

**PINNAFRICA INSURANCE UNDERWRITING MANAGERS (PTY) LTD**

**CONFLICT OF INTEREST MANAGEMENT POLICY**



**POLICY NUMBER:** FAIS / COI/ Policy 1

**VERSION NUMBER:** 2011/1.0

**LEGISLATIVE BASIS:** FAIS GENERAL CODE OF CONDUCT

Board Notice 58 of 2010

**EFFECTIVE DATE:** 19 APRIL 2011

**REVIEW DATE:** 31 May 2012

**COMPILED BY:** COMPLIANCE/ LEGAL

**SIGNATURE:**

A handwritten signature in black ink, appearing to be "B. O.", written over a circular stamp or mark.

**AUTHORISED BY:** PINNAFRICA INSURANCE UMA BOARD OF DIRECTORS

**DATE: 11 August 2011**

**SIGNATURE:**

A handwritten signature in black ink, appearing to be "B. O.", written over a circular stamp or mark.

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## **1. PURPOSE:**

1. The purpose of this policy is to enable PINNAFRICA INSURANCE UMA to:
  - Ensure management of conflicts of interest internally at PINNAFRICA INSURANCE UMA, and with their partners, incorporating the respective underwriting managers ;
  - Ensure a common, consistent and generic understanding of what conflict of interest is;
  - Ensure a common and consistent manner of disclosing conflict of interest;
  - Ensure a common and consistent manner of dealing with conflict of interest;
  - Ensure that the client/consumer is not exposed to conflict of interest situations, and where there are conflicts, these will have been clearly disclosed;
  - Ensure the client /consumer has information available to make an informed decision, and determine whether the advice given to him is being unduly influenced;
  - Ensure that the quality of the PINNAFRICA INSURANCE UMA financial services rendered are not significantly compromised by conflicts of interest;
  - Enhance the levels of professionalism of the financial services rendered by PINNAFRICA INSURANCE UMA, underpinned by PINNAFRICA INSURANCE UMA values;
  - Achieve a balance between addressing consumer needs and achieving a stable, profitable and solvent business model;
  - Achieve adherence to good business ethics, again underpinned by PINNAFRICA INSURANCE UMA Values;
  - Engender a client centric culture and an awareness of what schemes could present conflicts of interests and encourage behavior that could result in unsuitable financial services being rendered;
  - Comply with the FAIS General Code of Conduct.
  
2. This policy should be read in conjunction with the PINNAFRICA INSURANCE UMA Code of Ethics and Conduct, SAIA Code of Conduct, Treating Customers Fairly and all relevant consumer driven legislation.

## **2.SCOPE:**

This policy applies to the PINNAFRICA INSURANCE UNDERWRITING MANAGERS (PTY) LTD, including but not limited to all:

- Board of Directors ,
- All employees , including fixed term contract employees and temporary employees,
- All contract workers and their employees working for Lombard Group,
- Representatives,
- Associates.

### **3.GENERAL:**

#### **i) REGULATORY BACKGROUND:**

In 2003 the Financial Advisory and Intermediary Services Act 37 of 2002, General Code of Conduct for authorised Financial Service Providers and Representatives regulated that, as a General Duty of the provider, the provider should disclose to the client the existence of:

- i) any personal interest in the relevant service, or
- ii) any circumstance which gives rise to an actual or potential conflict of interest in relation to such service,

and take all reasonable steps to ensure fair treatment of the client. It further stated that non-cash incentives offered and/or other indirect consideration payable by another provider, a product supplier or any other person to the provider could be viewed as a potential conflict of interest.

In 2010 the Amendment to General Code of Conduct under Board Notice 58 of 2010 was introduced with effect from 19 April 2011. This seeks to regulate the management of conflict of interests. The desired outcome is that consumers will be exposed to fewer conflict situations and where there are conflicts, these will have been clearly disclosed. The consumer will be better equipped to assess whether the advice given to him is being unduly influenced.

