Conflict of Interest Policy

1. Introduction

This Conflict of Interest Policy ("the Policy") outlines the measures to be taken by HLI Insurance Brokers ("the Broker") to ensure compliance with the Financial Advisory and Intermediary Services Act (FAIS Act), No. 37 of 2002, and related regulations in South Africa. The aim of the Policy is to prevent conflicts of interest that could undermine the Broker's duty to act in the best interest of clients and to ensure transparency, fairness, and accountability in all business practices.

The FAIS Act, in part, requires that financial services providers, including insurance brokers, adhere to strict standards of conduct to maintain the trust and integrity of the industry. This Policy applies to all employees, representatives, and associates of the Broker.

2. Purpose of the Policy

- To define what constitutes a conflict of interest and ensure that all conflicts are identified and managed in a fair and transparent manner.
- To outline the procedures for declaring and resolving any conflicts of interest.
- To ensure compliance with the FAIS Act and the General Code of Conduct for Financial Services Providers (Code of Conduct).
- To protect the interests of clients and the integrity of the insurance industry.

3. Definition of a Conflict of Interest

A conflict of interest arises when the Broker or its employees, representatives, or associates have a personal interest or relationship that may:

- Influence or appear to influence their impartiality when providing advice, recommendations, or services to clients.
- Compromise their ability to act in the best interest of a client, resulting in a potential or actual detriment to the client's interests.

Examples of conflicts of interest include, but are not limited to:

- Personal financial interests in a product provider.
- Relationships with insurers or other financial service providers that could result in preferential treatment or bias.
- Accepting gifts, commissions, or incentives from a product provider that may influence business decisions or recommendations.

- Offering financial products or services to clients that may result in an immediate personal gain but not necessarily be in the best interest of the client.

4. Duty to Disclose Conflicts of Interest

- The Broker and its employees, representatives, and associates have a duty to disclose any potential or actual conflict of interest in writing to their line managers and to clients, before providing advice or making recommendations.
- If a conflict of interest is identified, it must be recorded in a register of conflicts of interest, which will be reviewed regularly by the Compliance Officer.

5. Procedures for Managing Conflicts of Interest

The Broker will take the following steps to manage conflicts of interest:

- **Identification**: All employees, representatives, and associates will complete an annual declaration of conflicts of interest. This declaration will be reviewed and updated whenever any new potential conflict arises.
- **Monitoring**: A dedicated Compliance Officer will be responsible for reviewing the Conflict of Interest Register regularly to ensure that all identified conflicts are being appropriately managed. This includes monitoring any gifts, commissions, or incentives received from insurers or product providers.
- **Mitigation**: When a conflict of interest is identified, the Broker will take reasonable steps to mitigate or avoid the conflict. These measures may include:
    - Reassigning tasks or duties to avoid the conflict's influence.
    - Disclosure of the conflict to the client.
    - Ensuring that no personal or financial gain is derived from the conflict that would undermine the client's interests.
- **Disclosure to Clients**: Where a conflict of interest cannot be avoided or resolved, it must be disclosed to the client in writing in a clear and understandable manner. The disclosure should include the nature of the conflict, the potential risks to the client, and how the conflict will be managed.

6. Prohibited Activities

The Broker strictly prohibits the following:

- Accepting or offering any gifts, commissions, or benefits that could reasonably influence the impartiality of the advice provided to a client.
- Entering into any arrangement or agreement with a product provider or third party that may result in preferential treatment of that provider to the detriment of the client's interests.
- Any form of direct or indirect remuneration (including commissions) that may create a conflict with the Broker's fiduciary duty to act in the best interests of clients.

7. Training and Awareness

- The Broker will ensure that all employees, representatives, and associates are trained and made aware of the Conflict of Interest Policy and the requirements under the FAIS Act.
- The Broker will conduct regular training to ensure staff are up to date with any legislative changes and to reinforce the importance of managing conflicts of interest in their day-to-day activities.

8. Consequences of Non-Compliance

Non-compliance with this Conflict of Interest Policy may result in disciplinary action, including but not limited to:

- Reprimands or warnings.
- Termination of employment or business relationships.
- Referral to regulatory authorities, such as the Financial Sector Conduct Authority (FSCA), if the non-compliance is deemed to have resulted in a breach of the FAIS Act.

9. Reporting and Record Keeping

- All conflicts of interest, disclosures, and resolutions must be recorded in the Conflict of Interest Register, which will be reviewed by the Compliance Officer.
- The Broker will retain records of any conflicts and the actions taken to manage them for a minimum period of five (5) years or as required by applicable laws and regulations.

10. Review of the Policy

This Policy will be reviewed annually and updated as necessary to ensure compliance with changes in legislation and best practice. Any updates or changes will be communicated to all employees, representatives, and associates.

Approved by:

Information Officer
15 February 2025
