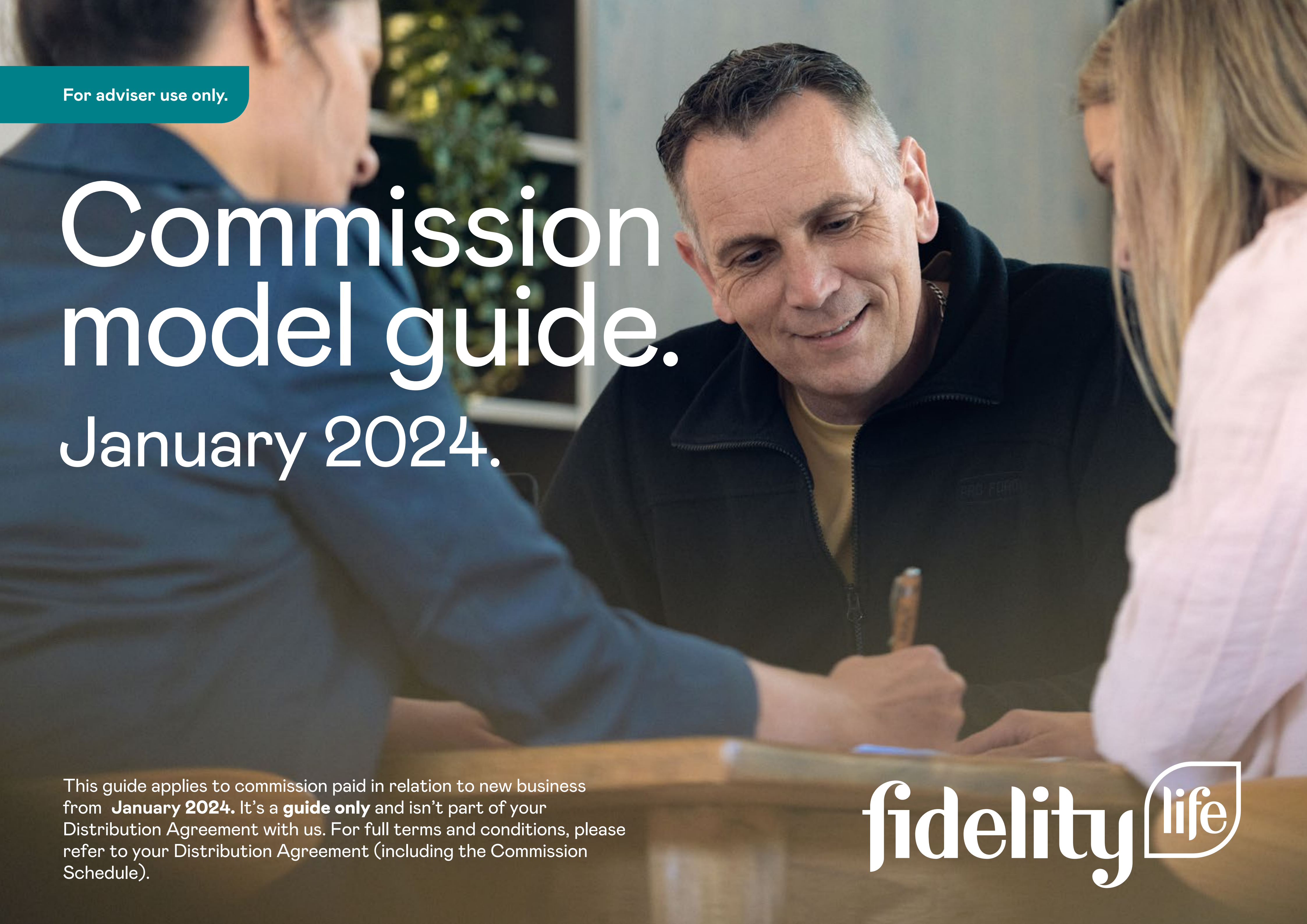

For adviser use only.

Commission model guide.

January 2024.

This guide applies to commission paid in relation to new business from **January 2024.** It's a **guide only** and isn't part of your Distribution Agreement with us. For full terms and conditions, please refer to your Distribution Agreement (including the Commission Schedule).

fidelity life

Updates included in this version

1. Changes made to the per-mille loading update in page 9.

Contents.

Overview.

We've put together this guide to help you understand how our commission model works.

Effective from 31 July 2021, the **Commission scorecard** determines the **initial commission rate** you receive. We've combined renewal and service commission into one rate of 10% which we now refer to as 'servicing commission'. These changes are set out in the Commission Schedule in your Distribution Agreement with us.

