

## **CONFLICT OF INTEREST MANAGEMENT POLICY MUA INSURANCE ACCEPTANCES (PTY) LTD**

### **INTRODUCTION**

This Conflict of Interest Management Policy (“Policy”) is drafted in terms of section 3A (2) (a) of the General Code of Conduct for Authorised Financial Services Providers and Representatives, 2003 (“General Code of Conduct”) promulgated under the Financial Advisory and Intermediary Services Act 37 of 2002 (“FAIS Act”) which requires every Financial Services Provider (“FSP”) to adopt, implement and maintain a Conflict of Interest Management Policy.

MUA Insurance Acceptances (Pty) Ltd (“the Company”) is licensed with the Financial Sector Conduct Authority as a Financial Services Provider (“FSP”) with licence number 37947. The Company is wholly owned by Lireas Holdings (Pty) Ltd with 100% shareholding. Lireas Holdings (Pty) Ltd is a subsidiary of Hannover Reinsurance Group Africa (Pty) Ltd.

As an underwriting manager, the Company has entered into a Binder Agreement with Auto & General Insurance Company Limited. It has also entered into various intermediaries and outsourcing agreements with various brokerages.

As an authorised FSP, the Company is obliged to comply with the prescribed Conflict of Interest provisions of the FAIS Act. This Policy gives effect to section 3A (2) (a) of the General Code of Conduct.

The Company is obliged to render unbiased and fair financial services to clients. Accordingly, all employees of the Company who are involved in the business of the Company are obliged to conduct themselves in a professional manner and in line with this Policy and take all reasonable steps to avoid any business activities and/or practices that may create conflicts of interest between the Company and employee interests, and the interests of clients. In the event that it is not possible to avoid a conflict of interest, the Company will take all reasonable steps to mitigate the impact as well as appropriately disclosing any such conflict of interest to clients.

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The Company has introduced reasonable mechanisms to identify conflicts of interest between:

- itself, employees, and clients; and
- between different clients.

## 1. DEFINITIONS

The following terms are defined for ease of reference and in terms of the meaning afforded to the said terms by the FAIS Act as follows: -

### 1.1 “associate”- means:

- A natural person (spouse, life partner or civil union partner, a child (including a stepchild, child born out of wedlock and an adopted child), a parent or stepparent and any person legally responsible for that person).
- Juristic persons (the Company, all subsidiaries, holding companies and group subsidiaries and other juristic persons and group holding companies and group subsidiaries).
- Persons directing or instructing any type of juristic person; and
- Trusts controlled and administered by the person.

### 1.2 “conflict of interest” - means:

Any situation in which the Company or any of its employees and representatives may have an actual or potential interest that may, in rendering a financial service to a client-

- Influence the objective exercise of the Company’s obligations to a client, or
- Prevent the Company from rendering an unbiased and fair financial service, or from acting in the interest of the client., including but not limited to financial interest, ownership interest and any relationship with a third party

### 1.3 “distribution channel” – means:

- 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.
- 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.
- 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.

### 1.4 “financial interest” - means any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive, or valuable consideration,

Other than

- An ownership interest; or
- Training, that is not exclusively available to a select group of providers on
  - products and legal matters relating to those products,
  - general financial and industry information,
  - specialised technological systems of a third party necessary for the rendering of a financial service,
  - but excluding travel and accommodation, associated with that training.

- 1.5 **“financial service”**- means any service contemplated in functions set out under the definition of “financial services provider”, including any category of such services.
- 1.6 **“financial services provider”** means any person, other than a representative, who as a regular feature of the business -
- furnishes advice; or
  - furnishes advice and renders any intermediary service; or
  - renders an intermediary service.
17. **“governing body”** – means a person or a body of persons, whether elected or not, that manages, controls, formulates the policy and strategy of the insurer or controlling company, directs its affairs or has the authority to exercise the powers and perform the functions of the insurer or controlling company.
- 1.8 **“interest”** - includes but is not limited to a financial interest, ownership interest or any relationship with a third party.
- 1.9 **“immaterial financial interest”** - means any financial interest with a determinable monetary value, the aggregate of which does not exceed R1000.00 in any calendar year from the same third party in that calendar year received by -
- A provider who is a sole proprietor
  - A representative for that representative’s direct benefit; or
  - A provider, who for its benefit or that of some or all its representatives, aggregates the immaterial financial interest paid to its representatives.
- 1.10 **“key individual”**, in relation to an authorised financial services provider, or a representative, carrying on business as -
- a corporate or unincorporated body, a trust or a partnership, means any natural person responsible for managing or overseeing, either alone or together with other responsible persons, the activities of the body, trust or partnership relating to the rendering of any financial service; or
  - a corporate body or trust consisting of only one natural person as member, director, shareholder or trustee, means any such a natural person.
- 1.11 **“ownership interest”** - means any equity or proprietary interest for which the fair value was paid by the owner at the time of acquisition, other than equity or a proprietary interest held as an approved nominee on behalf of another person. It includes any dividend, profit share or other benefit derived from that equity or ownership interest.
- 1.12 **“product supplier”** means any person who issues a financial product.
- 1.13 **“representative”** means any person, including a person employed or mandated by such first-mentioned person, who renders a financial service to a client for or on behalf of a financial services provider, in terms of conditions of employment or any other mandate. It excludes a person rendering clerical, technical, administrative, legal, accounting, or other service in a subsidiary or subordinate capacity, which service-

