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**REAM<sup>®</sup>**

**INSURANCE BROKERS (PTY) LTD** EST 1989

REGISTRATION NUMBER: 2001/023867/07

AUTHORISED FINANCIAL SERVICES PROVIDER. LICENCE NUMBER 1422

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**Conflict of Interest Management Policy**

**for**

**REAM INSURANCE BROKERS (PTY) LTD**

**1. Purpose**

The General Code of conduct for Authorised Financial Service Providers and Representatives (“the Code”) issued under the Financial Advisory and Intermediary Services Act, 2000 (Act No. 37 of 2002) (“FAIS”), requires financial service providers to have a Conflict of Interest Management Policy in place to ensure that conflict of interest is managed appropriately in the business.

The purpose of this policy is to assist Ream Insurance Brokers (Pty) Ltd and its employees to identify potential and actual conflicts of interest and to manage it appropriately.

**2. Management policy statement**

Ream Insurance Brokers (Pty) Ltd 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 is more practical in its application and takes basic business ethics as its overall primary standard and objective. The director(s) personally take this policy as a statement that binds the ethics of the company.

Signed

Date: 26 May 2014

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**Director:** R.V. du Plessis A.C.I.I A.I.I.S.A Chartered Insurance Practitioner (CEO)

**Physical Address:** PROFESSIONAL PLACE, 95 Monument Road, Kempton Park | Tel: 0861-444400 | Fax: (011) 394 8917

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### **3. To Whom does this policy apply?**

This policy is deemed to apply to all employees, which include:

- i) Directors
- ii) Managers
- iii) Permanent Staff
- iv) Contract and/or temporary staff

Whether they are employed in the financial sector or not.

### **4. 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-

- 1) A financial interest
- 2) An ownership interest
- 3) Any relationship with a third party "

### **5. Where can these potential conflict situations arise within our business?**

- i) With the Insurer(s) 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 person(s) with whom there is a business/ownership relationship;
- v) With any service provider(s) with whom there is a business/ownership relationship;

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

- vi) With our employees as a result of employment contracts and remuneration;
- vii) With any other relevant relationship that may exist within the company.

## **6. 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 has been 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 are entered into because a new relationship may well demand avoidance, mitigation steps or additional disclosures.

The situations that we scrutinized included;

- a) What Associate company relationships do we, or our staff, have?  
  
i.e. In simple terms 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 did we, 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.
- c) Was there any ownership interest within these relationships, and would this create a conflict of interest?
- d) Was there any financial interest paid from or to the entities within these relationships, and would this create a conflict of interest?
- e) Was there any immaterial Financial Interest paid from or to the entities within these relationships, and if so, are we monitoring the frequency and extent?
- f) What were our staff remuneration policies?

## **7. Measures to deal with the potential conflict of interest**

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. Measures to deal with potential conflicts of interest include:

- a) Avoidance, i.e. take away the situation that creates the conflict;
- b) Mitigate, i.e. put measures in place that acknowledge the conflict situation but implement measures to reduce its potential impact;
- c) Disclosure, i.e. formally provide details of the situations that are there and what has been done, if anything, to reduce or eliminate the situation itself.

## **8. Disclosure of what we have done and will continue to do**

- a) Our general strategy was, where possible; to avoid such conflicts, i.e. prevent them by physically removing the conflict situation.
- b) 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.
- c) Where disclosure of conflicts and potential conflicts 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.
- d) Our disclosures are clear, concise and effective in our opinion. We constantly strive to ensure we are achieving this ideal.

## **9. Our disclosures include:**

- a) What conflicts we have
- b) What measures we have been taking to avoid or mitigate the identified conflicts
- c) Ownership interests that may become due to us. This includes shareholding, dividends, profit share and similar payments; these in turn include ownership of and payments from associated companies that can include administrators, cell captives and insurers.
- d) Financial interests (these are things we actually pay for that which is made available by other FSP's or insurers of the relationships that exist) that may become due. These include vouchers, benefits, travel, hospitality, accommodation, sponsorships and other incentives.
- e) Details of the relationships and/or arrangements that exist that create the conflict or potential conflict.
- f) How to obtain our Conflict of Interest Management Policy.

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

- a) 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.
- b) This policy is published within the company and is readily available to all staff, clients and other interested parties.
- c) All staff have been provided with a copy of this policy.
- d) 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 companies disciplinary procedures.
- e) All staff complete and annually update a Conflict of Interest Questionnaire.
- f) All management and staff sign a formal declaration relating to the understanding of and agreement to adhere to this policy.
- g) Our compliance program ensures a constant review of our standards which includes an obligation to report non-compliance to the authorities if corrective action is not taken.

**11. We have summarised the results under 3 specific headings, namely:**

- a) Associate Companies - a listing of all such companies;
- b) Third Party Companies with whom there is an ownership interest by ourselves and/or staff;
- c) Management policy summary of our conflict situations and actions taken.

a) Associate Companies

**Conflict of Interest Management Policy - Details of Identified Associated Companies -  
incl. those of our staff**

REAM Insurance Brokers (Pty) Ltd, FSP 1422, acts as a non-mandated intermediary.

No associate companies exist.

