



COMPLIANCE CONFLICTS OF INTEREST

INTRODUCTION

Purpose of the policy

Ensuring that our dealings with clients are fair and transparent is at the heart of Price Forbes' approach to business. In recognition of this, we must acknowledge that situations may arise where the interests of Price Forbes and that of a client may conflict, or that we may be in a position where, from our dealings with two or more clients, conflicts may arise between their interests. In these situations, we must be aware of how to effectively manage and mitigate any conflicts so that our client's best interests are not compromised.

This policy also sets out our position on remuneration and disclosure because, while there may be other drivers of conflict, remuneration will be a primary consideration and driver of the potential situations and behaviours giving rise to conflicts of interests.

The following provisions also set out the approach that we have decided to adopt to ensure that we deliver on our objective of treating customers and other market parties fairly where the potential for conflicts of interest arise.

The policy is intended primarily to provide a practical and effective approach to conflict management, recognizing the ultimate possibility that in a particular set of circumstances Price Forbes may have to decide to withdraw from providing services to a client where either, the conflict situation cannot be resolved, or it cannot be resolved to the satisfaction of the relevant client.

Regulatory Requirements

We are required by the Financial Conduct Authority (FCA) to act honestly, fairly and professionally in accordance with the best interests of our clients ('customer's best interest' rule)¹. We must also ensure that the remuneration arrangements we enter into do not conflict with the customer's best interest rule.

Therefore, everyone within Price Forbes must take all reasonable steps to identify Conflicts of Interest between the firm and a client of the firm, and between one client of the firm and another client².

This requirement also applies where we act in a wholesale capacity – even where there is no direct contact with the end insured, consideration must always be given to ensure we act in their best interest. Thus, reference to "clients" throughout this document also refers to end insured(s).

IDENTIFYING CONFLICTS OF INTEREST

Responsibilities

There are a number of situations that could give rise to a Conflict of Interest. All members of staff are responsible for the identification and reporting of any potential or actual Conflicts of Interests in line with the procedures set out below.

Potential Sources of Conflicts of Interest

- We become aware, from information supplied by two or more clients, that their commercial interests are brought into conflict by the work we have been separately asked to undertake for them

¹ ICOBS 2.5R

² SYSC 10.1.3R

- We may be provided with market sensitive information by a client the disclosure of which, publicly or to another party, could damage their interests.
- The options for placing and structuring an account could create a conflict of interests between those of Price Forbes and the client e.g. one option is more lucrative for PF than the other.
- Business could be placed where there may be more competitive options on the open market, utilizing binding authorities or Line slips held by Price Forbes.
- Underwriting units of Price Forbes are charged with generating profitable business on behalf of their underwriting principals whilst being remunerated by Price Forbes on the basis of sufficient revenue (commission).
- The interests of an employee could conflict with those of either Price Forbes or a client. These could be arising from the employee's external interests or information that comes into their hands in the normal course of business.
- The advice to a client, with regard to the choice of insurer, may conflict with Price Forbes wider interests and overall relationship with a particular insurer.

All such circumstances must be disclosed to Compliance as and when you become aware of them. Disclosures can also be made through the monthly Treating Customers Fairly returns completed by senior members of all divisions. After being advised Compliance will advise staff/divisions of the next steps required.

Personal Conflicts

In addition to the above, all employees are required to disclose to Compliance any of the following;

- Any external appointments and/or directorships, executive or non-executive.
- Any interest or control in a company that is a competitor, an actual or potential client³ or market that is not quoted on a recognized exchange.
- Any interest or control in a company that is a competitor, an actual or potential client or market that is quoted on a recognized exchange.

Such circumstances must be disclosed as and when you become aware if they have not already been disclosed through the employee bi-annual Conflicts of Interest attestation on MyLearning.

You must not conduct any business with or potentially involving family members unless agreed with Compliance.

A register will be maintained by Compliance to manage any interests to ensure they do not create an inducement to act improperly or create an undue sense of obligation that could lead to a heightened risk of biased decision making.

Examples of Conflicts of Interest can be found in the Conflicts of Interest Register.

MANAGING CONFLICTS OF INTEREST

Procedures

A proactive approach to identifying and fairly managing conflicts of interest will normally enable us to resolve issues to the satisfaction of all concerned, in an open and transparent manner.