#### **ii) DEFINITIONS:**

- An **Associate** means

##### a) in relation to a natural person –

- i. person who is recognised in law or the tenets of religion as the spouse, life partner or civil union partner of that person;
- ii. a child of that person, including a stepchild, adopted child and child born out of wedlock;
- iii. a parent or stepparent of that person;
- iv. a person in respect of which that person is recognized in law or appointed by a court as the person legally responsible for the managing the affairs of or meeting the daily care needs of the first-mentioned person;
- v. a person who is the spouse, life partner or civil union partner of a person referred to in sub para ii)to v);
- vi. a person who is in a commercial partnership with that person;

##### b) in relation to a juristic person –

- i. which is a company, means any subsidiary or holding company of that company, any other subsidiary of that holding company and any other company of which that holding company is a subsidiary;
- ii. which is a close corporation registered under the Close Corporation Act, 1984 (Act 69 of 1984) ,means any member thereof as defined in Sec 1 of that Act;
- iii. which is not a company or a close corporation as referred to in sub para i) or ii), means another juristic person which would have been a subsidiary or holding company of the first-mentioned juristic person –
  - aa) had such first-mentioned juristic person been a company; or
  - bb) in the case where that other juristic person, too, is not a company, had both the first-mentioned juristic person and that other juristic person been a company;
- iv. means any person in accordance with whose directions or instructions the board of directors of or, in the case where such juristic person is not a company, the governing body of such juristic person is accustomed to act;

c) in relation to any person –

- i) means any juristic person of which the board of directors or, in the case where such juristic person is not a company, of which the governing body is accustomed to act in accordance with the directions or instructions of the person first-mentioned in this paragraph;
  - ii) includes any trust controlled or administered by that person.
- **A conflict of interest** is any situation in which PINNAFRICA INSURANCE UMA or a representative has an actual or potential interest that may, in rendering a financial service to a client –
    - (a) influence the objective performance of his, her or its obligations to that client ; or
    - (b) prevent PINNAFRICA INSURANCE UMA or representative from rendering an unbiased and fair financial service to that client, or from acting in the best interest of that client, including, but not limited to –
      - i) a financial interest;
      - ii) an ownership interest;
      - iii) any relationship with a third party.
  - **A distribution channel** is-
    - a. any arrangement between a product supplier or any of its associates and one or more providers or any of its associates in terms of which arrangement any support or service is provided to the provider or providers in rendering a financial service to a client;
    - b. any arrangement between two or more providers or any of their associates, which arrangement facilitates, supports or enhances a relationship between the provider or providers and a product supplier;

- c. any arrangement between two or more product suppliers or any of their associates, which arrangement facilitates, supports or enhances a relationship between a provider or providers and a product supplier.
- **FAIS** means the Financial Advisory and Intermediary Services Act 37 of 2002 and General Code of Conduct for authorised Financial Service Providers and Representatives as amended.
- **Fair Value** means fair value as per the financial reporting standards adopted or issued under the Companies Act, 1973.
- A **financial interest** is defined as any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration, other than –
  - a) an ownership interest;
  - b) training, that is not exclusively available to a selected group of providers or representatives, on –
    - i) products and legal matters relating to those products;
    - ii) general financial and industry information;
    - iii) specialized technological systems of a third party necessary for rendering of a financial service; but excluding travel and accommodation associated with that training.
- **An immaterial financial interest** is any financial interest with a determinable monetary value, the aggregate of which does not exceed R1000 in any calendar year from the same third party in that calendar year received by –
  - b) a provider who is a sole proprietor; or
  - c) a representative for that representative's direct benefit;
  - d) a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives.
- **PINNAFRICA INSURANCE UMA** means PINNAFRICA INSURANCE UNDERWRITING MANAGERS (PTY) LTD.
- An **ownership interest** is defined as
  - a) any equity or proprietary interest, for which fair value was paid by the owner at the time of acquisition, other than equity or an proprietary interest held as an approved nominee on behalf of another person; and
  - b) includes any dividend, profit share or similar benefit derived from that ownership interest.
- A **product supplier** is any person who issues a financial product by virtue of an authority, approval or right granted to such person under any law
- **Representative** – means any person employed or mandated by such first mentioned person, who renders a financial service to client for and on behalf of a FSP, in terms of conditions of

employment or any other mandate , but excludes a person rendering clerical , technical , administrative, legal, accounting or other services in a subsidiary or subordinate capacity, which service –

- a) does not require judgement on the part of the latter person; or
  - b) does not lead a client to any specific transaction in respect of a financial product in response to general queries.
- **A relationship with a third party** is deemed to be a relationship with –
    - a) a product supplier
    - b) another provider
    - c) an associate of a product supplier or a provider;
    - d) a distribution channel
    - e) any person who in terms of an agreement or arrangement with a person referred to in paragraphs a to d above provides a financial interest to a provider or its representatives.
  - **UMA** means underwriting management agents.

