



RISK MANAGEMENT PLAN

FSP name : **CERTAINSURE UNDERWRITING MANAGERS (PTY) LTD**

FSP number : **47088**

Responsible person : **LEON DIETRICH**

Compliance : **National Compliance CC**

VAT registration number :

CK. Number : **2010/104533/23**

1. Introduction:

CERTAINSURE renders financial services in **Short term Insurance** Clientele includes individuals, professionals, businesses and corporate.

The General Code of Conduct requires all Authorized Financial Services Providers to implement a risk management plan.

CERTAINSURE employ the resources, procedures and appropriate systems that can be reasonably expected to eliminate the risk that clients, product suppliers and other providers or representatives will suffer financial loss through theft, fraud, other dishonest acts, poor administration, negligence, professional misconduct or culpable omissions.

CERTAINSURE structures their internal control procedures so as to provide reasonable assurance that

- the business can be carried on in an orderly and efficient manner;
- financial and other information used or provided will be reliable;
- all applicable laws are complied with.

The Registrar requires all Authorised Financial Services Providers to have Professional Indemnity cover.

CERTAINSURE currently has professional indemnity cover in place for R5 000 000 (FIVE Million).

Policy number: **P51 009949** - LEPPARD / LOMBARD INSURANCE COMPANY

2. Main Risks

Electronic Record Keeping

In terms of electronic information, **CERTAINSURE UNDERWRITING MANAGERS** has suitable access security in place. All PC's in the office can only be gained via a password. All electronic information is backed-up on a daily basis.

Security

In terms of physical security of assets and data, the access to offices is secure, and that client files are locked away.

Duties of Staff Members

All duties, responsibilities and roles of all staff members and representatives are clearly defined in the business, and are available in written format.

Financials

CERTAINSURE prepares monthly management accounts. **CERTAINSURE** monitors banking statements, income and expenses on a regular basis to ensure that the solvency requirements as required in terms of paragraph 9 of the Fit and proper Requirements are met at all times.

Business Policies

All business processes, policies, controls are documented viz contracts with product suppliers.

Legislation applicable to **CERTAINSURE** include the following:

- Basic Conditions of Employment Act
- Close Corporations Act
- Collective Investments Schemes Control Act
- Companies Act
- Electronic Communications and Transactions Act
- Estate Duties Act
- Exchange Control Act
- Financial Advisory and Intermediary Services Act
- Financial Intelligence Centre Act
- Income Tax Act
- King Report II
- Labour Relations Act
- Long-term Insurance Act
- Medical Schemes Act
- National Credit Act
- Occupational Health and Safety Act

- Pension Funds Act
- Prevention of Organized Crime Act
- Short-term Insurance Act
- Unemployment Insurance Act

3. Responsible persons

LEON DIETRICH are ultimately responsible and accountable for establishing and maintaining risk management systems.

Risk management is a team effort where all key individuals, representatives and administrative personnel are included in the process to ensure effective control and mitigation of risks.

Mr D Opperman has a duty to monitor the compliance of key individuals, representatives and personnel with relevant legislation. This may include advising and guiding the key individuals and representatives on risk management systems.

4. Risk and control

A provider must implement a comprehensive system of controls to ensure that risks are reduced and that the objectives of the provider are achieved.

The control environment should include ethical values, the compliance culture of the provider and the competence of all involved.

Essential aspects of control should include:

- the control environment;
- risk identification and evaluation;
- control activities;
- information and communication;
- monitoring and management.
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Any risk must be identified and reported promptly through the control systems in order to improve the risk profile of the business. The provider should consider the need for a confidential reporting process (whistle blowing) that covers fraud and similar risks.

5. Application of risk management:

The provider or key individual is responsible for establishing risk strategies and policies. It is also the duty of the provider or key individual to review the effectiveness of these policies on a regular basis to ensure that it will guide responsible persons in executing their duties.

In reviewing the policies and processes the following should be considered:

- what the risks are and how they will be identified, evaluated and controlled;
- the effectiveness of the process of risk management;
- whether steps are taken timeously to rectify defects;
- whether the review points to a need for more stringent controls.