From time to time, we may vary the commission we pay on certain products or cover types. The scorecard is reviewed at least annually and we'll always let you know at least 30 days in advance if we're planning to make changes to the commission model or your commission rate.

There's a glossary at the end of the guide to help you understand some of the common terms and your **Business Manager** or **Business Account Manager** is also available to help if needed. Words in **bold** are defined in the glossary.

Let's start with the basics.

Commission payment structure.

Our overall commission payment structure is made up of six components:

1. Initial commission.

Commission is paid once a **policy** goes in force. It can also be paid on the increase in **commissionable premium** value such as if a new **cover** is added to a **policy** or if the sum insured is increased, including contractual increases (special event increases) – excluding CPI increases.

If you want to give a discount to your customer you can dial down your **initial commission**. However, you're still entitled to **servicing commission**, from month 13.

= **Initial commission rate** x **commission dial down %** x **commissionable premium**

The table below shows examples of the impact on a customer's **premium discount** when you reduce your **initial commission rate** by reducing your **commission dial down %**. You can choose any percentage between 100% to 0%. Discount applies for the lifetime of the **policy**.

Premium discount	Commission dial down %
0%	100%
10%	67%
20%	33%
30%	0%

For example, from the **commission scorecard** you have 240% **initial commission rate** and you choose to take 33% **commission dial down %** to give your customer a 20% **premium discount**. Assuming **age-rated**, spread isn't selected, and the premium period is over 10-years.

Commission = 240% x 33% x commissionable premium

2. Servicing commission.

Servicing commission is commission paid on an ongoing basis from month 13 from a **policy** going in force in line with your Distribution Agreement.

From **31 July 2021** onwards, we'll combine renewal and service commissions for new business into one **rate** of 10% which we refer to as '**servicing commission**'.

3. Spread commission.

Spread commission and **initial commission rates** are fixed for the life of the **cover**. For clarity, any alterations that start a new **cover** will apply the current **initial commission rate** and **spread commission**. When anything less than 100% **upfront initial commission** is taken, the difference goes into spread risk. However, a minimum of 50% **upfront initial commission** must be taken.

For example, let's say from the **commission scorecard** you have an **initial commission rate** of 240%, you choose 80% **upfront initial commission**, spreading the remaining 20%. The basic calculation goes like this:

$$= \frac{\textbf{Initial commission rate} \text{ x spread percentage}}{6}$$

= (240% x 20%) / 6
= 8% **spread commission**

As above, payment frequency will be taken into account for spread as well.

4. Ongoing commission.

Ongoing commission is the total of **servicing commission** and **spread commission** that you'll earn from month 13 of a **policy**.

5. Age-rated vs level.

The maximum **initial commission rate** differs depending on the structure of the **cover** (**age-rated** or **level**) as per table below.

Premium	Max % of initial commission
Mortgage Protector/Platinum Plus **Age-rated**	100%
Platinum Plus Level	80%

Commission scorecard – how it's calculated.

The scorecard's calculated at **Financial Advice Provider (FAP)* level** and assigns each **FAP** with an **initial commission rate** based on three key metrics. The weighting assigned to each metric is shown in brackets: **persistency rate** (60%), **conversion rate** (10%), and **in force policy count** (30%). The data's taken from the previous 1 April to 31 March period each year (referred to as **previous year** in this guide).

*Note: if a **FAP**'s total **annualised premium in force (API)** is greater than $4m we'll calculate the **initial commission rate** at **authorised body** level, where applicable. The scorecard calculation excludes Tower Funeral and Group business.

Persistency rate.

The persistency calculation considers the proportion of lapsed & cancelled **API** compared to average **API** for the year. Note: this includes any book purchases or sales transferred to or from your in force and will be reflected in your starting and ending **API**.

There are some exclusions from the lapsed and cancelled calculation, including:

- **Covers** that lapse or cancel within the 14-day free look period.
- **Covers** that reached expiry age.
- **Covers** that reached end of **level term**.
- Full claims.

The calculation for persistency is as follows:

= 1 - (Cancelled & lapsed **API** in **previous year** / Ave **API** in **previous year**)

Average **API** is calculated as:

= (In force **API** at start of **previous year** + in force **API** at end of **previous year**) /2

For example:

1 – ($10,000 cancelled & lapsed / $115,000 Ave **API**)
= 91 % **Persistency rate**

Conversion rate.

Conversion rate considers the effort put in during the onboarding of customers. This calculation includes all submitted business where the application's been given a status of in force or **not taken up (NTU)**. However, it excludes all submitted business where the application's still pending underwriting approval or customer acceptance.