#### **4. PRINCIPLES:**

We at PINNAFRICA INSURANCE UMA subscribe to the principles embedded in the FAIS Code of Conduct, and in light of our corporate values and ethics we aim to:

- Protect the client, consumer and policyholder at all times;
- Act in the best interest of the clients with due care and diligence as per General Code of Conduct;
- Ensure client receives appropriate and suitable financial advice;
- Ensure client has enough information available to be able to make an informed decision
- Achieve balance between Lombard need to make a profit and the need of the consumer to receive appropriate and suitable financial advice;
- Avoid conflict of interest;
- Minimize and mitigate the potential adverse impact of conflicts of interests on clients;
- Disclose conflicts of interest in a transparent and effective manner;
- Manage the disclosed conflicts of interest in a transparent, consistent and effective manner;
- Achieve consistency in the application of the principles of management of conflicts of interest across competing product types and across business lines;
- Avoid encouraging behavior that could result in unsuitable financial services being rendered;
- Comply with legislation and industry standards and Lombard values and ethics.

#### **5. THE POLICY:**

PINNAFRICA INSURANCE UMA ensures that conflicts of interest and potential conflicts of interest are managed as follows:

- PINNAFRICA INSURANCE UMA is committed to rendering financial services honestly, fairly, with due skill, care and diligence, and in the interests of clients and the integrity of the financial services industry.
- PINNAFRICA INSURANCE UMA will disclose to the client the existence of any personal interest in the relevant service, or the existence of any circumstance which gives rise to an actual or potential conflict of interest in relation to such service, and will take all reasonable steps to ensure fair treatment of the client.
- When PINNAFRICA INSURANCE UMA and its representatives render a financial service it will avoid and where this is not possible mitigate any conflict of interest between itself and its client or the representative and the client.
- PINNAFRICA INSURANCE UMA defines a conflict of interest as any situation in which PINNAFRICA INSURANCE UMA or a representative has an actual or potential interest that may, in rendering a financial service to a client -
  - a) influence the objective performance of his, her or its obligations to that client ; or
  - b) prevent PINNAFRICA INSURANCE UMA or representative from rendering an unbiased and fair financial service to that client, or from acting in the best interest of that client.

#### **WHAT IS NOT ALLOWED:**

- PINNAFRICA INSURANCE UMA deems any financial interest such as cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration to be a conflict of interest. Travel and accommodation costs associated with training are also deemed to be a conflict of interest.
- PINNAFRICA INSURANCE UMA deems an ownership interest such as i) any equity or proprietary interest, for which fair value was paid by the owner at the time of acquisition, other than equity or an proprietary interest held as an approved nominee on behalf of another person; and ii) any dividend, profit share or similar benefit derived from that ownership interest, to be a conflict of interest.
- PINNAFRICA INSURANCE UMA recognizes that a relationship with a third party could pose a potential conflict of interest situation. A relationship with a third party is deemed to be a relationship with:
  - i) a product supplier being any person who issues a financial product by virtue of an authority , approval or right granted to such person under any law;
  - ii) another authorized financial services provider or representative;
  - iii) an associate of a product supplier or a provider;
  - iv) a distribution channel this being :

- a. any arrangement between a product supplier or any of its associates and one or more providers or any of its associates in terms of which arrangement any support or service is provided to the provider or providers in rendering a financial service to a client;
  - b. any arrangement between two or more providers or any of their associates, which arrangement facilitates, supports or enhances a relationship between the provider or providers and a product supplier;
  - c. any arrangement between two or more product suppliers or any of their associates, which arrangement facilitates, supports or enhances a relationship between a provider or providers and a product supplier;
  - v) any person who in terms of an agreement or arrangement with a person referred to in paragraphs i) to iv) above provides a financial interest to a provider or its representatives.
- PINNAFRICA INSURANCE UMA or its representative may not offer any financial interest to a representative of PINNAFRICA INSURANCE UMA for-
    - i) Giving preference to the quantity of business secured for the provider to the exclusion of the quality of the service rendered to the clients; or
    - ii) Giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client; or
    - iii) Giving preference to a specific product of a product supplier, where a representative may recommend more than one product of that product supplier to a client.

