

Conflicts of Interest & Remuneration Policy & Procedure

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1. Introduction

a) Purpose of the Policy

Ensuring that our dealings with clients are fair and transparent is at the heart of Bishopsgate's approach to business. In recognition of this, we must acknowledge that situations may arise where the interests of Bishopsgate 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 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 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.

b) 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 Bishopsgate 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 insureds.

2. Identifying Conflicts of Interests – Responsibilities

There are a number of situations that could give rise to a Conflict of Interest.

Compliance conducts an annual Conflict of Interest assessment for each team within Bishopsgate. In addition, all members of staff must complete a bi-annual employee attestation declaration covering Conflicts of Interest. The assessment and attestation help to identify potential Conflicts of Interest, as well as assess the risks they present and agree on controls that can be implemented to mitigate these risks.

However, 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.

¹ ICOBS 2.5R
² SYSC 10.1.3R

3. Managing Conflicts of Interest – Procedures

All actual or potential conflicts of interests must be advised to Compliance in the first instance – if you are unsure whether a situation is or may give rise to a Conflict of Interest, please report it to Compliance.

Compliance is responsible for recording the details of the issue and providing advice; firstly, in determining whether the incident constitutes an actual conflict, and secondly in determining the practical steps to be taken for managing each situation.

The following potential Conflicts of Interests have been identified through workshops with each team, and the procedures have been set out in each section on how these should be managed.

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.

a) Group Entity Conflicts

Potential conflicts may arise where Bishopsgate places business with another Ardonagh Group company (such as Geo Specialty or Price Forbes). This is because there is a risk that Bishopsgate brokers may place business with these Group companies in order to boost the revenue of the Group, even if it is not in the client's best interests.

Procedure:

- Where you place business with another Group company, you must inform the client by including the 'Group company placement' transparency wording (Appendix 1) provided by Compliance on quotations.
- You must also ensure that your rationale for placing business with the Group is in the best interests of the client i.e. you are able to obtain better cover, Group are willing to take on more distressed risks, you gain access to markets that you would not have access to otherwise, etc.
- Rationale will be reviewed as part of Compliance monitoring.

b) Dual Agency

Potential conflicts may arise where Bishopsgate conducts a mixture of open-market broking activities alongside and in conjunction with activities where it acts as agent of the insurer, for example where Bishopsgate has delegated underwriting authority via in-house binders. In these circumstances, dual agency conflicts may arise where Bishopsgate is acting both as agent of its customer and its insurer within the same transaction.

Procedure:

- All new in-house binders must be approved by Compliance via a dedicated onboarding process.

- All in-house binders will also be subject to an annual facility review (see ciii. Facility Review below).
- Where you place business under an in-house binder, you must inform the customer by including the transparency wording (Appendix 1) provided by Compliance on quotations.

c) Placement decisions

i. Panel selection

A conflict of interest may arise if brokers select their panel of markets based on the most advantageous financial arrangements for the firm rather than providing the best outcomes for their clients.

Procedure:

- You must approach the appropriate number of markets in line with the class of business, circumstances of that risk, knowledge of which markets write the levels of risk you require, or which have reached their underwriting capacity, etc.
- If you decide to restrict marketing based on commercial reasons (i.e. due to the size of the risk's premium), you must make it clear to the client that restricted marketing has taken place.
- You must ensure that rationale for recommended markets is clear either in market/front sheets, email correspondence to the client or within a file note.
- Where only a single market has been approached (or the team has only approached the in-house binder or lineslip), you must inform the client by including 'approached one market' transparency wording (Appendix 1) provided by Compliance on quotations.
- You must conduct a full marketing exercise if requested by the client.

ii. Renewals

A conflict of interest may arise if brokers are motivated at renewal to maintain the existing insurance market if that market is beneficial to the firm, even where a more advantageous outcome for the insured may be achieved if re-brokered with other markets.

Procedure:

- To support the existing markets as far as possible for continuity purposes (especially for claims experience), you may approach the existing market first for terms and renew with the existing market provided that there have been no significant changes to terms, cover, price, etc., and that the client is happy to remain with the existing market.
- If significant changes have occurred or the client is unhappy/requests a remarketing exercise, you must conduct a remarketing exercise.

- Where markets other than the existing market have not been considered, you must inform the client that you have renegotiated with their existing insurer.

iii. Facility reviews

A conflict of interest may arise where insurer arrangements or facilities used extensively by Bishopsgate (such as binders and lineslips), have been in place for several years with no available evidence that their performance and value from a customer perspective have been considered since their inception.