Who is the Associate company?	Do we have a shareholding in them?	Do they have a shareholding in us?	Do we see this as a potential conflict?	If Yes what have we done about it?	Controls in place?
A product supplier					
Another FSP					
A distribution channel					
Any other person and brief details					

b) Third Party Companies

**Conflict of Interest Management Policy - Details of Third Party companies with ownership relationships.  
Incl those of our staff**

There are no such ownership companies

Who is the 3rd party?	Do we have a shareholding in them?	Do they have a shareholding in us?	Do we see this as a potential conflict?	If Yes what have we done about it?	Controls in place?
A product supplier					
Another FSP					
A distribution channel					
Any other person and brief details					

c) Management Policy Summary

**Conflict of Interest Management Policy - Summary of other identified conflicts and corrective actions taken**

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	No	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	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 to raymond@tuffstuff.co.za
Staff providing gifts, vouchers and the like to clients, third parties or associated companies.	Yes	No	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	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 to raymond@tuffstuff.co.za
Staff entertained by Associate or Third party companies	Yes	No	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	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 to raymond@tuffstuff.co.za
Staff entertaining Associate or Third party companies	Yes	No	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	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 to raymond@tuffstuff.co.za

**12. Annexures**

- a) Annexure "A"- Important Additional Information
- b) Annexure "B" – Conflicts of Interest Register

## Annexure A

### Important Additional Information for our Clients

We make every effort to ensure that at all times we act in your best interests and in no way allow our own interests, potential or actual, to influence our objective performance and the delivery of unbiased and fair financial service to you. In furtherance of this objective we want to ensure you fully understand the various interests we have, be they ownership, Financial, or relationships with third parties. There are a number of entities with whom we can have a relationship of this nature and a summary of these are provided below;

**Financial Service Provider:**

This is generally us, your Insurance Broker, sometimes referred to as an Intermediary. We are an authorized Financial Services Provider. We conduct business as a non-mandated intermediary.

FSP License Number: 1422

**Binder Holder:**

They act as an agent of the Product Provider (Insurer) to manage a specific type of product on their behalf. This is due to specialist knowledge of the staff of the binder holder and their ability to deliver a very focused and cost effective service to the broker and ultimately to the client. They are also licensed Financial Service Providers. REAM Insurance Brokers (Pty) Ltd hold a binder with Western National Insurance Company Limited, FSP 9465.

**Product Provider / Supplier:**

This is Your insurer.

**Distribution Channel:**

These are arrangements with any of the above or combination of these that provide support or services to us in our role of providing a financial service to you.

**Any Other Person:**

If there are any other persons that provide us with a financial interest as part of the delivery of the financial service

Each of the above may well have companies that are associated with them with whom we have a relationship. These could be subsidiary or holding companies or certain natural persons such as spouse, children, and parent. Where these relationships exist, you will be made aware of them.

**What represents Ownership or Financial Interest?**

**Ownership-** Actual equity that was paid for

**Financial-** Cash, or its equivalent, vouchers, gift service, advantage, benefit, discount domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration.

Any combination of the above relationships and/or ownership or financial interests may present a potential conflict and as such we need to ensure you are aware of these.

**Staff incentives**

We also confirm that none of our Staff are incentivised to give preference to any specific Insurer and/or product. Should it happen that incentives are based on volumes of business, these will be supported by an assessment of the quality of business sold and procedures followed.

**Immaterial Financial Interest:**

It is generally accepted practice within our Industry that "entertainment" and "gifts and incentives" collectively referred to as an immaterial financial interest in the Conflict of Interest regulations, are often provided by the Product Provider to the Financial Services Provider (broker) and vice versa and potentially from and to other financial service providers. The Rand value of such interests are limited, by legislation, per calendar year, to R1,000 in respect of anyone individual be they the provider of or beneficiary of such immaterial financial interest.

**We have a written agreement, referred to as a Binder agreement, with the insurers listed below to conduct the following services on their behalf;**

- i) enter into, vary or renew a policy;
- ii) determine the policy wording/s;
- iii) determine the premium under a policy;
- iv) determine the value of policy benefits;
- v) settle claims under a policy

**Western National Insurance Company Limited (South Africa) FSP: 9465**

**How do we get paid for what we do:**

In terms of our standard agency agreement we receive a commission from the Insurer with whom we place your insurances. This commission allows us to provide the following services to you.

- i) Selling and renewing policies;
- ii) Maintaining and servicing policies;
- iii) Collecting or accounting for premiums;
- iv) Receiving, submitting or processing claims

The level of these commissions vary depending upon product type and range from 11% for SASRIA, 12,5% for Motor and 20% for some others.

In terms of our Binder agreement/s we receive a fee from the Insurer/s concerned for binder functions performed, as follows- 10.5% of the gross premium of your policy.

Where we provide services to you in addition to the services for which we already receive a fee from insurers as detailed above we are required to disclose these services to you and receive your written consent to the payment of these fees. Such fees can be stopped by you at any time upon your written instruction. This will however compromise the additional services we provide.

Do we have a shareholding in any Insurer and/or cell captive arrangement? NO

Do we receive more than 30% of our income from this insurer or cell captive? NO

Do we have a relationship with any product provider/supplier that provides a Financial Interest other than Ownership? NO

Do we have a relationship with any other FSP that provides an Ownership or Financial Interest? NO

Do we have a relationship with any other Distribution Channel that provides an Ownership, Financial Interest or Support Service? NO

**A copy of our Conflict of Interest Management Policy can be obtained from our offices upon written request to [raymond@tuffstuff.co.za](mailto:raymond@tuffstuff.co.za)**

## Annexure B

### Conflicts of Interest Register

<b>ANNEXURE B CONFLICTS OF INTEREST REGISTER</b>
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Financial Advisory and Intermediary Services Act 2002 (FAIS)

**Purpose-** To record the incidence of conflicts of interest by the FSP to ensure compliance with the requirements of the FAIS Act and other legislation. This register should act as a summary document with more detailed history contained in the conflicts file where appropriate.

Ref No & ID of conflict	Received	Rec'd from	Rec'd by	Referred Internal	Description of conflict( add attachment no. or brief detail here)	Activity update	Status	OUTCOME- Description/Comments AND Learnings
Version number	2		Last updated on: 26/05/2014			Last updated by REAM Insurance Brokers (Pty) Ltd		