{This is 3(A)(1)(b)}

## WHAT IS ALLOWED:

- PINNAFRICA INSURANCE UMA or its representatives may only receive or offer the following financial interest from or to a third party, -
    - i) Commission authorized under the Long-term Insurance Act or the Short-term Insurance Act;
    - ii) Commission authorized under the Medical Schemes Act;
    - iii) Fees authorized under the Long-term Insurance Act, the Short-term Insurance Act, or the Medical Schemes Act, if those fees are commensurate to a service being rendered;(look at binder arrangements and binder regulations)
    - iv) Fees for the rendering of a financial service in respect which commission or fees referred to in i), ii) or iii)is not paid, if those fees –
      - a. Are specifically agreed to by a client in writing; and
      - b. May be stopped at the discretion of a client;
    - v) Fees or remuneration for the rendering of a service to a third party , which fees or remuneration are reasonably commensurate to the service being rendered;
    - vi) Subject to any other law, an immaterial financial interest;
- and

vii) A financial interest, not referred to in sub para i) to v), for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid by that provider or representative at the time of receipt thereof, And ensure then that it is appropriately disclosed.

- PINNAFRICA INSURANCE UMA notes that an immaterial financial interest is any financial interest with a determinable monetary value, the aggregate of which does not exceed R1000 in any calendar year from the same third party in that calendar year received by i) a provider who is a sole proprietor; ii) or a representative for that representative's direct benefit, iii) a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives. These do not need to be disclosed but do need to be recorded.
- Training, that is not exclusively available to a selected group of providers or representatives, on i) products and legal matters relating to those products; ii) general financial and industry information; iii) specialized technological systems of a third party necessary for rendering of a financial service; but excluding travel and accommodation associated with that training, is allowed.

### **WHAT MUST WE DO:**

- PINNAFRICA INSURANCE UMA will, in writing, at the earliest reasonable opportunity disclose to a client any conflict of interest in respect of that client, including-
  - a) the measures taken, in accordance with the conflict of interest management policy of PINNAFRICA INSURANCE UMA to avoid or mitigate the conflict;
  - b) any ownership interest or financial interest, other than an immaterial financial interest, that PINNAFRICA INSURANCE UMA or representative may be or become eligible for;
  - c) the nature of any relationship or arrangement with a third party that gives rise to a conflict of interest, in sufficient detail to a client to enable the client to understand the exact nature of the relationship or arrangement and the conflict of interest.
- PINNAFRICA INSURANCE UMA will, in writing, at the earliest reasonable opportunity inform the client of the conflict of interest management policy and how it may be accessed.

### **WHAT WILL HAPPEN:**

If there is non-compliance with the policy by the PINNAFRICA INSURANCE UMA'S employees and representatives:

- Non-compliance will be deemed to be a basis for summary dismissal and the employee will be subject to immediate disciplinary procedures in terms of the employment contract;
- Non-compliance by a representative will be deemed to be a material failure to comply with FAIS and may be subject to debarment.

## **6.PROCEEDURES:**

### **WHO MUST DO WHAT**

- The Board will appoint a Conflict of Interest Champion who will be responsible for evaluating the materiality of the conflict and drive the principles throughout the organisation.
- Key Individuals in all divisions will be responsible for the identification and recording of conflict of interest situations:
  - ✓ *Identify* areas where potential or actual conflict of interest situations can arise by analysing all relationships and arrangements -
    - Whom can PINNAFRICA INSURANCE UMA potentially have a conflict of interest with?**
      - With **product suppliers** i.e. Insurers **and their associates** with whom PINNAFRICA INSURANCE UMA has a business (financial interest paid to or from) or ownership relationship
      - With **other FSP's and their associates** with whom there is a business (financial interest paid to or from) or ownership relationship?
      - With a **distribution channels** with whom there is a business (financial interest paid to or from) or ownership relationship
      - **With any other person who has an arrangement /agreement with a product supplier, FSP or distribution channel and provides a financial interest to PINNAFRICA INSURANCE UMA or a representative**, with whom there is a business (financial interest paid to or from) or ownership relationship e.g. panelbeaters, assessors
      - With **any service provider** with whom there is a business (financial interest paid to or from) or ownership relationship
      - With **PINNAFRICA INSURANCE UMA staff** as a result of their employment contracts or remuneration policies
      - With **any other relevant relationship** outside insurance that may exist in the company.
  - This process will be done as an initial once off and then annually, and then before any new relationship is then entered into, or any existing relationship is changed.
  - Mechanism to identify and assess conflict of interest –
    - ✓ *Record* the information on the management tools for documenting the relationships and arrangements.
    - ✓ *Assess* whether these are to be avoided or mitigated and record decision accordingly.
    - ✓ *Refer* any contentious issues to the Conflict of Interest Champion for decision.