- does not require judgment on the part of the latter person; or
- does not lead a client to any specific transaction in respect of a financial product in response to general enquiries.

1.13 **“sign-on bonus”**- means any financial interest offered or received directly or indirectly, upfront or deferred, and with or without conditions, as an incentive to become a provider, and a financial interest includes but is not limited to:

- compensation for the potential or actual loss of any benefit including any form of income, or part thereof, or
- cost associated with the provider’s business or operations, including the sourcing of business, relating to the rendering of financial services; or
- a loan, advance, credit facility or any other similar arrangement.

1.14 **“third party”** - includes: product suppliers, another provider, associates of product suppliers and providers and distribution channels.

## **2. PURPOSE OF THE POLICY**

2.1 The purpose of this Conflict of Interest Management Policy is primarily to provide mechanisms for the identification and management of Conflicts of Interest that may arise in the rendering of financial services to clients.

2.2 It further seeks to adopt measures to avoid any conflict of, identify the existence of any conflict of interest, and to disclose the existence of a conflict of interest. Further, it seeks to set out the process, procedures and internal controls to facilitate compliance with the Policy as well as to highlight the consequences of non-compliance with the Policy by the Company’s employees and representatives.

## **3. GUIDELINES**

3.1 This Policy is by no means an exhaustive analysis addressing every conflict of interest situation that might arise. The Policy provides a guide as to what constitutes a conflict of interest, the processes and procedures that are in place in order to facilitate compliance and, the consequences of non-compliance.

3.2 The Policy is intended to assist employees in making the right decisions when confronted with potential conflict of interest issues.

## **4. LEADERSHIP**

4.1 The Company’s Governing body oversees the business of the Company including compliance with all applicable legislation, and this Policy.

4.2 Management plays a key role in the application of this Policy and are expected to demonstrate their personal commitment to this Policy and ensure the compliance by employees.

4.3 Management is obliged to maintain a workplace environment that nurtures and ensures compliance with this Policy.

## **5. APPLICATION OF POLICIES**

5.1 All directors, officers, employees, representatives, associates, brokers and consultants of the Company are required to comply with this Policy.

5.2 The Policy applies to the Company's subsidiaries, including but not limited to the following entities:

- Lireas Holdings (Pty) Ltd
- Hannover Reinsurance Group Africa (Pty) Ltd
- Auto and General Insurance Company Limited (FSP)

## **6. GUIDING PRINCIPLE AND TREATING CUSTOMER FAIRLY**

6.1 The guiding principles of this Policy are that the Company and its representatives must, when rendering financial services, act honestly, fairly, with due care, skill, and diligence.

6.2 There must, always, be a regard to fair outcomes for customers, the interest of the clients and the integrity of the Company as well as that of the financial services industry.

6.3 Representatives of the Company are discouraged from engaging in situations that will give rise to an actual or potential conflict of interest situation and must immediately report such situations.

## **7. WHAT IS ALLOWED UNDER THE MANGEMENT OF CONFLOCT OF INTEREST POLICY**

7.1 An FSP or its representatives may only receive or offer the following:

7.1.1 Commission authorised under the Short-Term Insurance Act.

7.1.2 Fees authorised under the Short-Term Insurance Act.

7.1.3 Fees for rendering financial services which is not remunerated as set out in clause 8.2 where the amount, frequency, payment method and receipt of those fees and details of the services that are to be provided by the FSP or its representatives in exchange for the fees are specifically agreed to by a client, in writing, and which may be stopped at the discretion of that client.

7.1.4 Fees or remuneration for rendering of a service to a third party, or a distribution channel (such as an arrangement between a product supplier or any of its associates and one or more providers and any of its associates).

