

MOST IMMEDIATE

R-25/5

F-76/09

No. F. A. 14013/1/2009-Ins.IV
Government of India
Ministry of Finance
Department of Financial Services
Insurance Division

3rd Floor, Jeevan Vihar, Parliament Street,
New Delhi, dated: 20th May, 2009

20/5/09
20/5/09

To,

- The Chairman-cum-Managing Director, General Insurance Corporation of India, Mumbai
- The Chairman-cum-Managing Director, The Oriental Insurance Company Limited, New Delhi
- The Chairman-cum-Managing Director, The National Insurance Company Limited, Kolkata
- The Chairman-cum-Managing Director, The New India Assurance Company Limited, Mumbai
- The Chairman-cum-Managing Director, The United India Insurance Company Limited, Chennai

Subject: Performance Linked Incentive Scheme (PLIS) for GIPSA and GIC Employees for the year 2009-2010

Sir,

I am directed to say that on the basis of achievement of the SOI parameters, Government had introduced an incentive scheme for the CMDs of the Public Sector Insurance Companies. Since there is no incentive scheme for the officers / staff of the General Insurance Companies and General Insurance Corporation (GIC), it has been decided to introduce the Performance Linked Incentive Scheme (PLIS).

The Public Sector General Insurance Companies are, therefore, advised to frame their detailed incentive scheme based on the enclosed parameters.

Yours faithfully,

Encls.: As above


(Lalit Kumar)

Deputy Secretary to the Govt. of India
Ph. No. 23365808

Copy for information to :

CEO, GIPSA, New Delhi

INCENTIVE SCHEME PARAMETERS:

The Public Sector General Insurance Companies (four direct companies namely New India Assurance Company Limited, Oriental Insurance Company Limited, National Insurance Company Limited, United India Insurance Company and General Insurance Corporation of India) may offer performance linked cash incentive to their employees under the following framework:

- (i) Employees of PSU General Insurance Companies may be considered for grant of incentives subject to the company:
 - a) being profitable and showing a minimum profit after tax of Rs.200 crores in the relevant year.
 - b) having solvency ratio of 150%
- (ii) The total corpus of incentive available for distribution by the direct general insurance company between all eligible staff will be calculated as a percentage of the company's achieved gross direct premium income ("GDPI") for the performance year subject to the above conditions and limits specified in the following paras. The exact percentage of GDPI available for distribution as incentives will be determined based on the company's performance on the SOI parameters.
- (iii) In case of the four direct Public Sector General Insurance Companies the available incentive as percentage of GDPI will range from 0.05% to 0.70% and will vary with the SOI score in the manner given in the table below:

SOI score	Percentage GDPI available for employee incentive
<50	NIL
50-less than 60	0.05%
60-less than 70	0.15%
70-less than 80	0.25%
80-less than 90	0.35%
90-less than 95	0.50%
95-less than 100	0.60%
100	0.70%

In case of GIC the available incentive as percentage of GDPI will range from 0.001% to 0.011% and will vary with the SOI score in the manner given in the table below:

CMD SOI score	Percentage available	GDPI
<50	NIL	
50-less than 60	0.001%	
60-less than 70	0.002%	
70-less than 80	0.0035%	
80-less than 90	0.005%	
90-less than 95	0.007%	
95-less than 100	0.009%	
100	0.011%	

- (iv) The total amount of incentive payout under this scheme should not exceed 3% of Profit After Tax (PAT) for the four Public Sector General Insurance Companies namely, National Insurance Co., United India Insurance Co., Oriental Insurance Co., & New India Assurance Co. and 0.1% PAT for General Insurance Corporation (GIC).
- (v) The total incentive payout in any year in no case shall exceed 5% of the gross wage bill of the organization for that year.
- (vi) All employees including officers, staff and sub-staff will be covered under the incentive scheme, except CMD.
- (vii) The scheme should be devised such that from among the eligible employees or eligible groups, top performers get higher incentives than others. It should also be ensured that only such employees/officers get the incentive whose performance is at a reasonably higher level. The incentive payment should not be made to more than 20-25 % of the total regular work force of the Company.
- (viii) Companies are instructed to create transparent and objective performance targets for each eligible individual employee (or group where individual level performance target setting is not possible immediately) based on which target achievers can be identified and high performers among them can be clearly established.