Risks can be assessed according to the following criteria:

- type of risk;
- the seriousness of the impact it may have on the business and third parties;
- probability that a risk may occur;

The above criteria can then be rated on a scale of high, medium and low.

Types of risks:

- regulatory;
 - operational;
 - financial;
 - reputation.
- . the rating of the risk, its impact and probability;
 - . control measures to mitigate the risk;
 - . the responsible person(s);
 - . remedial actions;
 - . review dates.

6. Monitoring

LEON DIETRICH monitors the risk management plan on a continuous basis.

National Compliance assists in monitoring, reports to the FSP on at least a quarterly basis and to the Financial Services Board on an annual basis, or whenever so required by the registrar.

In the monitoring process the following can be considered:

- interviews with providers, key individuals, representatives and personnel;
- availability of relevant legislation;
- evaluating complaints received and solutions offered;
- inspection of relevant documentation and registers;
- evaluating client files and records in respect of advice and solutions;
- evaluating procedures followed when interacting with clients;
- observing processes followed in rendering advice;
- evaluating intermediary services rendered;
- inspection of financial matters of the business;
- assessing queries received from regulators.

Any risk must be identified and reported promptly through the control systems in order to improve the risk profile of the business.

7. Reporting on risk management policies

The provider or key individual may be requested by regulators to report on how the provider deals with risk management. The following may need to be disclosed by the provider:

- . that the provider is responsible for the process of risk management, the system of internal control and communication throughout the business;
- . that the system is regularly reviewed for effectiveness;
- . that there is a continuous process for identification, evaluation and management of risks;
- . that there is an appropriate system of internal control to reduce risks of the provider to an acceptable level;
- . that provision is made for the provider to continue its business activities in case of a serious risk impacting the business;
- . that the process is documented.

8. Summary:

The implementation of the risk management plan ensures the following:

- Identify risks early and continuously;
- Thoroughly understand risks, their causes and consequences;
- Determine how to best avoid or reduce risks;
- Establish internal controls to mitigate risks;
- Monitor control systems and ensure timely and accurate reporting.

ANNEXURE

Risk Area: FAIS Act and subordinate legislation	Control Issues	Recommended Actions/Processes	Risk Rating : High Medium Low	Responsible Person/s	Monitoring/ Review Frequency
Licence Categories Sec 7: FAIS	The FSP must only provide advice and/or intermediary services on financial products that fall within the license categories	Check to ensure that each Key individual / representative is licensed / authorised correctly in terms of categories vs product advising / selling. If not, then the correct categories are to be applied for	High	Key Individual / Compliance Officer	Ongoing
		Implement a Key individual and representative register	High	Compliance Officer	Ongoing
Subscription / Levies Sec 8: FAIS	The FSP is obliged to pay all applicable levies in order to remain authorised to provide advice and / or intermediary services	Ensure that all relevant levy invoices generated by FSP are paid on due date	High	Key individual / appointed staff member	Annually

Advisory and/or Intermediary Services Sec 7: FAIS	The FSP must provide financial services strictly within the framework of the financial product categories that it is licensed for.	Obtain the license and scrutinise thoroughly	High	Key Individual / Compliance Officer	Ongoing
		The FSP must ensure that only authorised people provide advice and/or intermediary services.	High	Key Individual	Ongoing
		The FSP must ensure that no financial services are rendered in respect of additional license categories until such time as approval has been granted by the FSB and the relevant license updated.	High	Key Individual	Ongoing
	Implementation of templates with regards to the advice giving process.	Ensure that the following documents are implemented: <ul style="list-style-type: none"> - Disclosure letter - Letter of authority / copy of license - Letter of engagement / brokers appointment - Needs analysis - Risk Profile - Client advice record - Final Letter 	High	Compliance Officer	Ongoing
Client Service Level Agreement Sec 3(2)(1)(d): General Code of Conduct	Service Level Agreements / contracts must be in place with all clients in order to properly manage the relationship	Ensure that appropriate SLA are concluded with every client	Medium	Key Individual	Annually / as or when
Financial Products Sec 4: General Code of Conduct	The FSP must only give advice on and market products of approved product providers	Ensure that proper due diligence process is followed before new product providers are contracted	Medium	Key individual / Compliance Officer	Ongoing
	The FSP must have a mandate / contract with every product	Check on the license categories and how they compare to the products that the FSP is selling	Medium	Key Individual	Ongoing

