Conflicts of Interest (December 2023)

As a firm we acknowledge and abide by the Financial Conduct Authority’s (FCA) Principles for business including:

**Principle 1:** A firm must conduct its business with integrity**.**

**Principle 6:** A firm must pay due regard to the interests of its customers and treat them fairly.

**Principle 8:** A firm must manage conflicts of interest fairly both between itself and its customers and between a customer and another customer.

and

**Principle 12:** A firm must act to deliver good outcomes for retail customers.

Note: Where the Consumer Duty Principle 12 applies, Principle 6 disapplies.

This policy specifically deals with **Principle 8,** under which we are required to identify and to prevent or manage conflicts of interest fairly, between: -

1. The firm including its managers, employees and appointed representatives, or any person directly or indirectly linked to them and a customer of the firm or
2. One customer of the firm and another customer.

This principle extends to soliciting or accepting inducements where this would conflict with a firm’s duty to its customers. *[A firm that offers such inducements/incentives (including to third parties) should consider whether doing so conflicts with its obligations under Principles 1, to act with integrity, 6, to treat customers fairly or 12, act to deliver good outcomes to customers and with its obligations under the customer’s best interests rule.]*

An inducement is a benefit offered to a firm or any person acting on its behalf, with a view to that firm, or that person, adopting a particular course of action. This can include, but is not limited to cash, cash equivalents, commission, goods, hospitality or training programmes.

Under the customers best interests rule, [Name of Firm] must not be remunerated or remunerate or assess the performance of our employees in a way that conflicts with our duty to comply with the customers best interests rule.

Under the customers best interests rule, in relation to a multi-occupancy buildings insurance contract, the definition of customer extends to include any policy stakeholder and, will include any residential leaseholder.

Examples of circumstances where conflicts are more likely to arise include profit share agreements, commission sharing arrangements, volume over-riders, bonuses, corporate hospitality and gifts, claims handling, binding authorities, training or marketing support provided by the insurer, "soft" loans, external directorships and acquisitions.

For a conflict of interest to exist it is not enough that the firm may gain a financial benefit or avoid a financial loss, there must also be a possible disadvantage to the customer.

If a customer to whom the firm owes a duty, may make a gain or avoid a loss it will not be a conflict of interest unless there is a concomitant possible loss to another customer to whom the firm owes a duty.

Identifying conflicts

Through the use of management information, the completion of a conflicts of interest gap analysis, annual staff declarations, training and reliance on staff honesty and integrity, [Name of firm] takes all reasonable steps to identify conflicts of interest.

All staff are asked on a regular basis to consider and identify whether the firm or a relevant person, or a person directly or indirectly linked by control to the firm:

1. is likely to make a financial gain or avoid a financial loss at the expense of a customer;
2. has an interest in the outcome of a service provided to the customer or of a transaction carried out on behalf of the customer, which is distinct from the customer’s interest in that outcome and has the potential to influence the outcome of the activities to the detriment of the customer.
3. has a financial or other incentive to favour the interest of another customer or group of customers over the interests of the customer;
4. carries on the same business as the customer;
5. receives or will receive from a person other than the customer an inducement in relation to a service provided to the customer, in the form of monies, goods or services other than the standard commission or fee for that service; or
6. is substantially involved in the management or development of policies, in particular where such a person has an influence on the pricing of those policies or their distribution costs.

Disclosure information

[Name of Firm] must provide our customers with information on whether we have a direct or indirect holding representing 10% or more of the voting rights or capital in a given insurance undertaking or whether a given insurer or its parent undertaking has a direct or indirect holding representing 10% or more of the voting rights or capital in the firm and whether we are representing the customer or are acting on behalf of the insurer. This information is included in the customer TOBA where appropriate. [ICOBS 4.1.2 (2b-d)]

Under the multi-occupancy buildings insurance regulations, we are also required to disclose the above information to a residential leaseholder/policy stakeholder in respect of the buildings insurance either via the contractual customer or direct as appropriate. This information is incorporated into the disclosure document that is passed to the contractual customer for onward transmission to the residential leaseholder/policy stakeholder.

Record of Conflicts of interest

[Name of Firm] must keep, and regularly update, a record of the kinds of service or activity carried out by or on our behalf in which a conflict of interest, entailing a material risk of damage to the interests of one or more customers, has arisen or in the case of an ongoing service or activity may arise.

On a frequent basis, and at least annually, the management body receives written reports on all situations where a conflict of interest has arisen or may arise.