Procedure:

- Unless otherwise agreed with Compliance, all relevant teams must conduct an annual review of their facilities to ensure they are still operating in the best interests of the insured. This should, where applicable, include a review of claims (quantity and number of rejected claims), terms and conditions, whether markets are still appropriate, and whether policy wordings are still appropriate/can be improved.

iv. Most suitable brokers

A conflict of interest could arise where brokers conduct business outside of their expertise or experience rather than referring the business internally to another team or externally to another Group company (such as Price Forbes), in order to maximise revenue for their team to the detriment of customers.

Procedure:

- You should refer any business outside of your expertise or experience to another team within Bishopsgate in the first instance, and externally if required.

d) Conflicts of Interest with an Insured, Broker or Underwriter

A conflict may arise where Bishopsgate's interests conflict with the interests of the Insured, other Brokers within the insurance chain or Underwriter.

Procedure:

- In these circumstances, you must escalate the conflict to Compliance immediately who, in conjunction with the relevant team head, will disclose the conflict to the other party.
- If action can be taken to resolve the conflict, the team may proceed with agreement from Compliance.
- If the conflict cannot be resolved, the team may only proceed if it has explicit agreement in writing from the other party that they understand the nature of the conflict and agree for the team to proceed.
- If explicit agreement is not sought and the conflict cannot be resolved, the team must cease the conflicting activity immediately and discuss any further actions that may need to be taken with Compliance and affected party.

e) Conflicts between Insureds, Brokers or Underwriters

Procedure:

- Where a conflict arises between Bishopsgate's Insureds, Brokers or Underwriters, we must maintain confidentiality through procedural separation and notify Compliance and affected parties.
- A process should be agreed with the team head, Compliance and affected parties regarding how to proceed.

f) Claims between two parties where both are clients of Bishopsgate

A conflict of interest may occur where a claim between two parties arises where both are clients of Bishopsgate.

A conflict may also arise where there is a claim on reinsurance business that has been placed on a risk that the team originally insured, as a conflict could arise between the claim of the original insured and the cedant.

Procedure:

- The team must adopt an 'ethical walls' approach where a separate member of staff must be assigned to each Client and must negotiate with Insurers to a satisfactory conclusion.
- At no time must either member of staff have access to the other member of staff's files and communication between the two must not take place in relation to any aspect of the claim. If this is not practical (i.e. due to resource), you must advise Compliance immediately.
- All team members must be made aware that those particular claims contain a conflict of interest and that the agreed conflicts of interest procedure is being followed.
- Upon notification of a conflicting claim, the Claims team must inform both/all relevant clients immediately and must seek their informed agreement to the proposed handling of the claim.
- The party/ies may elect to deal direct with their Insurer if they wish (subject to agreement by both parties).
- Such instances must be reported to Compliance and recorded on the Conflicts of Interest Register.

g) Gifts and Entertainment

Board Directors, Executives and members of staff must not offer, give, solicit or accept gifts and entertainment, or direct or refer business to another person if it is likely to conflict with any duty that Bishopsgate owes to its clients including if it may incentivise placements that are not in the best interests of the insureds.

Procedures:

- Indirect benefits (such as gifts, entertainment or promotional competition prizes) may be given or received providing they do not give rise to a conflict of interest with our clients. Such benefits must comply with the monetary limits and approval requirements as set out in the Gifts & Entertainment Policy and recorded on the Gifts & Entertainment Register as set out in the Policy.
- This also applies to any incentives Bishopsgate might offer to a member of staff - no incentive must be offered which encourages the promotion or selling of products unsuited to a client's needs.

h) Director/Staff Personal Conflicts

A Conflict of Interest may occur when a Board Director/executive, member of staff or a member of their family has a personal interest or is involved in an activity that could interfere with their ability to perform their job in an objective, impartial and effective manner. This includes, but is not limited to, external Board memberships of senior executives, or personal investments (shareholding/equity participation), involvement or any other interests of staff, company executives and immediate family members in a counterparty that Bishopsgate deals with, as this could lead to preferential treatment being given to one counterparty to the potential detriment of customers.

Procedures:

- Details of any personal interests such as (but not limited to) equity and/or shareholding or directorships of any Insured (with whom the employee is directly or indirectly involved in the placing of their insurance), producing Agent/Broker, Underwriting Agent or Underwriter held by a member of staff or their immediate family (spouse/partner, parent, or child) must be disclosed to Compliance as and when the individual becomes aware if they have not already disclosed their situation as part of the employee bi-annual Conflicts of Interest attestation.
- You must not conduct any business with family members unless agreed with Compliance.
- A register will be maintained by Compliance who will 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.

i) Complaints, Breaches, Errors and Omissions

Where complaints, or investigations into breaches or errors and omissions affect an employee or those in their line management, a Conflict of Interest can arise. This creates risks, such as an incentive to suppress facts, leading to (or resulting in the failure to address) unfair client outcomes.

