

Conflict of Interest Management Policy for Heavy Commercial Vehicle Underwriting Managers (Pty) Ltd (HCV)

Management policy statement

HCV conducts business with the following entities in which it recognizes any situation for conflict or potential conflict;

Heavy Commercial Vehicle Underwriting Managers (Pty) Ltd (HCV)
Keep On Trucking (Pty) Ltd (KOT)
Beqfin (Pty) Ltd
Truck Direct (Pty) Ltd

HCV recognises the importance of operating in an open and transparent manner in all aspects of the operations of the business, be they with our clients, our suppliers, our service providers or members of the greater business community within which we work, be they directly a part of the financial services industry or not. Whilst the legislative requirements may be the foundation for our policy, it is far more practical in its application and takes basic business ethics as its overall primary standard and objective which includes the six outcomes of "Treating Customers Fairly. The Board of directors of each entity takes this policy as a statement that binds the ethics of each of the entities.

To whom does this policy apply?

This policy is deemed to apply to all employees, which includes

- i. Directors
- ii. Managers
- iii. Permanent staff

whether they be employed in the financial services sector or not.

What do we deem to be a Conflict of Interest?

The Financial Advisory & Intermediary Services Act (FAIS) gives us the foundation for our policy. It defines a conflict as;

"any situation in which a provider 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 a provider or representative from rendering an unbiased and fair financial services to that client, or from acting in the interests of that client,*

including, but not limited to –

- i. *a financial interest*
- ii. *an ownership interest*
- iii. *any relationship with a third party"*

Where can these potential conflict situations arise within our business?

- i. With insurers with whom there is a business/ownership relationship
- ii. With other FSP's with whom there is a business/ownership relationship
- iii. With distribution channels with whom there is a business/ownership relationship
- iv. With any other persons with whom there is a business/ownership relationship
- v. With any service providers with whom there is a business/ownership relationship

Any of the above could be deemed associate entities or 3rd party entities with whom we may have an ownership interest in them or by them. These entities, if applicable, are listed in separate annexure to this policy.

- vi. With or as a result of employment contracts and remuneration policies
- vii. With any other relevant relationship that may exist within the entities

How do we assess whether there are conflict situations within our business?

We have a management tool that assists in documenting the various relationships and arrangements that we currently have in place, whether or not these create a conflict or potential conflict. If they do then a decision will be taken as to whether these are to be avoided or mitigated and the decision recorded accordingly. These sections are reviewed as part of the ongoing monitoring process followed by our external compliance officer and forms the basis of an ongoing reporting strategy to both ourselves and should the need arise to the Financial Services Board, the ultimate authority governing the financial services sector.

To assess what conflict situations we had we firstly identified all the situations that may have led to a conflict. This was an initial once off exercise but our compliance policy is such that these key indicators are reviewed, at the very least annually and **BEFORE** any new relationships is entered into because a new relationship may well demand avoidance, mitigation steps or additional disclosures.

The situations that we scrutinised included;

1. What associate entities relationships do we, or our staff, have?
i.e. In simple terms entities with whom there is a relationship based on common shareholding, management control or family (in its widest context) members are involved and subsidiary or holding entities status.
2. What third party relationships did us, or our staff, have?
These included;
 - i. Product suppliers (insurers) including any of their associates
 - ii. Other FSP's Including any of their associates
 - iii. Distribution channels
 - iv. Any other person who in terms of an agreement or arrangement with any of these provides a financial interest is due to us or one of our representatives, for example;
Panel beaters
Assessors
Security entities
Fitment centres
 - v. Suppliers outside the insurance environment, for example;
Stationary
IT
Accounting
3. Was there any ownership interest within these relationships?
And would this create a conflict of interest?
4. Was there any financial interest paid from or to the entities within these relationships?
And would this create a conflict of interest?
5. Was there any immaterial financial interest paid from or to the entities within these relationships?
If so, are we monitoring the frequency and extent?
6. What were our staff remuneration policies?

The process allowed us to assess all of our relationships, including those of our staff and including financial aspects, and to document these fully. The data collected was then reviewed to see, if a potential conflict had been identified, and then we had to see how best to deal with this. The options open to us included;

- i. Avoidance i.e. take away the situation that creates the conflict

OR

- ii. Mitigate i.e. put measures in place that acknowledge the conflict situation but implement measures to reduce its potential impact
- iii. Disclosure i.e. formally provide details of the situations that are there and what has been done, if anything, about these to reduce or eliminate the situation itself

Any solution we have established could be a combination of all three e.g. Avoid some, Mitigate others and **Disclosure of** what we have done and will continue to do.

Our general strategy was, where possible, to avoid such conflicts i.e. prevent them by physically removing the conflict situation.

Where we could not avoid the conflict situation, actual or potential, needed to be **mitigated** i.e. we had to put controls in place to reduce the likelihood of a conflict arising.

Where disclosure of conflicts, which includes potential ones, involved clients the standard adopted demands a higher level of formality. It demands formal disclosure "**at the earliest reasonable opportunity**" which is deemed to be when providing you with the initial advice/quote.

Our disclosures are clear, concise and effective, in our opinion although we constantly strive to ensure we are achieving this lofty ideal.