7.1.5 Subject to any other law, an immaterial financial interest.

7.1.6 A financial interest for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest is paid by the provider or Representative at the time of receipt.

7.1.7 An FSP/representative can spend up to a maximum of R1000. 00, per calendar year, per FSP and/or a representative. One is obliged to maintain a proper record of any financial



interest provided in the form of a Conflicts of Interest Register. The register should contain the value and reasons why the financial interest was given or received and kept in a format that is easily assessable. The duly designated personnel who maintains the Interest register is responsible for updating and keeping the Conflicts of Interest Register safe. Representative(s) who want to access the Conflicts of Interest Register must request it from the Legal and Compliance Manager or Administrator.

- 7.2 An FSP or its representatives may only receive or offer the financial interests referred to in clause 7.1.2, 7.1.3 and 7.1.4 if –
  - 7.2.1 those financial interests are reasonably commensurate with the service being rendered taking into account the nature of the service and the resources, skills and competencies reasonably required to perform it;
  - 7.2.2 the payment of those financial interests does not result in the FSP or representative being remunerated more than once for performing a similar service;
  - 7.2.3 any actual or potential conflicts between the interests of clients and the interests of the person receiving the financial interests are effectively mitigated; and
  - 7.2.4 the payment of those financial interests does not impede the delivery of fair outcomes to clients.
- 7.1.4 Fees or remuneration for rendering of a service to a third party, or a distribution channel (such as an arrangement between a product supplier or any of its associates and one or more providers and any of its associates).
  - 7.1.5 Subject to any other law, an immaterial financial interest.
  - 7.1.6 A financial interest for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest is paid by the provider or Representative at the time of receipt.
  - 7.1.7 An FSP/representative can spend up to a maximum of R1000. 00, per calendar year, per FSP and/or a representative. One is obliged to maintain a proper record of any financial interest provided in the form of a Conflicts of Interest Register. The register should contain the value and reasons why the financial interest was given or received and kept in a format that is easily assessable. The duly designated personnel who maintains the Interest register is responsible for updating and keeping the Conflicts of Interest Register safe. Representative(s) who want to access the Conflicts of Interest Register must request it from the Legal and Compliance Manager or Administrator.
- 7.2 An FSP or its representatives may only receive or offer the financial interests referred to in clause 7.1.2, 7.1.3 and 7.1.4 if –
  - 7.2.1 those financial interests are reasonably commensurate with the service being rendered taking into account the nature of the service and the resources, skills and competencies reasonably required to perform it;
  - 7.2.2 the payment of those financial interests does not result in the FSP or representative being remunerated more than once for performing a similar service;
  - 7.2.3 any actual or potential conflicts between the interests of clients and the interests of the person receiving the financial interests are effectively mitigated; and

- 7.2.4 the payment of those financial interests does not impede the delivery of fair outcomes to clients.

## **8. SIGN-ON BONUS**

- 8.1 The Company does not engage in the practice of offering FSPs and representatives sign-on bonuses as an incentive to render financial services on its behalf. The FAIS Act prohibits the offering of a sign-on bonus to any person other than to a new entrant (a person who has never been authorised as an FSP or appointed as a representative by any FSP).

## **9. CONSEQUENCES OF NON-COMPLIANCE WITH THE POLICY**

- 9.1 Company employees are obliged to report every suspected or actual transgression of this Policy to the Company during the monthly monitoring process. All employees should avoid any situation that may create or appear to create a situation which could be deemed a conflict of interest as, once there is a conflict of interest, employees may find it difficult to perform their duties and/or carry on with their work responsibilities impartially.
- 9.2 A violation of this Policy is a serious matter that could cause harm to the Company and could result in disadvantaging certain of the Company's clients.
- 9.3 Any employee, of the Company, who fails to comply with this Policy or avoids compliance through any means, will be regarded as having breached his/her employment contract. This will potentially render the individual liable to the appropriate disciplinary proceedings in terms of the FAIS Act and Company's Disciplinary Code which may result in the termination of their employment with the Company.

## **10. AMENDMENTS OF THIS POLICY**

- 10.1 The Governing body has adopted this Policy as well as the policies relating to the identified categories of potential Conflicts of Interest. The Governing body, without prior notice to or having been in consultation or reaching agreement with any FSP or its representative, may amend this Policy. Material amendments that are made to this Policy shall be made available to all employees on the relevant platforms.
- 10.2 This Policy will be reviewed on an annual basis or as required from time to time; and where necessary, updated to ensure that the provisions remain sufficient to identify, assess, evaluate and mitigate Conflicts of Interest.

