HSBC Life Protection – Intermediary Commission Guide

This version of the Commission Guide replaces the existing one and applies to Business submitted from 28 April 2021

Introduction

This Commission Guide should be read in conjunction with the HSBC Life Terms of Business for Intermediaries ('TOBA'). This Commission Guide, your Application Form and the TOBA together form your agreement with HSBC Life (UK) Limited for the submission of Business for Protection Products.

The definitions set out in clause 1 of the TOBA also apply to this Commission Guide.

We currently offer Indemnity Commission, non-indemnity Commission or a fixed proportion of each. We also offer Renewal Commission. The Commission types and rates applicable to you will be as agreed from time to time.

How and When is Commission Paid?

Commission will be paid:

i. within 30 days of it becoming due;

ii. on a weekly basis;

iii. subject to the minimum payment threshold set out below; and

iv. directly into the bank account nominated by you on your Application Form.

The amount of Commission paid will equal the balance of your commission account after taking into account all credits and debits applied (including any Commission clawback) since the previous payment.

All Commission amounts will be rounded to the nearest 1p, which for non-indemnity Commission, may result in a minor variable to the initial total Commission figure.

The minimum payment threshold is £50. If the payment due is less than the minimum payment threshold, we reserve the right not to make payment until the balance due exceeds it.

Non-indemnity Commission

Non-indemnity Commission is only due once the corresponding premium in respect of that month's Commission has been received by us.

How is non-indemnity Commission calculated?

Non-indemnity Commission is based on annual premium and duration of the policy (see the Term Factor Table at Appendix A). The example below shows how we calculate non-indemnity Commission.

A Customer has taken out a policy with a monthly premium of £25 over a 10-year term. The agreed Commission rate is 230%. For this policy, the Commission calculation would be:

Monthly premium		12 months		Annual term factor		Commission rate		Commission payable over the Earning Period
£25.00	x	12	x	0.9167	x	230%	=	£632.52

Commission is then paid in equal monthly instalments over the Earning Period.

In this example 43 months for a 10-year term:

Commission payable over the Earning Period		Earning Period		Instalments payable each month for 43 months (or until the policy lapses)
£632.52	/	43	=	£14.71

What happens if the policy lapses (or a claim is accepted) within the Earning Period?

When a policy is lapsed or a claim (other than a partial claim) is accepted, monthly Commission payments will cease and no further Commission will be payable.

Indemnity Commission

Indemnity Commission is only due once the first premium has been received by us (except for some legacy arrangements where we will pay once the policy has started).

How is Indemnity Commission calculated?

Indemnity Commission is based on annual premium and duration of the policy (see the Term Factor Table at Appendix A). The example below shows how we calculate Indemnity Commission.

A Customer has taken out a policy with a monthly premium of £25 over a 10-year term. The agreed Commission rate is 196%. For this policy, the commission calculation would be:

Monthly premium		12 months		Annual term factor		Commission rate		Commission payable over the Earning Period
£25.00	x	12	x	0.9167	x	196%	=	£539.02

The full amount of Indemnity Commission is payable in one upfront payment and is conditional upon premiums being paid during the Earning Period. In this example the Earning Period is 43 months and the payment is £539.02.

What happens if the policy lapses within the Earning Period?

Where Indemnity Commission is paid and a policy is lapsed, cancelled or otherwise terminates within the Earning Period, a proportion of the Commission paid will be become repayable to us (any commission repayable will initially be offset against any new commission generated).

Example – Commission repayment calculation

A Customer has taken out a policy with a monthly premium of £25 over a 10-year term. Indemnity Commission is paid as follows:

Monthly premium		12 months		Annual term factor		Commission rate		Commission payable over the Earning Period
£25.00	x	12	x	0.9167	x	196%	=	£539.02

The Customer cancels this policy after 9 monthly premium payments have been made. The repayment amount is £426.20 and is calculated as follows:

(Earning Period - payments made)		Earning Period		Indemnity Commission paid		
(43 - 9)	/	43	x	£539.02	=	£426.20

What happens if the policy ends during the Earning Period due to a claim being accepted?

We do not require repayment of Indemnity Commission if a policy ends due to a claim being accepted.

Increasing Cover Policies

Where commission on increasing cover policies is paid on an Indemnity and non-indemnity Commission basis, to allow for the increase in premium over the term of the policy, a 10% uplift in Commission is applied. For example, if the agreed commission rate is 196%, the Commission rate will increase to 206% (196% + 10%).

If the Customer chooses not to exercise the option to increase their cover at the first policy anniversary date, then the 10% uplift in any Commission already paid will become repayable and, for non-indemnity Commission, the 10% uplift shall automatically cease.

Renewal Commission

Where we have agreed to pay you renewal Commission, it is only due once the corresponding premium in respect of that month's Commission has been received.

How is renewal Commission calculated?

Renewal Commission is based on monthly premium and is calculated as a percentage of each premium received after the Earning Period. The example below shows how we calculate renewal Commission.

A Customer has taken out a policy with a monthly premium of £25 over a 10-year term. The agreed renewal Commission rate is 2.5%. Renewal Commission will become payable at the end of the applicable Earning Period (which is 43 months in this example). For this policy, the Commission calculation would be:

Monthly premium		Commission rate		Commission payable
£25.00	x	2.5%	=	£0.63

Commission is then paid monthly after each premium is received for the duration of the policy.

Appendix A

Term Factor Table

Term (years)	Earning Period (monthly)	Term Factor (annually)
1	4	0.1028
2	9	0.2256
3	13	0.3195
4	17	0.4098
5	22	0.5177
6	26	0.6003
7	30	0.6796
8	34	0.7559
9	39	0.8470
10	43	0.9167
11	47	0.9837
12	48	1.0000

HSBC Life (UK) Limited

HSBC Life (UK) Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Our firm reference number is 133435. HSBC Life (UK) Limited is a member of the Association of British Insurers.

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