The calculation for **conversion rate** is as follows:

= 1 - (**NTU** + N° of policies cancelled within 14-days) /
Total submissions where an outcome has been reached during the **previous year**

For example:
1 - (4 **NTU**s + 2 cancellations within 14-days) / 20 Total submissions during **previous year** = 70% **conversion rate**

In force policy count.

This is the number of in force policies as at end of the **previous year**.

For example:

46 Fidelity Life + 4 Tower policies = 50 in force policies

Scorecard bands.

Based on the above examples, the following table shows the corresponding **scorecard band** for each metric. Each % is the beginning of each band. For example, with persistency, band 3 of 90% means a range from 90% and over until band 4.

Metric	0	1	2	3	4
Persistency rate	Under 85%	85%	88%	90%	91% and over
Conversion rate	Under 50%	50%	60%	70%	80% and over
In force policy count	Under 50	50	150	300	500 and over

Scorecard weighting.

After calculating your 3 **scorecard bands**, we then multiply them by their weighting percentage, as shown in the table below (based on the examples):

Metric	Scorecard band	Weighting	Weighted score
Persistency rate	4	x 60 %	= 2.4
Conversion rate	3	x 10 %	= 0.3
In force policy count	1	x 30 %	= 0.3
Total			3.0

From the calculations above, the weighted scores combine to a total of 3.0 overall score.

The overall score determines your **initial commission rate** below.

Overall score	Commission rate
0 – 0.99	150 %
1 – 1.99	180 %
2 – 2.99	210 %
3 – 4.0	240 %

In this example, the **FAP** [and all FAs engaged by the **FAP**] will receive a total of 240% **initial commission rate**.

Time of the cover.

Fidelity Life pays full commission on a minimum 10-year premium period (10-years at 10% = 100%). If the premium period of the **cover** is less than 10-years, it'll impact the **initial commission** calculation. There's two ways the premium period of a **cover** can be affected, resulting in reduced commission payable.

1. Time restrictions.

A **cover** with a **level** premium can have a **level** premium period anywhere from 5-years until the insured person reaches the maximum age as set out by the **cover**. The commission payable reduces by 10% for each year if the **level** premium period is less than 10-years.

For example, a **cover** with **level** premium and a **level** premium period of 5-years will pay 50% of 80%, which is multiplied by the **initial commission rate**. If the **initial commission rate** per commission scorecard is 240%, then

= 240% **Initial commission rate** x 50% commission payable on a 5-year **level** premium period x 80%

= 96% total commission payable

2. Age of expiry.

Some **cover**s have age expiries. If the **cover** has less than 10-years remaining at the time of application, the **initial commission rate** payable reduces by 10% for each year less than 10 that the insured person has until the **age of expiry** at the time of application.

For example, most income protection **covers** expire at age 65 so if the insured person's 57 years and six months at the time of application, the **cover** will be issued at an 8-year **term**, or 80% commission payable. Again, assuming you have a 240% **initial commission rate** from the **commission scorecard**,

= 240% **Initial commission rate** x 80% commission payable based on an 8-year **term**

= 192% total commission payable

Note – although Life **cover** (including Survivor's income and Terminal illness booster) doesn't expire, unless it's a **level**, we pay full commission up to age 65 and then the **initial commission rate** reduces by 10% for each year less than 10 the insured person has until age 75 at the time of application.

Loadings.

An amount added to the **base commissionable premium**.

Percentage loading.

A percentage loading is applied on the total premium payable, determined by underwriting. Commission is payable on this loading.

Per mille loading.

A **per mille loading** is a dollar amount charged per thousand dollars of sum insured as determined by underwriting. You can choose whether to take commission on the **per mille loading**. The commission payable on the per mille loading reduces by 10% for each year if the per mille loading period is less than 10 years. If you choose to take commission on a **per mille loading** your customer's premium will increase.

Here's an example of how it's calculated.

A life **policy** of $100,000 and a $2 **per mille loading** for 3 years would yield $330 as the additional **per mille loading premium**. This amount would then be added to the **base commissionable premium** of the customer.

= **initial commission rate** x **per mille loading premium x per mille loading period**

= 240% x $330 **per mille loading premium x** 3/10 **per mille loading period**

= $237.6 per mille commission (plus **initial commission**)

Note - some products don't have commission on **per mille loading**.

Writebacks.

We operate a 24-month responsibility period for **initial commission. Writeback** terms are applicable to policies that are cancelled from inception or if a customer wishes to reduce or discontinue their **cover** within the 24-month responsibility period.