## **11. MEASURES AIMED AT IDENTIFYING CONFLICT OF INTEREST**

- 11.1 It is the responsibility of all employees of the Company to maintain the good name and standing of the Company by conducting themselves professionally and in accordance with all rules,

regulations and legislation which govern the conduct of the Company.

- 11.2 Compliance with all rules, regulations and legislation is the individual responsibility of each employee. Each employee must accept personal responsibility for behaving correctly and in accordance with this Policy. Likewise, each employee is obliged to avoid or prevent any actions that are contrary to the content of this Policy and which could cause any harm to the Company as a result.
- 11.3 Set out below are various ways in which the Company can identify any conflict of interest:
  - 11.3.1 use of the Company's declaration of interest register will provide information on conflict of interest.
  - 11.3.2 monitoring the Conflict of Interest declaration register, annually.
  - 11.3.3 regular monitoring of commissions, incentives and fees that are paid /received by business units and independent brokerages.
  - 11.3.4 monitoring of gifts/financial interest offered or received by the Company on a continual basis.
- 11.4 The above is not an exhaustive list of how to identify the existence of a conflict of interest. Annexure A lists practical examples of the application of conflict of interest.
- 11.5 If you're unsure what constitutes a conflict of interest, an email can be sent to the Legal and Compliance Manager for assistance and guidance.

## **12. DISCLOSURE**

- 12.1 The Company must make appropriate disclosures to third parties including clients, as part of its arrangement to manage conflicts of interest. It is acknowledged that while disclosure alone will often not be enough, disclosure must be treated as an integral part of managing conflicts of interest. The Company is therefore committed to ensure that clients are adequately informed about any conflicts of interest that may affect the provision of financial services to them where applicable.
- 12.2 A clearly identified conflict of interest will not necessarily cause the provision of financial advice to a client to be significantly compromised, it should nonetheless be disclosed to the client. The client must be afforded the opportunity to decide for him/herself whether the conflict of interest is significant and to what extent he/she will rely on the advice or intermediary service.
- 12.3 On the discovery and identification of a conflict of interest, and the subsequent determination of its unavoidability, the following disclosure processes will be implemented on behalf of the client.
- 12.4 Full disclosure of the actual or potential conflict of interest must be made to the client at the earliest reasonable opportunity:
  - 12.4.1 The disclosure must be made before or during the rendering of financial services. In any other cases, the disclosure must be made at any time that allows the client reasonable time to assess its effect.



- 12.4.2 The disclosure must be formulated in such a way as to be considered prominent, specific and meaningful to the client.
- 12.4.3 The disclosure must be made in such a way as to allow the client to make an informed decision as to whether to continue with the financial services.
- 12.4.4 The disclosure must indicate the nature of the relationship or arrangement with a third party that gives rise to the conflict of interest.
- 12.4.5 The disclosure must indicate whether the conflict of interest is based on a financial and/or ownership interest.
- 12.4.6 The disclosure must indicate any ownership interest held with a product supplier in accordance with section 4(1)(d) of the General Code of Conduct.
- 12.4.7 Where the disclosure is provided orally, the disclosure must be confirmed in writing within 30 days of such said disclosure.
- 12.4.8 The written disclosure must be communicated by hardcopy or any appropriate electronic medium that is accurately and readily reducible to written or printed form.
- 12.4.9 The written confirmation of the disclosure must be provided by means of standard forms or format, in a clear and readable print size, spacing and format.
- 12.4.10 The reasons for the conflict of interest's unavoidability must be made available to the client on request.

### **13. PROCESS, PROCEDURES AND INTERNAL CONTROLS AIMED AT FACILITATING COMPLIANCE**

- 13.1 All employees must know and understand the Conflict of Interest Management Policy as well as the policies relating to the identified categories of potential conflicts of interests. Appropriate training will be provided to all employees on a periodic basis.
- 13.2 The Company shall be responsible for the training of all employees within the various business units of the Company on this Conflict of Interest Management Policy. They will be supported, where necessary, by the Company's Compliance Officer. The relevant legislative provisions will be highlighted during training, ad hoc communications and educational material will be used to highlight the awareness and the importance of compliance with this Policy.
- 13.3 If any employee at any level within the Company is in any doubt as to whether a particular conduct amounts to a conflict of interest or not, that employee must contact his/her immediate manager/supervisor for clarity and guidance.
- 13.4 Should a manager or supervisor be in doubt as to what would be appropriate, he or she must consult the Compliance Officer.

