

— L I P C O —  
LAW  
FOR  
ALL

## CONFLICT OF INTEREST MANAGEMENT POLICY

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### 1. INTRODUCTION

LIPCO recognizes the importance of operating in an open and transparent manner in all aspects of the operations of the business, be they with our policyholders, 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. The board of directors personally takes this policy as a statement that binds the ethics of the company.

### 2. TO WHOM DOES THIS POLICY APPLY?

This policy applies to all employees, which includes:

- Directors
- Managers
- Permanent staff
- Contract and temporary staff

### 3. DEEMED AS A CONFLICT OF INTEREST?

The Financial Advisory & Intermediary Services (FAIS) Act defines a conflict as “any situation in which a Provider or a Representative has an actual or a potential interest that may, in rendering a financial service to a client:

- influence the objective performance of his, her or its obligations to that client; or
- prevent a Provider or Representative from rendering an unbiased and fair financial service 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.

#### **4. WHERE DOES THE POTENTIAL CONFLICT LIE?**

- With insurers with whom there is a business relationship;
- With other FSPs with whom there is a business/ownership relationship;
- With other distribution channels with whom there is a business/ownership relationship;
- With any other persons with whom there is a business/ownership relationship;
- With any service providers with whom there is a business/ownership relationship;
- With our employees
- With any other relevant relationship that may exist within LIPCO.

#### **5. HOW CAN WE PREVENT POSSIBLE CONFLICT SITUATIONS WITHIN OUR BUSINESS?**

- Proper record keeping of all business relationships;
- Updated job descriptions;
- Regular internal audits of all processes and operations;
- Annual performance appraisals;
- Regular management reviews;
- Compliance officer involvement in all processes;
- Ongoing reporting;
- Analyses of the following:

a: What associate company relationships do we or our staff have? i.e. companies 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 company status.

b: What third party relationships do we or our staff have?

These include:

- (i) Product suppliers (insurers) including any of their associates;
- (ii) Other FSPs 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 e.g. attorneys & advocates.

a: Was there any ownership interest within these relationships? If so could this create a conflict of interest?

b: Was there any financial interest paid from or to the entities within these relationships? If so could this create a conflict of interest?

c: Was there any immaterial financial interest paid from or to the entities within these relationships? If so are we monitoring the frequency and extent?

d: What are our staff remuneration policies?

We regularly assess all our relationships, including those of our staff and including financial aspects, and document these fully. The data collected is reviewed to see if a potential conflict had been identified and how best to deal with this. The options open to us included:

- Avoidance – take away the situation that creates the conflict;
- Mitigation – put measures in place that acknowledge the conflict situation but implement measures to reduce its potential impact;
- Disclosure – 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: avoid some, mitigate others and disclose what we have done and will continue to do so.

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, it 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, including potential ones, involved policyholders the standard adopted demands a higher level of formality. It demands formal disclosure at the earliest possible opportunity which is deemed to be when providing you with the initial advice / quote.

Our disclosures are clear, concise and effective, in our opinion, and we constantly strive to ensure that we are achieving our objective.

Our disclosures include:

- Ownership interests – this includes shareholding, profit shares and similar payments. This includes ownership of and payments from associated companies that can include administrators and insurers;
- Financial interests (these are things we actually pay for that are made available by other FSPs or insurers as part of the relationships that exist) that may become due. These include vouchers, benefits, travel, hospitality, accommodation, sponsorships and other incentives;
- Details of the relationships and/or arrangements that exist that create the potential conflict.

## **6. RESULTS OF MONITORING**

We have summarized the results in 3 specific annexures namely:

- Management policy summary of our conflict situations and actions taken;
- A listing of all associated companies;
- A listing of all third party companies with whom there is an ownership interest by ourselves and/or staff.

## **7. HOW DO WE ENSURE THIS POLICY IS UNDERSTOOD & ADHERED TO BY ALL ROLE PLAYERS?**

- This policy has been developed in conjunction with and formally approved by our management. Adherence to and breaches of this policy are a standing item on the board agenda.
- This policy is published within the company and is readily available to all staff, clients and other interested parties.
- All staff has been provided with a copy of this policy and have been given awareness training.