	provider	Maintain a contract file for all the product providers	Medium	Compliance Officer	Ongoing
Maintenance of Records Sec 18: FAIS Sec 3(2): General Code of Conduct	Records must be kept of the following: <ul style="list-style-type: none">- all written and verbal communication to clients relating to the rendering of financial services (including emails)- new business- surrenders / replacements- premature cancellations- Non-compliance issues- Original documents- Complaints	The FSP must have a procedure in place to ensure that a record is kept of all important documentation. The following must be implemented to assist with the maintenance of records: <ul style="list-style-type: none">- New business register- Surrender /replacement register- Cancellation register- Complaints register- Receipts for original documents	High	Key Individual /assigned person	Weekly
	The FSP must keep these records for a period of 5 years after termination of the product or after the rendering of the financial service	The FSP must ensure that the CO is consulted before documents are destroyed Ensure that files are kept in a fire proof safe or in the alternative, all documents must be scanned and backed up regularly	High High	Key Individual / Compliance Officer Key individual / assigned person	Weekly Ongoing
Client exit process Sec 20: General Code of Conduct	Upon termination of services the correct termination process must be followed	Ensure that all pending/unfinished transactions are finalised Confirm to client that the agreement is terminated and where necessary, inform the product provider too Inform the client in writing of the termination	Low Low	Key Individual Key Individual	As and when As and when

		of the service	Low	Key Individual	As and when	
		Maintain the necessary records as prescribed	Low	Key Individual	As and when	
Fit and Proper Status of Key individuals and representatives Sec 8: FAIS Sec 13: FAIS Board Notice 105 of 2008 Board Notice 106 of 2008-12-18	Any KI of an FSP must be approved by the Registrar before performing any management and/or overseeing functions and the Key Individual must ensure that a representative is competent before being authorised to represent the FSP	Ensure that all KI's have been approved by the Registrar before he/she can participate in management / overseeing functions	High	Key Individual / Compliance Officer	Once off / as and when	
		Establish a process for informing the Registrar of changes in the KI's circumstances that will affect his/her fit and proper status within 15 days	High	Key Individual / Compliance Officer		
		Perform quarterly checks on KI's				
		and ensure that the Fit and Proper declaration is signed	High	Compliance Officer	Quarterly	
		Assessment and confirmation of operational ability with regards to the Key individual	High	Compliance Officer	Annually	
		Financial records must be up to date and reflect financial soundness	High	Compliance Officer	Ongoing	
		KI's and representatives must conform to the Determination for Fit and Proper requirements, 2008	High	Compliance Officer	Ongoing	
	The honesty and integrity declaration to be signed by all KI's and representatives	High	Compliance Officer	Quarterly		

Risk Area: FAIS Act and subordinate legislation	Control Issues	Recommended Actions/Processes	Risk Rating : High Medium Low	Responsible Person/s	Monitoring/ Review Frequency
Representative mandates Sec 13: FAIS Act Sec 20(c): General Code of Conduct	There must be a service contract / mandatory agreement entered into with all representatives of the FSP	Ensure that all representatives are furnished with a certificate / disclosure letter confirming his status as representative and the KI accepts responsibility for the representatives actions Ensure that if a mandate of a representative is terminated the client is informed about the termination and also inform the client who will be servicing them	High High	Key individual / Compliance officer Key Individual / Compliance Officer	As and when As and when

Risk Area: FAIS Act and subordinate legislation	Control Issues	Recommended Actions/Processes	Risk Rating : High Medium Low	Responsible Person/s	Monitoring/ Review Frequency
Sec 13(3) & (4) : FAIS	A register of representatives must be kept and updated with the FSB	Ensure that the representative register is updated within 15 days with the information that changed	High	Key Individual / Compliance Officer	Ongoing
Training requirements of representatives Sec 13(2): FAIS	The FSP has a duty to ensure that appropriate training is given to the representatives with regards to products and compliance issues	Ensure that a training register is kept to record all training activities	Medium	Key Individual / Compliance Officer	Ongoing
FSP's responsibilities to representatives Sec	The KI of the representatives must ensure that the representatives adhere to the	Ensure that the advice giving process complies with the requirements of the General Code of Conduct	High	Key Individual	Monthly