- (ix) Adequate care must be taken in target fixation. Targets should be extrapolated from SOI and they should flow back into SOI. In general no one should have a target less than SOI on any dimension. In exceptional circumstances, the CMD may waive this condition for specific regions / offices but only with adequate reasoning. The target fixation shall be completed no later than 30th June of the year in which such targets are fixed.
- (x) The Key Responsibility Areas (KRAs) shall be fixed for individual employees/category of employees. While fixing the KRAs, reference would be made to the SOI targets and in the normal course the KRAs should not be less than SOI. To be eligible for incentives, the employee/officer/category of employees/officers should have a total weighted average achievement of not less than 80% of the targets and not less than 65% of each of KRAs.
- (xi) Adequate attention will be paid to ensure that no cross section of staff by design of the scheme gets disproportionately represented in the pool of eligible staff.
- (xii) The incentive paid to any employee in any year shall not exceed 20% of his gross salary for that year.

Eligibility /Payout Guidelines:

- 1) The awardees should be employees of the company at the time of payment of incentive.
- 2) The awardees should have worked with the company for at least 185 days in the financial year to be eligible for incentives.
- 3) The determination of the awardees and payment of incentives should be completed within two months of the declaration of results of the company.

The New India Assurance Company Ltd.



Administrative Guidelines On

Profit Linked Incentive Scheme, 2009

**August 18, 2010
PMS Dept HO**

Ministry of Finance, Govt. of India vide their letter ref. F.A.14013/1/2009- Ins.IV dated 20th May,2009 introduced the Performance Linked Incentive Scheme (PLIS).

The Parameters and the framework defined in the Ministry's communication form the basis of this Scheme, which shall be referred and read together as part and parcel of this Scheme.

1. Employees in Scale V- Officers and all below shall be eligible for the Group Incentive while employees in Scale VI (DGMs) & Scale VII (GMs) shall be eligible for the Individual Incentive.
2. The Personal Assistants (PAs),Substaff and Drivers of all Officers of cadre Scale VI and above are integral to enabling the said individual Officers to discharge their functions smoothly and the PAs of these Officers at HO, for evaluation purpose shall be grouped along with their Overseeing Officer including the PS to CMD.
3. The awardees amongst the Groups shall be determined by ranking lists drawn separately for three segments viz., (i) HO Departments (ii) Regional Offices & LCCs and (iii) Operating Offices i.e.- DOs including Specialized Offices (like Bancassurance Office, Motor Dealer Office, TP Hub, Claims Hub), BOs & Micro Offices.
4. KRAs (Key Responsibility Areas) will be finalized with parameters and targets, for each group by Overseeing General Managers, and for Individuals KRAs by CMD. Sample KRA are as per Annexure (I).
5. The award of incentives to a defined Group/ Individual employee shall be exclusively a corollary of their/his performance against the KRAs and their/his relative ranking based on the achievements under the KRA Score Card and the marks scored and the Incentive Scheme Parameters.
6. The ranking lists of eligible groups in each segment shall be prepared in the descending order of the total weighted average achievement (TWAA) scored by the Groups in that segment, against their respective KRA Scorecards for determination of awardees in each segment.
7. After the finalization of the year end accounts of the Region, the Regional In Charge shall get the KRA performance template of the RO (Consolidated), OOs (in the compilation template) and the Hubs (Claims Hub and Motor TP Hub in the compilation template) duly filled in with achievements against targets in respect of each KRA metric, as per the defined data source (e-formats, auditable manual registers etc.) and mail the same to HO. This shall be followed by submission of hard copy of the same, duly signed by the Regional in Charge.