- The following TESTS will assist in determining the materiality of the conflict of interest :

### **TEST AND BASIS TO REVIEW SITUATION:**

DOES THIS OR CAN THIS BE PERCEIVED TO ENCOURAGE BEHAVIOUR THAT WOULD RESULT IN OR POTENTIALLY RESULT IN THE CLIENT, CUSTOMER OR CONSUMER RECEIVING INAPPROPRIATE AND UNSUITABLE FINANCIAL ADVISE DUE TO THE ADVISOR BEING UNDULY INFLUENCED IN GIVING THAT ADVICE. IS IT SPECIFICALLY EXCLUDED AS A:

- i) FINANCIAL INTEREST
- ii) AN OWNERSHIP INTEREST
- iii) ANY RELATIONSHIP WITH A THIRD PARTY?

DOES THIS OR CAN THIS BE PERCEIVED TO:

- i) INFLUENCE THE OBJECTIVE PERFORMANCE OF THE ADVISORS OBLIGATIONS TO THE CLIENT,
- ii) PREVENT THE ADVISOR FROM RENDERING AN UNBIASED AND FAIR FINANCIAL SERVICE TO THAT CLIENT, OR FROM ACTING IN THE BEST INTEREST OF THE CLIENT.

IS IT SPECIFICALLY EXCLUDED AS A:

- iv) FINANCIAL INTEREST
- v) AN OWNERSHIP INTEREST
- vi) ANY RELATIONSHIP WITH A THIRD PARTY?

- Determine whether the conflict of interest can be i) avoided, and if it can't be avoided then ii) record reason for why it can't be avoided , and the measures taken to mitigate or reduce the impact or influence of the conflict of interest on the client.
- Record these conflict of interest situations on the management tools.
- ✓ Record the immaterial financial interest (system driven at authorisation stage).
- ✓ Identify any financial interest received and offered, as well as any immaterial financial interest, and record these on management tools.
- ✓ Identify any ownership interest and record these on management tools.
- The Key Individual will be responsible to report such actual or potential conflict of interest situations to the Conflict of Interest Champion and Compliance Officer.
- Any unclear matters will be resolved by the Conflict of Interest Champion.
- Gifts register and entertainment register given and received are to be kept.

## **7.POLICY DETAIL**

- PINNAFRICA INSURANCE UMA will disclose all Associates of PINNAFRICA INSURANCE UMA

- PINNAFRICA INSURANCE UMA will disclose names of any third parties in which the PINNAFRICA INSURANCE UMA holds an ownership interest (including the nature and extent of ownership interest)
- PINNAFRICA INSURANCE UMA will disclose names of any third parties that hold an ownership interest in the PINNAFRICA INSURANCE UMA (including the nature and extent of ownership interest)

**See Annexure A**

## **8.OBLIGATIONS, MONITORING, PUBLICATION AND COMPLIANCE REVIEW**

PINNAFRICA INSURANCE UMA will ensure that its employees, representatives and, where appropriate, associates are aware of the contents of its conflict of interests management policy.

PINNAFRICA INSURANCE UMA will provide appropriate training and educational material on its conflict of interest management policy.

PINNAFRICA INSURANCE UMA will continually monitor compliance with this policy.

PINNAFRICA INSURANCE UMA will publish this policy on its internet at website [www.pinnafrica.co.za](http://www.pinnafrica.co.za) and have it easily accessible to the public at all times.

PINNAFRICA INSURANCE UMA will annually conduct a review of this policy as part of its compliance reporting to FSB. PINNAFRICA INSURANCE UMA will report annually on the policy to the FSB.

## **9.ACCOUNTABILITY**

PINNAFRICA INSURANCE UMA Board issues this policy and management sign off as the management of the conflict of interest is a management responsibility and top management must buy into it and ensure that all their decisions are informed by the policy.

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