All actual or potential conflicts of interest issues must be advised to Compliance, in the first instance. Compliance is responsible for recording the details of the issue and providing advice; firstly in determining whether the incident constitutes an actual conflict, then secondly in determining the practical steps⁴ to be taken and alternative options for managing the issue. After being advised Compliance will work closely with the staff/division concerned to assess the risks present by the conflict and agree on controls that can be implemented to mitigate these risks.

³ An actual client is one where, to the reasonable knowledge of the individual concerned, Price Forbes has booked remuneration in the preceding 18 months, and, a potential client in one that, to the reasonable knowledge of the individual concerned, Price Forbes is in actual negotiations with the client or has been specifically identified as a target client by Price Forbes.

⁴ 'Ethical walls' involving the rigorous control and separation of individuals and information may provide a viable approach to managing a conflict in specific circumstances. Where this is the case, Compliance will set out the detail of that process at the time.

Where it is possible for Price Forbes to take action that effectively eliminates the potential for conflict, then the issue will be recorded by Compliance, details advised in the next Compliance Report to the Board, consideration given as to whether changes to policies and procedures are appropriate, and no further action taken.

If the conflict involves one or more clients and it is not possible to entirely eliminate the potential for conflict, the client(s) will be advised of the issue and the actions that Price Forbes proposes to take to manage the issue, in writing⁵. The client(s) written acknowledgement and agreement to the proposed course of action (so-called "informed consent") is required before proceeding further. Any proposal dealing with an actual or potential conflict of interest between Price Forbes and a member of staff must be authorized by the CEO.

In extremis there may be rare circumstances where it is not possible to manage an actual conflict situation in a manner acceptable to both the client(s) and Price Forbes, in which case we will be unable to continue acting for that client.

Additionally, there are a number of key policy issues upon which the Board has decided that govern our approach to prevention and resolution in this area, as follows;

1) Putting Up Quotations

All quotations constituting a formal⁶ responses to a request from an underwriter to provide a quote for a specific piece of business, must be provided to the client and copies retained on file.

2) Facultative Reinsurance (Fac R/I)

Our choice of direct market must not be influenced by the possibility of a particular market offering us an opportunity to reinsure the whole or part of the direct risk; nor should we dictate or influence the underwriter's choice of reinsurance broker.

3) Status Disclosure & Binding Authorities Held By Price Forbes⁷

Transparency requires that the client fully understands the services that Price Forbes will provide. In particular, the client should be provided with sufficient information, in writing, to ensure that they are able to distinguish between circumstances where Price Forbes has relevant⁸ agency obligations to one or more of the underwriters and those where it is seeking open market quotations.

In particular, the existence of any additional form of remuneration, such as where PF also earns a fee, that may accrue to Price Forbes in connection with the use of a binding authority or underwriting facility, must be disclosed to the client at or before quotation to obtain the clients written agreement to our retention of such income.

Where Price Forbes holds underwriting authority in the form of a binding authority or facility, the following provisions must be in place;

- Relevant employees clearly understand that their primary agency obligations are to the underwriter and clients are made aware of this.
- The teams and their files, or other information, are physically separate from the broking teams and system held information is segregated.

Further to this, Price Forbes operates a stand-alone Management Group which maintains ownership of activities of Equinox and ensures segregation from the Broking Teams.

⁵ Includes e-mail, or written record of a meeting or telephone conversation that has been circulated to all the parties concerned

⁶ Includes any quotation on a permanent medium including e-mail, fax, letter or other written form

⁷ Includes Equinox

⁸ Relevant in the circumstance means a facility/binder held by Price Forbes is quoting on the business

Claims Handling Activities

In situations where we have a claims settling authority under a facility or a binding authority, claims handling teams will operate independently from underwriting and broking teams. Additionally, claims handling teams will;

- maintain their own files;
- negotiate the claim with the underwriting team on the same basis as they would with a direct market;
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- seek the highest fair settlement in all cases.

Claims files and other relevant information held by Price Forbes acting as the client's agent must be disclosed on request to the client. In no circumstances can Price Forbes accept, in its broker capacity, underwriter instructions that could conflict with the interests of a client. In addition, Price Forbes will not accept a client instruction that could conflict with its legal obligations; e.g. a potential fraud. In that event Price Forbes will invoke its 'whistle-blowing' reporting procedures.