Our disclosures include;

1. What conflicts we have
2. What measures we have been taken to avoid or mitigate these
3. Ownership interests that may become due to us - this includes shareholding, dividends, profit share and similar payments. This includes ownership of and payments from associated entities that can include administrators, cell captives and insurers
4. Financial interests (these are things we actually pay for that are made available by other FSP's or insurers as part of the relationships that exist) that may become due, these include vouchers, benefits, travel, hospitality, accommodation, sponsorships and other incentives.
5. Details of the relationships and/or arrangements that exist that create the (potential) conflict.
6. How to obtain our Conflict of Interest management policy.

How do we ensure this policy is understood and adhered to by all role players?

1. This policy has been developed in conjunction with and formally approved by management. The adherence to and breaches of are a standing item on the board meeting agenda/management meetings.
2. This policy is published within the entities and is readily available to all staff, clients and other interested parties
3. All staff have been provided with a copy of this policy and have been given awareness training by our compliance department
4. Compliance with this policy is an integral part of our employment contract and subject to review on at least an annual basis. This includes a breaches of the policy are seen as an issue subject to the entities disciplinary procedures.
5. All staff complete and annually update a Conflict of Interest Questionnaire
6. All management and staff sign a formal declaration relating to the understanding of and an agreement to adhere to this policy
7. Our compliance program ensure a constant review of our standards which includes an obligation to report non compliance to the authorities if corrective action is not taken

What were the results of this process and its ongoing monitoring?

We have summarised the results below, sorted under the specific headings;

1. Management policy summary of our conflict situations and actions taken
2. Associates entities - a listing of all such entities
3. 3rd Party entities with whom there is an ownership interest by ourselves and/or staff

Conflict of Interest Management Policy
Details of the entities who conducts business with and which are seen as associates and ownerships

Who are the entities?	What is the nature of the shareholding within the entities and the common directorships?	Do we see the entities' structure presenting and any actual or potential conflicts of interest?	How are we managing these conflicts	Controls in Place
HCV Underwriting Managers (Pty) Ltd	C Barry is a 70% shareholder of HCV	There is a potential conflict in that, i). HCV maybe influenced to provide more favourable terms to Keep On Trucking than it would to other brokers and ii) Keep On Trucking avoid seeking other markets due to the shareholder influence of HCV	A rule has been communicated to all HCV and KOT staff that KOT is under no circumstances to be provided with terms more favourable than any other appointed broker	All quotes from KOT are checked to determine whether any other appointed broker is being prejudiced
Keep On Trucking Brokers (Pty) Ltd	C Barry is a 100% shareholder of Keep On Trucking Brokers and furthermore is a director of both entities	There is a potential conflict in that, i). HCV maybe influenced to provide more favourable terms to Keep On Trucking than it would to other brokers and ii) Keep On Trucking avoid seeking other markets due to the shareholder influence of HCV	1. Needs analyses are conducted and recommendations are made on suitability of products and insurance providers. 2. KOT makes the necessary disclosures of the relationship with HCV to clients and prospects.	1. KOT trains its staff on the provisions of the prevailing legislation 2. Audits are to be conducted and non-compliance will be penalised
Beqfin (Pty) Ltd	C Barry is a 100% shareholder of Beqfin and is furthermore a director of the entities	The issue of salvage may be perceived to be a conflict although this, in reality is not an issue in that the insured will in no way be impacted by such relationship. The percentage at which vehicles are deemed to be uneconomical to repair is predetermined, standardised, and consistent with industry practice and in no way dependent on the specific salvage dealer's terms or interests. The relationship furthermore has no bearing whatsoever on the settlement figure received by the insured party		No controls deemed necessary

Truck Direct (Pty) Ltd	C Barry is a 100% shareholder of Truck Direct and is furthermore a director of the entities	<p>There is a potential conflict in that;</p> <p>i) with the distribution channel with whom there is a business/ownership relationship</p> <p>ii) with any other relevant relationship that may exist within the entities.</p> <p>The relationship furthermore has no bearing whatsoever on HCV's policyholders in terms of insurance</p>	There is separate management controls in place within these entities	All leads to Truck Direct are passed by a Broker and HCV Management and Staff do not influence the Client's decision in any way. Separate authorization structures in Truck Direct is in place which are governed by the National Credit Act
------------------------	---	---	--	--

Possible other conflicts identified?	Do we see this as a potential conflict?	If Yes what have we done about it?	Controls in place?
Staff receiving gifts, vouchers and the like.	Yes	We have instituted specific controls to monitor these activities and have included full disclosure of the possibility of payments, gifts and the like as well as the limits applicable in our standard disclosure documentation supplied to clients	We have set up a register to monitor all gifts and hospitality received by the FSP to ensure that no provider supplies anything in excess of R 1000 in any one calendar year. This register can be viewed upon written request
Staff entertained by Associate or Third party entities			
Staff providing gifts, vouchers and the like to clients, third parties or associated entities.			We have set up a register to monitor all gifts and hospitality provided to the FSP to ensure that no representative of a provider receives anything in excess of R 1000 in any one calendar year from us. This register can be viewed upon written request
Staff entertaining Associate or Third party entities			