



# **LBLIC Conflict of interest Management Policy**

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## 1 Introduction

In terms of the General Code of Conduct for Authorised Financial Services Providers and Representatives, as amended ("the Code"), promulgated in terms of the provisions of the Financial Advisors and Intermediary Services Act (Act No. 37 of 2002 – "the FAIS Act") financial services providers ("Providers") must take all necessary steps to eliminate any practices and/or services that may create a conflict between their interests and the interests of an existing or potential client.

A conflict of interest is any situation where a Provider or a Provider's representative (whether an Independent Financial Advisor or a representative) has an interest that may in rendering a financial service to a client, influence the objective performance of his/her/its obligations to that client or where it prevents him/her/it from rendering an unbiased and fair financial service to that client.

It includes receiving a wide range of financial and non-financial benefits, ownership interests and any relationship with a third party.

Conflict of interest situations must be avoided. In addition, the Code requires that where it is not possible to avoid any action or reward that may create a potential conflict of interest, appropriate steps must be taken to mitigate the impact and it must be appropriately disclosed to the client at the earliest reasonable opportunity.

This Policy sets out the management of any such conflicts of interests by setting out:

- the mechanisms used to identify such conflicts,
- the measures for avoidance and disclosure,
- processes and procedures for compliance with the Policy, and
- the consequences of non-compliance to the Policy.

The Policy also contains details of the types of financial interests that a Land Bank Life Insurance Company (SOC) Ltd (LBLIC) representative receives and the basis on which it is received.

The Policy also contains a list of all associates of LBLIC and third parties which hold an ownership interest in LBLIC.

## 2 Identifying Conflict of Interest

LBLIC must develop the following processes to identify conflicts of interest:

- Appropriate rules must be put in place around the receipt/offering of financial interests e.g. the sales commission scheme;
- All remuneration models for representatives are required to be signed off by the compliance and legal departments to ensure compliance with the Code;
- Remuneration for Independent Financial Advisers ("IFA's") must be limited to regulated commissions and fees;

- Appropriate training must be developed to enable representatives to identify conflict of interest situations.

Annual reviews of these processes must be included in LBLIC's compliance monitoring processes in order to ensure that any conflicts of interest that arise are identified.

### **3 Measures of Avoidance and disclosure**

LBLIC has adopted the following governance process that requires management to ensure compliance with this Policy:

#### **3.1 LBLIC Board of Directors**

- To approve this Conflict of Interest Management Policy.

#### **3.2 Audit and Risk Committee**

- Review this policy and recommend its approval to the Board of Directors.

#### **3.3 Managing Director**

- Recommend the Policy and any amendment thereto to the Audit and Risk Committee;
- Review reports on non-compliance with established policies and procedures and ensure appropriate plans for corrective action are put in place; and
- Obtain feedback on progress made against action plans and ensure appropriate plans for corrective action are put in place.

#### **3.4 Compliance Officer**

- Give guidance and advice on the legislative requirements;
- Evaluate the effectiveness of procedures and controls adopted;
- Ensuring compliance with the Policy throughout LBLIC; and
- Accountable for statutory reporting requirements.

#### **3.5 Members of the Management Committee**

- Accountable for the status of compliance to this policy in the relevant business area;
- Ensure that processes are implemented to facilitate compliance with this policy in the relevant business area;
- Review reports on compliance and ensure that corrective action is taken to address non-compliance to this policy in the relevant business area; and
- Confirm compliance with this policy when required.

#### **3.6 Business Unit (BU) management e.g. Operations, Finance, Sales**

- Ensure that compliance requirements of this policy are incorporated in business processes;
- Ensure that employees within the BU are adequately trained on the requirements of this policy;

- o Ensure that regular, risk-based compliance monitoring is conducted; and
- o Take action to address any incidents revealed through monitoring.

#### **4 Consequences of non-compliance**

Non-compliance to this Policy will be dealt with in terms of LBLIC's disciplinary policies.

##### **Non-compliance by employees**

All LBLIC employees who do not comply with this Policy will be subject to LBLIC's internal employee disciplinary procedures.

##### **Non-compliance by representatives**

All LBLIC representatives who do not comply with this Policy will be subject to the debarment procedures applicable to representatives under the FAIS Act.

#### **5 Financial Interests**

##### **Independent Financial Advisors (IFA's)**

LBLIC may offer and facilitate the payment of the following financial interests to IFA's for rendering services as an intermediary or for the rendering of financial advice:

- Regulated commission under the Long-Term Insurance Act (No. 52 of 1998 – "the LIA").
- Regulated commission under the Short-Term Insurance Act (No. 53 of 1998 – "the SIA").
- Fees specifically agreed to by a client in terms of a written mandate that a client may terminate in his/her discretion.

LBLIC also offers and facilitates certain immaterial financial interests (not exceeding R 1000.00 per annum) as permitted in terms of the Code. Where LBLIC has contractual relationships with other Providers, it may not receive or pay anything other than the commissions and fees, listed above, permitted in terms of the Code.

##### **Representatives**

LBLIC's representatives are independent contractors who are paid regulated commission as regulated by the LIA and SIA and other benefits.

These other benefits include:

- Certain non-cash prizes if specific business targets are met.
- Certain re-imbursive allowances.

Before these other benefits are paid, LBLIC takes the following quality of business measures into account:

- whether the FAIS Disclosure Letter has been completed in full and signed

by both the representative and the client;

- whether the FAIS Disclosure Letter has been submitted to LBLIC together with the quotation;
- whether the insurance quotation has been correctly completed and signed by the client; and
- the number of complaints that have been lodged against the representative as well the outcomes.

## **6 List of Associates**

Land and Agricultural Development Bank of South Africa (Land Bank) – holds 100% of shares in LBIS.

Land Bank Insurance Services SOC Ltd (LBIS) - holds 100% of shares in LBLIC

Land Bank Insurance (SOC) Ltd – another subsidiary of the LBIS.

## **7 Policy Administration**

### Target audience:

All LBLIC employees, management and members of the LBLIC Management Committee.

### Approved and Issued by:

LBLIC Board of Directors

### Person responsible for Policy administration:

Compliance Officer  
+27 12 686 0552

### Version: 1.0

### Valid from:

26 November 2014

### Next update required:

25 November 2015

The Conflict of Interest Management Policy was recommended by the LBLIC Audit & Risk Committee and approved by the Board on .....Month ..... Year.

Signed at CENTURION on the 26 day  
NOVEMBER month 2014 year



Chairperson:  
LBLIC Audit & Risk  
Committee

Signed at CENTURION on the 26 day  
NOVEMBER month 2014 year



Chairperson:  
LBLIC Board