REMUNERATION AND DISCLOSURE

Please note, alternative or additional requirements may be required for direct retail insurance under ICOBS – please follow the process as set out in the Demands & Needs statement.

Price Forbes will not seek to negotiate any form of remuneration from sources other than those set out in the "Permissible Forms of Remuneration" section below.

Permissible Forms of Remuneration

- Commissions and brokerage set out on the slip, agreed and paid by underwriter(s).
- Fees agreed and paid by the client.
- Commissions paid to us by other brokers for introducing business or marketing part of a risk.
- Commissions, brokerage, profit commission, and any other remuneration sources agreed and paid by underwriters that have delegated underwriting authority to Price Forbes.
- Interest earned on monies held in the Non-Statutory Trust accounts (NST)

Where Price Forbes is being remunerated on a fee basis, no other form of remuneration, other than interest from the NST, may be taken without first receiving the client's consent in writing.

What we must disclose – General Disclosure Requests

- On a commercial customer's request, we are required by the FCA to promptly disclose the commission we receive in connection with a policy.⁹
- Any request for earnings disclosure received or communicated from a client must be notified to Compliance immediately to be fully analysed to ensure a clear understanding of disclosure being sought.
- Compliance will then advise on how to make the disclosure in line with the FCA requirements as per ICOBS 4.4.
- As a minimum Price Forbes will fully disclose, upon request, to the relevant client, its net retained¹⁰ commission and/or fee earnings in the preceding 12 months (subject to the guidance set out in Section 3 'Remuneration Disclosure')

⁹ ICOBS 4.4.1R

¹⁰ Gross commissions and fees less any rebated commission or client discounts and commissions paid to sub-brokers and third party commission agents

What we must disclose – Transparency with our Clients

1) Contingent commissions

Conflicts of interest may arise, or be perceived, in respect of policies arranged on behalf of clients where we receive contingent commissions/profit commissions from underwriters. This is because such arrangements could influence placement decisions as well as influence brokers to restrict cover, inflate premiums and suppress claims to increase revenue to the detriment of the insured.

Procedure:

- Profit Commissions must be recorded on a central database, which Compliance will review together with the business placed under the relevant facilities as part of regular Compliance monitoring.
- When you earn any such commission, you must inform clients that their insurance is being placed under a binder or lineslip that generates profit commissions through use of the approach to market and demands and needs statements available on the intranet.

2) Market derived income

Payments by markets to Price Forbes ("market derived income") outside of traditional broking arrangements (including fees in addition to customary commission for activities independent of placement) may encourage brokers to place business with these markets rather than markets that provide the best outcome for the customer.

Procedure:

- Should you wish to enter into an arrangement where Price Forbes will earn market derived income, you must notify Compliance before agreeing.

3) Add-on products

Price Forbes does not permit cover for add-on products. Conflicts of interest may arise where commission rates for add-on insurances and services are much higher than commission levels earned on core products. Add-on products also give rise to the risk of mis-selling if mandated.

Procedure:

- Should you wish to offer add-on products, the team leader must seek approval from Compliance before agreeing to any such arrangements.

Remuneration of Producing Brokers

Our remuneration of producing broker clients, including producing brokers within the Ardonagh Group, may cause their interests to conflict with those of insured(s), creating Conflicts of Interests.

Producing broker clients must only be remunerated in line with market practice and you must not offer any of your producing brokers incentives to act against the best interests of insured(s).

Arrangements outside of market practice must be discussed with and approved by Compliance before agreement.

Third Parties

Where a client seeks disclosure of information and Price Forbes has obligations to a third party such as a facultative reinsurance client, sub-broker, co-broker, or third party held facility, the information may only be disclosed with the written permission of the third party.

The timeframes that will be followed are as follows;

- Immediate acknowledgement of the request and in any case within 24 hours (one working day), seeking clarification of any areas of ambiguity and advising the timeframe for a full response.
- Simple information requests as soon as possible and in any case within 48 hours (two working days).

- More complex requests should be fully responded to within five working days or the client provided with some written explanation of any delay.

Management Information

Management Information, including information on intragroup placements, will be provided to the Risk & Compliance Committee.

Other related documents

This policy document should be read in conjunction with:

- Conflicts Register
- Conduct Risk Policy
- Charitable Donations Policy
- Gifts, Entertainment & Hospitality Procedures
- Code of Conduct