

For intermediaries only

# Whole of Life commission guide

This guide is to help you calculate commission levels for Whole of Life policies.

This communication is for intermediaries only. It mustn't be distributed to, or relied on by, customers.

## Initial indemnity commission

Age next birthday	Initial commission period (months)	Indemnity factor	
		Monthly policy payments	Yearly policy payments
Up to 40	48	9.5884	0.8435
41	48	9.5884	0.8435
42	47	9.4318	0.8289
43	47	9.4318	0.8289
44	46	9.2736	0.8144
45	46	9.2736	0.8144
46	45	9.1139	0.7998
47	45	9.1139	0.7998
48	44	8.9525	0.7852
49	44	8.9525	0.7852
50	43	8.7895	0.7707
51	43	8.7895	0.7707
52	42	8.6249	0.7561
53	42	8.6249	0.7561
54	41	8.4587	0.7416
55	41	8.4587	0.7416
56	40	8.2908	0.7270
57	40	8.2908	0.7270
58	39	8.1212	0.7124
59	39	8.1212	0.7124
60	38	7.9499	0.6979
61	37	7.7769	0.6833
62	35	7.4257	0.6523
63	34	7.2474	0.6359
64	32	6.8856	0.6031
65	31	6.7019	0.5867
66	30	6.5164	0.5703
67	28	6.1399	0.5375

Age next birthday	Initial commission period (months)	Indemnity factor	
		Monthly policy payments	Yearly policy payments
68	27	5.9488	0.5211
69	25	5.5608	0.4883
70	24	5.3640	0.4719
71	22	4.9642	0.4349
72	21	4.7614	0.4164
73	19	4.3496	0.3794
74	18	4.1406	0.3609
75	16	3.7163	0.3240
76	14	3.2834	0.2870
77	13	3.0638	0.2685
78	11	2.6178	0.2292
79	10	2.3915	0.2083
80-85	8	1.9320	0.1667

To calculate commission on joint-life first death policies we use the age of the older insured person. For joint-life second death policies we use the age of the younger insured person.

The indemnity factors given above will overstate commission/commission clawback on policy payments for any attached waiver of premium benefits. This is because the initial commission period for waiver of premium will, in most instances, be shorter than for the Whole of Life policy.

### How to use the initial indemnity commission table

The initial indemnity commission table is based on 100% of Lautro rates. These examples show how commission is calculated.

#### Example – monthly policy payments

A single-life policy is set up for the insured person who will be 50 on their next birthday. Their monthly policy payment is £25.

The commission calculation would be:

$$£25 \times 8.7895 = £219.74$$

This can be expressed as a percentage of the yearly policy payment as:

$$8.7895/12 \text{ months} \times 100\% = 73.25\%$$

#### Example – yearly policy payments

A joint-life first death policy is set up, where the older insured person will be 40 on their next birthday. Their yearly policy payment is £300.

The commission calculation would be:

$$£300 \times 0.8435 = £253.05$$

This can be expressed as a percentage of the yearly policy payment as:

$$0.8435 \times 100\% = 84.35\%$$

### Commission payment options

You can choose:

- full initial commission and renewal at 2.5%, or
- level commission at 5%.

You can also choose to rebate 1% to 100% of initial commission and 1% to 100% of level commission.

## Commission clawback

Initial commission period (months)	Indemnity factor		Initial commission period (months)	Indemnity factor	
	Monthly	Yearly		Monthly	Yearly
1	0.2500	0.0208	25	5.5608	0.4883
2	0.4975	0.0417	26	5.7558	0.5047
3	0.7426	0.0625	27	5.9488	0.5211
4	0.9852	0.0833	28	6.1399	0.5375
5	1.2255	0.1042	29	6.3291	0.5539
6	1.4634	0.1250	30	6.5164	0.5703
7	1.6989	0.1458	31	6.7019	0.5867
8	1.9320	0.1667	32	6.8856	0.6031
9	2.1629	0.1875	33	7.0674	0.6195
10	2.3915	0.2083	34	7.2474	0.6359
11	2.6178	0.2292	35	7.4257	0.6523
12	2.8419	0.2500	36	7.6021	0.6688
13	3.0638	0.2685	37	7.7769	0.6833
14	3.2834	0.2870	38	7.9499	0.6979
15	3.5009	0.3055	39	8.1212	0.7124
16	3.7163	0.3240	40	8.2908	0.7270
17	3.9295	0.3424	41	8.4587	0.7416
18	4.1406	0.3609	42	8.6249	0.7561
19	4.3496	0.3794	43	8.7895	0.7707
20	4.5565	0.3979	44	8.9525	0.7852
21	4.7614	0.4164	45	9.1139	0.7998
22	4.9642	0.4349	46	9.2736	0.8144
23	5.1651	0.4534	47	9.4318	0.8289
24	5.3640	0.4719	48	9.5884	0.8435

Commission is earned over the initial commission period (ICP). The ICP is calculated based on the age of the insured person(s) at the start of the policy as shown in the initial indemnity commission table. The maximum ICP is 48 months.

The normal Lautro rate for Whole of Life is 25% of each policy payment within the ICP, plus enhancement.

The indemnity factors given above will overstate commission/commission clawback on policy payments for any attached waiver of premium benefits. This is because the initial commission period for waiver of premium will, in most instances, be shorter than for the Whole of Life policy.

## How to use the commission clawback table

The commission clawback table is based on 100% of Lautro rates. These examples show how the clawback is calculated.

### Example – monthly policy payment

A single-life policy is set up and the insured person will be 50 on their next birthday. Their monthly policy payment is £25.

From the table on page one, the ICP for this policy is 43 months.

The commission calculation would be:

$$£25 \times 8.7895 = £219.74$$

If the policy lapses after 36 months there will be seven months left of the original ICP. That means the clawback calculation would be:

$$£25 \times 1.6989 = £42.47$$

### Example – yearly policy payment

A joint-life second death policy is set up, where the younger insured person will be 65 on their next birthday. Their yearly policy payment is £200.

From the table on page one, the ICP for this policy is 31 months.

The commission calculation would be:

$$£200 \times 0.5867 = £117.34$$

If the policy lapses after 20 months there will be 11 months left of the original ICP. That means the clawback calculation would be:

$$£200 \times 0.2292 = £45.84$$

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