8. Similarly, the Officer in Charge of LCB shall duly fill in the KRA performance template of LCC with achievements against targets and mail the same to HO, followed by submission of the hard copy of the same, duly signed.
9. As regards Departments at HO, DGM (where there is no DGM, Chief Manager or the senior most Officer) shall get the KRA performance template duly filled in with achievements against targets and mail the same to PMS team, HO followed by submission of hard copy of the same duly signed.
10. A Group/ Individual to be eligible for incentive shall (i) achieve a total weighted average achievement (TWAA) of not less than 80% marks and (ii) achieve not less than 65% marks for each of the KRAs. Marking Scheme stands revised in accordance with Govt Scheme: 65 cut off, and levels changed to 100: 120 (during pilot stage the levels assigned were 60:80:100). Qualitative marks levels changed to 65: 120 (pilot stage 50:100) subject to revision of upper limit as per consensus arrived at by the four PSU Cos.
11. The top 25% of the eligible Groups in each segment shall be ascertained and the total number of employees eligible in all these Individuals/Groups will be determined. Their percentage to total workforce would be compared with the 25% of the total regular work force in the company as at the end of the financial year. Although Ministry notification puts the upper limit of employees who can get incentives at 25% of the workforce, in case the percentage exceeds 25 %, Ministry may be approached for relaxation. In case, Ministry does not give approval, the top 20% of eligible groups would be determined and percentage of eligible employees compared with 25% of workforce. The differential percentage shall be applied on the number representing the top 20% of the eligible Groups in each Segment, either to include more eligible Groups/exclude, so as to ensure that the total eligible workforce in all the segments does not exceed 20% of the total regular work force in the company. The top 20% of the eligible groups in each segment so arrived would be determined as awardees of the group incentive in that segment and this % may be stretched by a maximum of 5%, inter-alia, to include rank overlaps, if any and individual incentives.
12. The Group Awardees shall be determined by the Group Incentive Committee of GMs (3 nos.) constituted by the CMD, which shall be the Competent Authority to evaluate the performances of Groups in each segment as above, determine and declare the Group Awardees and sanction the payout of the Group incentive to the awardees.
13. Individual incentives are to be based on both individual and company performance. DGMs in-charge of ROs shall be considered part of the RO Group that they head, and shall be eligible for the Group Incentive and not for the Individual Incentive.

14. The Individual Awardees amongst the DGMs (Scale VI) other than DGMs in-charge of ROs shall be determined by the Individual Incentive Committee of GMs (3 nos.) constituted by the CMD, while the individual awardees amongst GMs (Scale VII) shall be determined by the CMD, who shall respectively be the Competent Authorities to evaluate the performances of the respective individuals as above, determine and declare the Individual Awardees and sanction the payout of the individual incentive to the awardees, in accordance with the Marking Scheme for GMs / DGMs (Annexure II).
15. Since Individual KRAs for GMs / DGMs were not drawn for the year 2009-2010, CMD is authorized to decide on scoring pattern for the year 2009-2010.
16. If under the defined parameters, a Group/Individual is declared an awardee, each employee (member) of that Group Awardee/Individual Awardee viz., DGM at Head Office / GM along with his PA, Substaff and Driver would become entitled to a percentage not exceeding 20% of his gross salary (Basic + DA). Percentage received will vary by individual's scale / designation. (Annexure III).
17. The incentive amount per employee would be pro-rated downwards/upwards appropriately, if the total quantum required for the payout is higher/lower than the specified limits, to ensure adherence to the limits.
18. All eligible Groups/Individuals achieving a minimum overall total weighted average achievement score of 90 shall be presented a memento/citation as recognition of absolute performance irrespective of relative performance of Groups/Individuals.
19. Since Regional officials handling Internal Audit and Vigilance functions report directly to Head Office, they shall be considered a part of the HO Internal Audit group and HO Vigilance group respectively.
20. A Divisional office has 2 scorecards: one for the DO unit only and another for the DO and BOs put together. The final score for the DO is the simple average of the two scorecards.
21. Employees on Deputation shall be deemed part of the Group to which they are deputed, if the period of Deputation exceeds 270 days in the Financial Year. If the deputation is for part of the year not exceeding the said duration, the principle of proportionality would apply to treat the employee as part of Group/Unit/Department in which he is working and as part of his parent Group/Unit/Department.
22. Employees who have worked with the Company for at least 185 days in the financial year and who have not absented from duty or not been on leave for a

The New India Assurance Company Ltd.

period exceeding 90 days (SL 90 days to be counted on Calendar day basis, i.e. 90 SLs debit on half pay basis and 180 SLs debit on full pay basis) in the financial year shall alone be eligible for the Payout. However, absence or leave exceeding the said period on account of accidents/major illness/maternity leave may be considered on individual merits by the respective Competent Authority defined under the Scheme, for exemption from this provision.