13(2)(b): FAIS	provisions of the FAIS Act and the General Code of Conduct during the advice giving process				
	Representatives must limit their advice giving to the products that they are licensed for	Establish a process to ensure that the representatives only operate within their licence categories	High	Key Individual	Monthly
Representatives under supervision Board Notice 104 of 2008 Board Notice 106 of 2008	The supervision Key individual / representative for a representative under supervision must be suitably qualified and competent and a formal supervision program must be adhered to	Appoint a qualified and competent supervisor <ul style="list-style-type: none"> Implement an agreed training and progress monitoring program Conduct regular performance appraisals, as well as continuous reviewing and assessing services rendered by the representative under supervision Disclose to clients that the representative is acting under supervision Implement a supervision process if the supervisor is a different person to the Key individual Ensure that a written supervision agreement is concluded with every representative 	Medium	Key Individual / Qualified supervisor	Ongoing
Debarment Sec 14: FAIS	Any representative of the FSP who no longer complies with the requirements in Sec 13(2)(a) must be debarred	Establish an appropriate debarment process that includes the immediate withdrawal of authority Establish a disciplinary process in accordance with acceptable labour law practices Ensure that debarred key individuals and representatives are removed from the register	High High High	Key Individual Key Individual Key Individual	Ongoing Ongoing Ongoing

		and advise the Registrar of the debarment within 30 days Establish a process whereby the client is informed of a debarment. Ensure that any outstanding business is concluded	High	Key individual	Ongoing
Professional Indemnity Cover Sec 5(c): General Code of Conduct Sec 13: General Code of Conduct	The FSP must disclose to all the clients whether PI cover is held or not	Obtain a copy of the certificate and monitor the expiry / renewal date if applicable	Low	Key Individual	Annually
Compliance Function Sec 17(3) : FAIS Sec 5: FAIS Regulations	Any FSP must establish and maintain a procedure in order to ensure compliance with the FAIS Act and subordinate legislation	Ensure that the staff receive regular training on compliance functions The appointed CO must perform appropriate monitoring procedures and provide feedback / recommendation as stipulated in SLA	High High	Key individual / Compliance officer Key individual / Compliance officer	Ongoing Ongoing
Custody of financial products / client funds Sec 10: General Code of Conduct Sec 45: Short term Insurance Act	Any FSP that receive funds or financial products from clients must account for the funds or financial product	Establish a procedure to ensure that written confirmation of receipt is issued when funds or financial products are received Check that there is a separate account for client funds (take note of the exemptions with regard to Short term insurance premiums)	High High	Key Individual Key Individual	Ongoing Ongoing

Regulation 4 of the Short-term Insurance Act		Establish if the FSP receive short term insurance funds and ascertain whether the FSP is authorised in terms of Sec 45 (STIA) and complies with section including an IGF guarantee	High	Key Individual	Ongoing
		Establish whether the FSP receiving Short term insurance funds utilises the services of a collection agency. In the event that they do, obtain a copy of the contract and ensure that the collection agency is appropriately licensed	High	Key Individual	Ongoing
		The assets of the FSP must exceed the liabilities at all times	High	Key Individual	Ongoing
Auditing and financial requirements Sec 19: FAIS Act	The FSP must keep monthly accounting records up to date	Establish and maintain an appropriate accounting system	High	Key Individual	Monthly
	The FSP must submit the Financial Statements to the FSB within 6 months of the financial year end	Ensure that the appropriate financial statements are submitted to the FSB when due	High	Key Individual	Annually
Conflict of interest and noncash incentives Sec (b) & (c): General Code of Conduct	The FSP must disclose all non-cash incentives or any other indirect consideration or any situation that can give rise to conflict of interest	Implement a Conflict of Interest document. Ensure that this document include a policy on how to deal with non-cash incentives	High	Key Individual	Ongoing
Implement a gift register		Medium	Compliance officer	Ongoing	
Ensure that the disclosure document includes the following: <ul style="list-style-type: none"> If the FSP holds more than 10 % of any insurers shares If the FSP received more than 30 % 		High	Key individual	Ongoing	
Sec 4(d): General Code of Conduct					