### **14. MEASURES AIMED AT MITIGATING CONFLICT OF INTEREST**

- 14.1 Company employees should avoid engaging in activities which will result in a conflict of interest. One must not use improper means to; for example, obtain business from a client or third party.
- 14.2 If Company employees realise that there is a potential or actual conflict of interest, the employee must, timeously and fully disclose any such potential or actual existence of a conflict to the

Company by reporting same to their immediate superior. This will enable the Company to decide whether to engage with the employee/transgressor in question.

- 14.3 Company employees who are faced by a conflict of interest situation which is unavoidable, must ensure that the necessary disclosures are made to the client and that the client's best interests are prioritised.
- 14.4 Should any employee not be certain about an intended transaction of theirs being a possible transgression of this Policy, the employee must approach their immediate superior; and send an email to the Legal and Compliance Manager for assistance.
- 14.5 The Company may not offer any financial interest to its representatives:
  - 14.5.1 that is determined with reference to the quantity of business secured for the Company without also giving due regard to the delivery of fair outcomes for clients;
  - 14.5.2 for purposes of clause 13.5.1 the Company must be able to demonstrate that the determination of and the entitlement to the financial interest takes into account measurable indicators relating to the achievement of minimum service level standards in respect of clients, delivery of fair outcomes for clients, and quality of the representative's compliance with the Act as agreed between the Company and the representative, and that sufficient weight is attached to such indicators to materially mitigate the risk of the representative giving preference to the quantity of business secured for the Company over the fair treatment of clients;
  - 14.5.3 for giving preference to a specific product supplier, where a representative may recommend more than one product supplier to client or
  - 14.5.4 for giving preference to a specific product of a product supplier, where a representative may recommend more than one product supplier to a client.
- 14.6 The above aims to ensure that, clients are treated fairly and are fully protected from undue and uncompetitive behavior by product suppliers and /or their representatives. The ultimate objective is to ensure that the best possible financial services are always rendered to clients.
- 14.7 Depending on the severity of non-compliance on the part of representatives, the following actions can be taken:
  - 14.7.1 Written warning
  - 14.7.2 Training can be recommended
  - 14.7.3 Coaching
  - 14.7.4 Dismissal; or
  - 14.7.5 Penalty in the form of a deduction of commission earned by the Representative.
- 14.8 In situations where it is "impossible" to avoid a conflict of interest, business unit manager(s) must, when called upon to do so, advance reasons as to why they failed to adhere to this Policy and to take measures to mitigate any conflict of interest.
- 14.9 Please see attached, a document marked **Annexure "B"** which illustrates the identification of conflict of interest.

**15. PUBLICATION AND REPORTING**

- 15.1 This Policy is available on the Company's website The Compliance department will report on accessibility, implementation, monitoring and compliance of this Policy.

**16. MANAGEMENT OF CONFLICT OF INTEREST**

This Policy forms part of the risk management framework of the Company. The Compliance Officer is responsible for the maintenance of this Policy to ensure that the policy remains relevant and appropriate to meet the statutory requirements. All queries regarding this Policy can be directed to the Compliance Officer.

## **ANNEXURE "A"**

Practical examples on the application of potential conflicts of interest:

1. A representative who is given a gift voucher, cooler bag and holiday voucher from an FSP or broker, the value aggregating over R1000 in one calendar year.
2. A Broker who is given a gift voucher, cooler bag and holiday voucher from the Company, the value aggregating over R1000 in one calendar year.
3. A dealer which provides financial services for the Company being paid maximum commission and given gifts over R1000 in a calendar year.
4. Incentives being run at Brokers which promotes number sales volumes.

The above is a contravention of the Conflict of Interest Management Policy and must be avoided. The interest received must be disclosed on the interest register.

## **ANNEXURE “B”**

### Identification of Conflicts of Interest.

1. Throughout the process of rendering a financial service to a client, a Key Individual or Representative must apply his or her mind to answering the following questions:
  - “Is there any situation that exists that influences the objective performance of my obligations to my client”?
  - “Is there any situation that exists that prevents me from rendering an unbiased and fair financial service to my client”?
  - “Is there any situation that exists that prevents me from acting in the interest of my client”?
  
2. If the answer to all the questions above is “no” - No further action would be required.
  
3. If the answer to any one of the questions above is “yes” - The following two questions must also be answered:
  - “Is the situation caused by an actual or potential relationship with a 3rd party”?
  - “Is the situation caused by an actual or potential financial or ownership interest”?
  
4. If the answer to any one of these questions is “yes” - an actual or potential conflict of interest has been identified which is not limited to a financial or ownership interest.