A **writeback**'s offset against future commission that would be paid to the account to which the commission was paid. We won't **writeback** commission if your customer's smoker status changes from smoker to non-smoker.

If you take 50% **upfront initial commission**, which is also 50% spread, the responsibility period is reduced from 24-months to 12-months.

Premiums paid	% of **upfront initial commision** taken in first year	
	50%	**51-100%**
0-4 months	100.0%	100%
5-months	87.5%	95%
6-months	75.0%	90%
7-months	62.5%	85%
8-months	50.0%	80%
9-months	37.5%	75%
10-months	25.0%	70%
11-months	12.5%	65%
12-months	0	60%
13-months	0	55%
14-months	0	50%
15-months	0	45%
16-months	0	40%
17-months	0	35%
18-months	0	30%
19-months	0	25%
20-months	0	20%
21-months	0	15%
22-months	0	10%
23-months	0	5%
24-months	0	Nil

Ongoing writebacks.

Ongoing **writebacks** are applicable to policies where the customer has paid their premium in advance and later cancels or reduces during the **term** of the **cover** to which the payment relates. In this instance we refund the premium that we're not entitled to and **writeback** the portion of **ongoing commission** in relation to the premium refunded. This includes **servicing commission** and **spread commission**.

Debt and interest charges.

Interest will be charged on debt balances based on the number of days from the last commission run. If the balance remains unpaid, interest will also be calculated on the previous interest charge/s.

Own life business.

We don't pay commission on business written on your own life, the life of a spouse or partner, your children, or your parents. Business written on the lives of your siblings will receive 50% **upfront initial commission**, with the balance being put into spread.

Legacy products.

This guide outlines commission applicable to products available for new business only (a current product list is published and updated at www.advisers.fidelitylife.co.nz). Information on commission for legacy products or products closed to new business is available on request.

Glossary.

Age of expiry: the age at which the **cover** expires.

Age-rated: **covers** issued with a premium type of **age-rated** increase in premium year on year.

Annualised premium in force (API): the amount of annualised premium (excluding **policy fee**).

Authorised body (AB): an entity named on a financial advice provider's license that can provide the licensed service without needing its own license.

Base commissionable premium: **commissionable premium** before any commissionable loadings are added.

Business Manager/Business Account Manager (BM/BAM): Your main Fidelity Life contact.

Commission dial down %: the ability to reduce **initial commission** to give the customer a **premium discount**.

Commissionable premium: total annualised premium, less **policy fee**, GST and non-commissionable loadings.

Commission scorecard: the method of calculating the **initial commission rate**.

Conversion rate: measures the proportion of issued policies compared to submitted policies, considering what's been canceled before issue or **not taken up.**

Cover: benefits and features relating to the different types of insurances Fidelity Life provides e.g. Life **cover**, Trauma multi **cover**, Key person **cover**.

Financial advice provider (FAP): an individual or entity that provides a financial advice service.

In force policy count: all issued business less cancellations.

Initial commission: the commission paid as per described in Section 1, '**Initial Commission**' paragraph 1.

Initial commission rate: the outcome of the scorecard calculation which is used to determine the **initial commission** payments.

Level: covers issued with a premium type of **level** have a **level** premium period ranging from 5 to 100 years.

Not taken up (NTU): submitted policies that haven't been issued, which may be due to terms being deferred/unable to offer, terms not accepted, or withdrawn applications.

Ongoing commission: a collective **term** that refers to the total of **servicing commission** and **spread commission**.

Per mille loading: the dollar amount charged per thousand dollars of sum insured as determined by underwriting.

Per mille loading premium: additional premium charged to the customer from **per mille loading**.

Persistency rate: the rate that measures the cancelled & lapsed **API** over the year as a proportion of average **API** for the year.

Policy fee: a standard fee the customer pays for **policy** administration.

Policy: a contract between the insurer and **policy** holder.

Premium discount: a discount you give to a customer by reducing your **initial commission**.

Previous year: the period from 1 April to 31 March the year prior.

Scorecard bands: the threshold bands applied to the **Commission scorecard**.

Servicing commission: commission paid from month 13 until the **policy** is no longer in force.

Spread commission: deferred **initial commission** that's paid on an ongoing basis from month 13 until the **policy**'s no longer in force.

Term: the amount of time a product or **cover** is to remain in-force.

Upfront initial commission: the **initial commission** that you choose to take upfront.

Writebacks: commission debt created as a result of policies that're cancelled from inception, reduced or discontinued within the responsibility period.