		<p>commission from any one insurer</p> <ul style="list-style-type: none"> • If the FSP received any non-cash incentives or indirect consideration from any other person • The existence of any personal interest in the relevant service, of any circumstances that gives rise to an actual / potential conflict of interest 			
Client complaints Section 16 – 19: General Code of Conduct	All FSPs are required to obtain a complaints resolution process and an appropriate procedure	Ensure that an appropriate complaints procedure has been implemented and disclosed to the clients	High	Key Individual	Ongoing
		Ensure that a complaints register is opened and maintained	High	Key Individual	Ongoing
Advertisements Sec 14: General Code of Conduct	All advertisements and marketing material must comply with the relevant provisions	Establish a process to ensure that all advertisements and marketing material complies with the provisions of the General Code of Conduct	Low	Key individual / Compliance Officer	As and when
		Ensure that the CO sign of all new advertisements or marketing material	Low	Compliance Officer	As and when
Premature cancellations / replacements Sec 8(1)(d) and 8(3): General Code of Conduct	The FSP must comply with the relevant provisions with regards to premature cancellations / replacements	Establish and monitor a replacement / cancellation register	High	Key individual	Ongoing / as and when
		Ensure that an appropriate RPAR is used in the event of any replacements	High	Key Individual	

Direct marketing Sec 15: General Code of Conduct	The FSP / direct marketer must comply with all the relevant provisions of the FAIS Act and the General Code of Conduct	Implement an appropriate voice logging system	High	Key Individual	Ongoing
		Ensure that a quality assurance process applies to all direct marketing issues	High	Key Individual / Compliance Officer	Ongoing
		Implement a procedure for storing and retrieving of recordings	High	Key Individual / Compliance Officer	Ongoing
		Ensure that pre-prepared documents are checked by the CO			
Business Continuity and Succession planning Board Notice 106 of 2008: Sec 8 Operational Ability	The FSP must have a business continuity and succession plan in place	Ensure that appropriate business continuity and succession planning arrangements is implemented	High	Key Individual	Annually
Communication with Registrar Sec 8: FAIS	The FSP must inform the Registrar timeously with regards to all relevant changes within the business	Establish a process to ensure that the Registrar is informed timeously about changes to the information submitted during license application process	Medium	Key Individual / appointed staff member	Ongoing
SLA with third parties Board Notice 106: Sec 8 Operational Ability	The FSP must have an appropriate SLA with any third party that is utilised to render administrative or system functions with regard to rendering financial services	Ensure that an appropriate SLA which specifies the agreed service, time standards, roles and responsibilities and any penalties that might be applicable	Medium	Key Individual	Ongoing

Segregation of duties and roles and responsibilities Board Notice 106: Sec 8 Operational Ability	The FSP must ensure that there is a segregation of duties, roles and responsibilities where such segregation is appropriate (where applicable)	Ensure that there is a defined process for the segregation of duties and roles and responsibilities implemented (see SOP)	Medium	Key Individual	Ongoing
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Risk Area: FAIS Act and subordinate legislation	Control Issues	Recommended Actions/Processes	Risk Rating : High Medium Low	Responsible Person/s	Monitoring/ Review Frequency
Access rights and data security Board Notice 106: Sec 8 Operational Ability	The FSP must ensure that there are proper access right control and data security on electronic data	Ensure that there is a defined process in place for access right control and data security on electronic data (see SOP)	Medium	Key Individual	Ongoing
System application testing Board Notice 106: Sec 8 Operational Ability	The FSP must ensure that there are proper system application testing (where applicable)	Ensure that there is a defined process in place to ensure proper system application testing (see SOP)	Medium	Key Individual	Ongoing