Where a conflict of interest has arisen, this is recorded in the conflicts of interest register. Where a conflict of interest may arise, this is detailed in the conflicts of interest gap analysis.

Dealing with Conflicts of Interest

Conflicts of interest must be dealt with proportionately to the activities we perform, the policies sold and the type of insurance distributor we are.

It is recognised that a lack of understanding of a distributor’s status i.e., capacity in which they are acting, certain business models, and remuneration arrangements exacerbate the inherent conflicts that stem from a distributor’s dual role as adviser to their customers and distributor to insurers.

[Directors Name]has overall responsibility for managing and dealing with conflicts of interest within [Name of firm].

With the intention of avoiding conflicts of interest we ensure that:-

1. When requested by a commercial customer we provide information on the full cost of insurance distribution. This includes the total amount of commission earned by the firm, information on profit shares, volume over riders and payments received from arranging premium finance. Commercial customers will be advised at inception and renewal of their right to request information about the firm’s earnings.
2. We provide our customers with clear information about the service we provide including the breadth of any marketing exercise undertaken on their behalf.
3. We always ensure that customers are clear about the capacity in which we are acting i.e., whether we are acting for them, for the insurer or in some cases for both.
4. When considering remuneration arrangements and business models, conflicts of interest will be considered, managed, and where necessary disclosed.
5. We provide customers with details of any relationships we have with insurers for whom we arrange business that may lead to a conflict of interest.
6. When working with a third party we ensure there is a good business reason for working with the third party and that the arrangement is consistent with the interests of the policy holders (and policy stakeholders/residential leaseholders in respect of multi-occupancy buildings insurance)
7. Any third party incentives or payaways are openly disclosed to residential leaseholders/policy stakeholders in accordance with the multi-occupancy building insurance reforms.

Disclosure of Conflicts

If it becomes apparent that the arrangements to manage conflicts of interests are insufficient then we will clearly disclose the general nature and/or sources of the conflict of interest to the customer and obtain the customer’s informed consent before undertaking business for them.

The disclosure will be in a durable medium and include sufficient detail, taking into account the nature of the customer and the steps taken to mitigate those risks to enable the customer to make an informed decision.

The disclosure will clearly state that the organisation and administrative arrangements established by the firm to prevent or manage that conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the customer will be prevented.

It will include a specific description of the conflicts of interest that arise in the provision of insurance distribution activities.

It will explain the risks to the customer that arise as a result of the conflicts of interest.

It is acknowledged that disclosing conflicts of interest does not detract from the requirement on us to give appropriate consideration to how conflicts of interest can be affectively managed. [SYSC 10.1.9] Disclosing conflicts of interest is a measure of last resort.

When possible, where a conflict of interest arises, the elements should be handled separately. Those persons engaged in business activities involving a conflict of interest should carry out the activities at a level of independence appropriate to the situation and to the firm. Wherever possible conflicting information should not be exchanged.

Supervision of the persons engaged in the business activities involving the conflict of interest should be separated.

There should not be any direct link between the remuneration of one group of persons engaged in one activity and the remuneration of or revenues generated by different persons where a conflict of interest may arise in relation to those activities.

Measures must be in place to prevent any person from exercising an inappropriate influence over the way in which a relevant person carries out services or activities.

A single employee should not be involved in services or activities where such involvement may impair the proper management of conflicts of interest.

If we cannot resolve the conflict of interest or deal with the matter appropriately the alternative may be to decide not to deal with the customer(s).

We must, as a firm, have a gifts and benefits policy which determines clearly under which conditions gifts and benefits can be accepted or granted and which steps are to be taken when accepting and granting gifts and benefits.

Any benefit (inducement) offered to or by a representative of [Name of firm] outside of those that are normally part of negotiations with customers and insurers must be disclosed to [Director’s Name] and entered in the gifts and hospitality register.

All employees of the firm are bound by this conflicts of interest policy.

Management Information (to be reviewed at least annually)

* Conflicts of interest gap analysis
* Gifts and hospitality register
* Spread of risk by producer, product line, provider and commission
* Method of payment (premium finance, cash or insurer scheme) against insurer.
* Any bonuses paid
* Training / marketing undertaken including provider
* Register of situations in which a conflict of interest, entailing a risk of damage to the interests of a customer has arisen or may arise.
* Annual written reports, presented to the senior management on situations where a conflict of interest has arisen or may arise.

Policy Review

This policy is reviewed and assessed annually, and any deficiencies addressed.