Procedures:

- Complaints, breaches and E&Os must not be dealt with by individuals with a significant personal interest in the matter – they must be reported to and handled by Compliance in the first instance.
- If a member of Compliance handling a complaint, breach or E&O, identifies a Conflict which could reasonably affect their independence in investigating or resolving the matter, they must refer or escalate the matter to another member of Compliance free from conflict.

Conflicts of Interest are not limited to the circumstances described above and any other potential or actual Conflicts of Interests must be reported to Compliance immediately for review.

4. 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.

a) 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 other incentives agreed and paid by underwriters that have delegated underwriting authority to Bishopsgate.

b) 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.³
- 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.

c) What we must disclose – Transparency with our Clients

i. Contingent commissions

³ ICOBS 4.4.1R

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 file reviews/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 as per the 'lineslips' and 'delegated underwriting authority' transparency wordings (Appendix 1) provided by Compliance.

ii. Market derived income

Payments by markets to Bishopsgate ("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:

- Although Bishopsgate does not currently receive any market derived income, should you wish to enter into such an arrangement, you must notify Compliance before agreeing.

iii. Premium finance

A conflict of interest may arise where Bishopsgate arranges premium finance for clients. This is because Bishopsgate may be able to generate additional revenue through premium finance interest where customers choose to pay in instalments. This additional revenue may motivate brokers to encourage insureds to pay by instalment against their best interests or to hide additional charges.

Procedure:

- Before agreeing to provide premium finance to a new client, you must notify Compliance.
- Where clients are provided with premium finance, they must be advised if we earn additional income from the arrangement.

iv. 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:

- Bishopsgate does not permit cover for add-on products.
- Should you wish to offer add-on products, the team leader must seek approval from Compliance before agreeing to any such arrangements.

d) 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 insureds, 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 insureds.

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

5. Management Information

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

6. Other related documents

This policy document should be read in conjunction with:

- Gifts & Entertainment Policy
- Conduct Risk Policy
- Financial Crime Policy

APPENDIX 1

CLIENT TRANSPARANCY WORDING

The following wordings (excluding the headings) should be included on quotation documentation where applicable.

Highlighted sections should be amended according to each indication.

1. Group company placements:

Please note that this indication has been obtained from [Price Forbes / Geo Specialty]. Both [Price Forbes / Geo Specialty] and Bishopsgate are part of the Ardonagh Group <http://www.ardonagh.com>

2. Approached one market (this includes where you have only approached the binder or lineslip):

In obtaining this indication, we have approached one market, and as such, the risk has not been subject to a marketing exercise.

3. (Subscription) Lineslips:

Please note that this indication has been obtained from various underwriters under a lineslip facility operated by Bishopsgate, whereby specified subscribing insurers agree to take predetermined shares of all risks agreed and accepted by the lead underwriter. We may generate additional income due to the long-term profitability of this facility, which will be affected by business also placed under it for other clients. Consequently, any additional income that may be earned in this regard is not specifically identifiable to this account.

4. Delegated Underwriting Binding authorities:

Please note that this indication has been obtained from a binding authority operated by Bishopsgate via delegated authority provided by certain underwriters. We may generate additional income due to the long-term profitability of this facility, which will be affected by business also placed under it for other Clients. Consequently, any additional income that may be earned in this regard is not specifically identifiable to this account.

APPENDIX 2

STAFF REMUNERATION GUIDELINES

Introduction

Within the insurance industry, there is a risk that remuneration is based on sales and targets alone. This has the potential to create a Conflict of Interest by encouraging mis-selling and/or poor conduct.

In order to help ensure that Bishopsgate is mitigating this Conflict of Interest and treating clients fairly, individuals involved in the bonus decision process must consider the non-financial factors set out below.

Adhering to these guidelines supports the FCA's wider objectives of enhancing market integrity and protecting clients by ensuring incentives do not encourage excessive risk-taking or misconduct.

Non-Financial criteria to consider include (but may not be limited to) the following:

1. Has the individual's performance been assessed against the Department's performance and the overall results of the firm?
2. Has the individual completed all the MyLearning modules (before the deadline given) and any other relevant mandatory training?
3. How has the individual performed in file reviews; were file review checklists followed; how many discrepancies were highlighted by the file reviewer?
4. Has the individual been the subject of any complaints from clients, insurers or third parties?
5. Has the individual been involved in any error and omission claims in which Bishopsgate is/was deemed liable?
6. Does the individual have a disciplinary record? (Please note: Any individual with a live warning on their record may not be entitled to a bonus depending on the nature of the disciplinary. Such instances should be discussed with the Risk & Compliance Director before any decisions are made regarding bonuses).
7. General behavioural considerations including how individuals deal with colleagues and third parties.