Risk Area: Financial Intelligence Centre Act	Control Issues	Recommended Actions/Processes	Risk Rating : High Medium Low	Responsible Person/s	Monitoring/ Review Frequency
FICA Internal Rules Sec 42: FICA	The FSP is obliged to implement an appropriate set of internal rules	Ensure that FICA internal rules are implemented Provide copies to all staff members	High	Key Individual	Ongoing
Client due diligence Sec 21: FICA	Proper due diligence must be applied with regard to all new client take on in accordance with the provisions of FICA and the Regulations	Obtain appropriate FICA declarations from new clients Obtain proof of employment	High High	Key Individual Key Individual	Ongoing Ongoing
Client verification Sec 25: FICA Regulations	The FSP must verify relevant client information as per FICA	Establish a process to ensure that the required documentation is obtained from all active clients as per FICA Internal Rules	High	Key Individual	Ongoing
Recordkeeping Sec 22 – 26: FICA Sec 26: FICA Regulations	The FSP must ensure that proper recordkeeping is in place according to the provisions of FICA	Ensure that records will be kept for a period of 5 years after termination of the product or after the rendering of the financial service. If the records are stored by a third party the FIC must be informed.	High	Key Individual / appointed staff member	Ongoing
Source of funds verification Sec 21(3): FICA Regulations	The FSP has a duty to take reasonable steps to establish any clients source of income	Ensure that a process is implemented to establish source of a client's funds Implement a source of funds register	High	Key Individual	Ongoing

Staff Training Sec 43: FICA Internal Rules	The FSP is obliged to give training to staff on all relevant provisions of FICA	Establish a process that will ensure that all staff receive the relevant training Ensure that a Money Laundering Officer is appointed (preferably the KI of the FSP)	Medium	Key Individual / Compliance officer	Annually
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Risk Area: Income Tax Act	Control Issues	Recommended Actions/Processes	Risk Rating : High Medium Low	Responsible Person/s	Monitoring/ Review Frequency
Record keeping	The FSP must keep all income tax records safe from destruction for a period of 5 years	Consider implementing a process for scanning / appropriate backups of all relevant documentation	Medium	Key Individual	Monthly
VAT	The FSP must keep all VAT records safe from destruction for a period of 5 years	Consider implementing a process for scanning / appropriate backups of all relevant documentation	Medium	Key Individual	Monthly
Submission of returns	The FSP must timeously submit tax and VAT returns	Establish a procedure that will ensure timeous submission of VAT and tax returns	Medium	Key Individual	Annually / every two months

Risk Area: Basic Conditions of Employment Act	Control Issues	Recommended Actions/Processes	Risk Rating : High Medium Low	Responsible Person/s	Monitoring/ Review Frequency
Staff employment contracts	The FSP must have an employment contract in place with all the employees	Ensure that appropriate written employment contracts are concluded with all employees	High	Key Individual / HR manager	As and when

Employment termination	The FSP must have a proper procedure for termination of employment in place	<p>Establish a process that will ensure correct procedures to be followed when employment is terminated.</p> <p>Establish an appropriate process for disciplinary hearings of Employees.</p>	Medium	Key Individual / HR manager	As and when
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Risk Area: Information Technology	Control Issues	Recommended Actions/Processes	Risk Rating : High Medium Low	Responsible Person/s	Monitoring/ Review Frequency
Recordkeeping of data and transactions	The FSP must have a documented policy with regards to electronic recordkeeping, data integrity, back-ups and electronic communication	<p>Establish a policy document that provides for the following:</p> <p>a) all electronic records are to be easily accessible and readily reduced to printing</p> <p>b) all business processes and electronic workflow procedures</p> <p>c) ensure that a confidentiality agreement is concluded with clients when appropriate</p> <p>d) confidentiality clauses must form part of staff employment contracts and representative mandates</p> <p>e) regular back-ups must be made of electronic records and emails</p> <p>f) back-ups must be tested to ensure that information was correctly backed up and that it can be easily retrieved</p>	High	Key individual / appointed staff member	Ongoing

		<p>g) it is advisable for back-ups to be stored off site and it must be easily accessible</p> <p>h) where the IT function is outsourced it is advisable for a staff member to be trained in terms of emergency back-ups, information retrieval, etc</p> <p>i) appropriate virus protection and firewall programs are included in the contract from the internet service provider</p> <p>j) email correspondence must include a disclaimer as well as the information required in terms of FAIS</p>			
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