23. Employees under suspension during the financial year or on the date of payout of the incentive shall not be eligible for any incentive.
24. The awardees should be employees of the Company as on 31st March of the relevant financial year (subject to consensus of the 4 PSUs and approval by Ministry). Provided however, the movement of the awardee from the Company to another GIPSA Company or GIC Re or AICI or due to any other GIPSA driven posting shall not disentitle the awardee to the incentive, if the employee is otherwise eligible.
25. The determination of the awardees and payment of incentives shall be completed within two months of the declaration of results of the company.
26. On completion of the evaluation of performances of the Groups/Individuals by the respective Competent Authority and pay out of the cash incentives, The payment details shall be placed before the Board.
27. CMD shall be the Competent Authority to interpret the provisions of the Scheme and Administrative Guidelines in case of any complexity or hardship in the operation of the Scheme and issue clarifications/render decisions thereon.
28. The decisions of the Competent Authorities under the Scheme shall be final and no appeal shall lie against the same.

NON-CENTRALIZED OPERATING OFFICES

Key Performance Areas		Targets and Scores											
		Key Performance Area	Weight	Definition / Formula	Data Source	Target	Performance Levels			Marks Achieved	Weight Score		
							80	100	120				
Growth and Profitability Drivers			55%										
1	GDP growth	30%	Accretion in quantum of GDP from all policies	Audited trial balance (adjusted for notional credits)									
2	ICR'	15%	Gross incurred claims + Total premium	Trial balance									
3	Operating profit ratio	10%	(GDP) - Incurred claims - commissions - management expenses/GDP	Trial balance									
Operational Parameters			45%										
4	Increase in no. of key channel partners / customers	10%	Increase in # of agents having >Rs. 50,000 premium p.a. (applicable to hybrid offices) Increase in # of bank branches (applicable to bancassurance office) Increase in # of brokers giving > Rs.10 lac premium p.a.(applicable to brokers office) Increase in	Group MIS									
5	Claims settlement ratio (non-suit)	10%	(Non-suit claims settled) + (Non-suit claims o/s at beg. of yr + non-suit claims intimated during yr)	GENESYS/ MIS									
6	Claims settlement ratio (suit)	10%	(Suit claims settled) + (Suit claims o/s at beg. of yr + Suit claims intimated during year)	GENESYS/ MIS									
7	Audit query settlement ratio (%)	10%	Audit Query Closed/ (No. of Audit queries raised during year + o/s at the beginning of the year)	Group MIS									
8	Grievances Settlement Ratio (%)	5%	(Grievances settled)/(Grievances o/s at beg. of year + Grievances intimated during year)	Group MIS									
										Total Score			

Mechanisms for operation of group schemes

Eligibility:

All individuals within groups eligible for incentives

Payout:

Incentives will be up to 20% of individual base salary
Percentage received will vary by individual's scale / designation

% of Salary Received as Incentive

Sc 5	20.0%
Sc 4	18.0%
Sc 3	16.0%
Sc 2	14.0%
Sc 1	13.0%
Staff	12.0%
Sub-staff	12.0%

Measurement:

Based on group performance

Enablers:

Robust performance management (relevance of KPIs, etc.)
Target setting mechanism
Transparency around measurement
Wide communication and publicity

Individual incentives to be based on individual and company performance levels

% of Gross Salary Received as Incentive

	Individual Performance Level ¹			
	A	B	C	D
GMs – Link to Individual Performance				
Heads of Sales and Business Units	14%	10%	6%	0%
Support, Control & Administrative	12%	8%	4%	0%

GMs – Link to Company Performance

Heads of Sales and Business Units	Up to 6%, dependant on level of company performance (as per SOI score)
Support, Control & Administrative	Up to 8%, dependant on level of company performance (as per SOI score)

DGMs – Link to Individual Performance

DGMs/CMs of SBUs, Regional Heads	16%	12%	8%	0%
Support, Control & Administrative	14%	10%	6%	0%

DGMs – Link to Company Performance

DGMs/CMs of SBUs, Regional Heads	Up to 4%, dependant on level of company performance (as per SOI score)
Support, Control & Administrative	Up to 6%, dependant on level of company performance (as per SOI score)

1. Performance threshold levels to be defined as part of scorecard development