- Compliance with this policy is an integral part of our employment contract and subject to review at least annually. Breaches of the policy are seen as an issue subject to the company's disciplinary procedures.

## **ANNEXURE 1 | SUMMARY OF OUR CONFLICT SITUATIONS & ACTIONS TAKEN.**

### **1. INSURERS WITH WHOM THERE IS A BUSINESS/OWNERSHIP RELATIONSHIP:**

We have binder agreements with Absa Insurance Company, Insurers from the Telesure Group (DialDirect, Virseker, Auto & General, 1LifeDirect, Firs for Woman & Virgin Money) and Guardrisk to manage the underwriting of legal insurance policies (short term personal lines) on their behalf. None of the insurance companies mentioned has any ownership interest in LIPCO Group, and neither do LIPCO Group have any ownership interest in them. We are paid a fee by Insurers and also have a profit share agreement dependent upon the annual underwriting result.

### **2. INTERMEDIARIES (FSPS) WITH WHOM THERE IS A BUSINESS/OWNERSHIP RELATIONSHIP:**

All business we underwrite is sourced from licensed FSPs. No FSP from whom we source legal insurance business has any ownership interest in LIPCO, and neither do we have any ownership interest in them. FSPs are paid commission in respect of policies placed with our underwriters in accordance with legislated maximum commission rates. No other payments are made to any FSP. As normal business practice immaterial financial interest is provided to and received from FSPs from time to time. A record is maintained of such immaterial financial interest which is within the legislated limits.

The bulk of our business (i.e. policies issued) is received via LIPCO Business (Pty) Ltd, an authorized financial services provider with FSP number 43170. Although we have a close working relationship with LIPCO Business, who only sells LIPCO policies, we do not have an association with them as defined in the Short Term Insurance Act. I.e. we have different shareholders and directors and operate as separate independent legal entities.

### **3. SERVICE PROVIDERS WITH WHOM THERE IS A BUSINESS/OWNERSHIP RELATIONSHIP: WE HAVE A BUSINESS RELATIONSHIP WITH:**

- a. Independent African Mediation (Pty) Ltd ("IAM"), who renders legal and mediation services to LIPCO policyholders. IAM and LIPCO Group share the same directors and LIPCO Group's directors have shares in IAM.
- b. LIPCO Finance (Pty) Ltd, who act as tax consultants and handles our payroll. Some of LIPCO Group's shareholders and directors also have shares in LIPCO Finance.
- c. LIPCO Corporate (Pty) Ltd, who manages LIPCO Group's corporate partnerships. Some of LIPCO Group's directors are shareholders in LIPCO Corporate.

As part of normal business practice we utilize the services of various other third party service providers such as attorneys, accountants & IT companies. Contracts / service level agreements are entered into with all such service providers who are remunerated on the basis of services rendered.

#### **4. ANY OTHER PERSON WITH WHOM THERE IS A BUSINESS/OWNERSHIP RELATIONSHIP:**

There is no information to disclose under this heading.

#### **5. WITH OUR EMPLOYEES AS A RESULT OF EMPLOYMENT CONTRACTS &/OR REMUNERATION POLICIES:**

The company has adequate procedures in place to ensure that employees can not influence the volume of business received via intermediary FSP's.

## **ANNEXURE 2 - SUMMARY OF OTHER IDENTIFIED CONFLICTS AND CORRECTIVE ACTIONS TAKEN**

### **POSSIBLE OTHER CONFLICTS IDENTIFIED**

- Staff receiving gifts, vouchers and the like
- Staff entertained by associate or third party companies
- Staff providing gifts, vouchers and the like to clients, third parties or associated companies
- Staff entertaining associate or third party companies

Do we see this as a potential conflict? No

### **CONTROLS IN PLACE**

All gifts and hospitality received must be declared and reported to management, who will discuss a possible conflict of interest with the Compliance Officer and follow his advice.