**Ref. No:** MetLife-UP-2000

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| --- | --- | --- |
| **Client name:** American Life Insurance Company, Bangladesh Branch (MetLife)  **Accounting period:** 01 January 2020 to 31 December 2020 | | |
|  | |  |
| **Work done by** | **:** Ranti Saha | **Date:** 18-03-2021 |
| **Work reviewed by** | **:** Israt Jahan | **Date:** 22-03-2021 |

**Commission Process**

**We have summarized the current practice regarding commission as per discussion with following process owner of MetLife.**

|  |  |
| --- | --- |
| **Name** | **Designation** |
| Mr. Mohammad Redwanur Rahman FCA | Financial Controller |

American Life Insurance Company, Bangladesh Branch manages its commission by its well-designed process. Commission is paid to insurance agent based on premium received.

As allowable commission rate to insurance agent is specified by Section 58 of Insurance Act 2010. MetLife present commission expenses in the Revenue Account by the following two ways:

1. Commission to insurance agent on first year premium;
2. Commission to insurance agent on renewal premium.

Although commission expenses are presented in two ways in the Revenue Account but the commission process is same for both types of commission.

**Commission process:**

Two processes are run for a month in the Admin System named “LifeLine” for processing commission by IT Department.

When process is run in LifeLine a system generated report is generated from the process. The report contains detailed calculation of commission agent wise based on premium collection. Parameter of commission (Such commission rate, policy date) is set by IT team on LifeLine at the time of policy initiation.

Then the report is uploaded through payment feed named Straight2Bank (S2B) of Standard Chartered Bank for payment. Straight2Bank is user-friendly and designed specifically to meet the needs of business banking clients, Straight2Bank perform many key business functions with ease. When the report is feed to S2B then payment is made to agent through Electronic Fund Transfer (EFT) where the account number of agents is linked with the payment feed S2B. If the account number of agents is not linked with the S2B then automated cheques are printed to bank on the name of agents. After receiving the cheques from bank. MetLife distributes the cheques to the respective agents.

The system generated report of LifeLine for commission also feed into the accounting software PeopleSoft. When the report is feed to PeopleSoft the following entry is auto generated:

Commission expense………………………………………..Dr.

Commission payable………………………………………….Cr.

When the amount is cleared from bank the following is generated on PeopleSoft:

Commission Payable ………………………………….Dr.

Bank ……………………………………………………………Cr.

**Commission for outstanding premium:**

At the end of the year for the valid policies for which premium not received yet are recognised as premium income against outstanding premium. They generate a report for the policies for which premium is not received yet from the software “LifeLine”. The amount of outstanding premium is identified from the report. Commission expense for outstanding premium is recognised on the basis of outstanding premium. The following entry is made for outstanding commission expenses

Commission expense……………………………………………..Dr.

Outstanding commission……………………………………….Cr.

In Balance Sheet commission payable is net off with the outstanding premium.