

Brokers Commission

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**GENERAL
INSURANCE BROKING AND
COMMISSION ARRANGEMENTS
FOR NEW BROKERS RECOGNISED BY
CREDIT GUARANTEE
FROM 01 JUNE 2009**

Issued by

CREDIT GUARANTEE INSURANCE CORPORATION OF AFRICA LIMITED

("Credit Guarantee")

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1. DEFINITIONS

- 1.1 **'Broker'** shall mean an insurance Brokerage or company registered with the Financial Services Board (FSB) as a Financial Service Provider (FSP), recognised by CGIC from 01 June 2009.
- 1.1.1 **'Representative'** shall mean an employee of a FSP duly registered with the FSB and whose recognised competency covers "Credit Insurance".
- 1.1.2 Credit Guarantee will not permit any Broker or any Representative of any Broker to be registered as Representatives of Credit Guarantee.
- 1.2 **Policies** are short-term export and domestic credit insurance policies issued by Credit Guarantee, in respect of which these arrangements shall apply (with the exception of any special transactions advised by Credit Guarantee in writing).
- 1.3 **New Policies** shall be those policies which have been issued for the first time to the Clients concerned or were re-issued at least 12 months after the cancellation of any previous policy held where the Broker remained the same. A **'Co-Insured'** company covered under an existing policy, being issued with its own unique policy, will not be regarded as a 'New Policy' under this definition.
- 1.4 **Specialist Broker**, recognised by Credit Guarantee from **01 June 2009** shall mean a Broker that:
- 1.4.1 is registered with the FSB, in terms of the Financial Advisory and Intermediary Services Act, 2002 (FAIS), as a Financial Service Provider (FSP);
 - 1.4.2 employs at least one Representative, with the necessary expertise and experience in credit insurance, who will be involved exclusively in the selling of credit insurance products and servicing of credit insurance clients;
 - 1.4.3 holds adequate Professional Indemnity cover at all times;
 - 1.4.4 has the ability and the potential to exploit the market in order to source new business and does so;
 - 1.4.5 has built up a satisfactory relationship with Credit Guarantee and who Credit Guarantee considers to be well qualified to promote Credit Guarantee's credit insurance products and services and does so;
 - 1.4.6 has built up a portfolio of clients with Credit Guarantee that is deemed to be of such value to warrant Specialist status;
 - 1.4.7 has been officially recognised as a Specialist Broker by Credit Guarantee in writing.
- 1.5 **Semi-Specialist Broker**, recognised by Credit Guarantee from **01 June 2009** shall mean a Broker that:
- 1.5.1 does not qualify as a Specialist Broker;
 - 1.5.2 is registered with the Financial Services Board (FSB), in terms of the Financial Advisory and Intermediary Services Bill (FAIS), as a Financial Services Provider (FSP);
 - 1.5.3 has staff registered with the FSB as 'Representatives';
 - 1.5.4 has sufficient resources and a minimum level of expertise to promote and sell products and services of Credit Guarantee;
 - 1.5.5 holds adequate professional Indemnity cover at all times;
 - 1.5.6 has been officially recognised as a Semi -Specialist Broker by Credit Guarantee in writing.

- 1.6 **Introductory Broker** recognised by Credit Guarantee from **01 June 2009** shall mean a Broker that:
- 1.6.1 does not meet the criteria set out for either a Specialist Broker or Semi-Specialist Broker;
 - 1.6.2 initiates the introduction of potential business to Credit Guarantee, which may lead to the issue of New Policies.
- 1.7 **Mid-Term Appointment** shall mean the appointment by an existing client of a recognised Specialist; Semi-Specialist Broker or an Introductory Broker to an already existing policy.
- With effect from 01 June 2009
- 1.7.1 In respect of current un-broked policies:- Credit Guarantee will acknowledge the clients wish to appoint the broker to that policy and annotate it accordingly.
 - 1.7.1.1 No commission will be paid to any category of Broker in this instance.
 - 1.7.1.2 Credit Guarantee acknowledges that the client may wish to pay their appointed broker a 'fee' for professional services rendered, which will be a separate agreement between the client and their broker.
 - 1.7.2 In respect of previously broked policies:- Credit Guarantee will acknowledge the clients wish to appoint the broker to that policy and annotate it accordingly with effect from the 1st of the month following the month in which Credit Guarantee received the Letter of Appointment. Back-dating of appointments cannot be considered unless the express permission of the previous Broker has been received in writing.
 - 1.7.2.1 Commission will be paid to the appointed / recognised Specialist or Semi-Specialist Broker at the 'on-going business' commission rate.
 - 1.7.2.2 No commission will be paid to any Introductory Broker in this instance.
 - 1.7.2.3 Credit Guarantee acknowledges that the client may wish to pay their appointed broker a 'fee' for professional services rendered, which will be a separate agreement between the client and their broker. **See 4. Commission Payable**
- 1.8 **Effective Date** shall mean the date reflected in Credit Guarantee's written recognition of a Broker as a Specialist or Semi-Specialist.

2. GENERAL CONDITIONS

- 2.1 These arrangements come into effect for all new Brokers recognised by Credit Guarantee from 01 June 2009 and does not supersede all previous recognition arrangements dated prior to this date.
- 2.2 No Broker may act on behalf of another Broker.
- 2.3 Credit Guarantee reserves the right to have direct contact and communication with clients at all times. Credit Guarantee will furnish the Specialist Broker with a brief report pertaining to each visit made to a Client when not accompanied by that Specialist Broker and where there are material changes to the terms; conditions or cover of the policy.
- 2.4 Policies will only be recognised by Credit Guarantee as 'new business' provided that in all instances, the Broker was instrumental in initiating and presenting the new business enquiry and/or proposal

form to Credit Guarantee, either with or without the help of a Credit Guarantee representative.

- 2.5 Where any Broker is given authorisation to compile a quotation or presentation for a client or prospect, the enquiry and/or proposal form received by Credit Guarantee must be accompanied by a letter of authorisation from the client / prospect.
- 2.6 Where a Broker has been appointed by a client, Credit Guarantee will only accept such appointment to a policy, once advised in writing from the client in the form of a letter of appointment, stating the date of such appointment, subject to 1.7.2 above.
- 2.7 Where a client has nominated a Broker, the Broker will ensure that all the disclosures regarding the Insurer have been made to the client, as set out in the "Statutory Notice to Short-Term Insurance Clients" by the South African Insurance Association.
- 2.8 The Broker shall not be entitled to act in any way, verbally or in writing, on behalf of Credit Guarantee unless duly authorised by Credit Guarantee to do so, in writing.
- 2.9 No document of any description whatever, including computer generated print-outs, computer downloads or electronic messages received from Credit Guarantee are permitted to be divulged to any credit insurance competitor by any Specialist Broker; Semi-Specialist Broker or Introductory Broker. Non-compliance may result in cancellation of this Broking Arrangement.
- 2.10 Credit Guarantee reserves the right, at any time, to alter this Broking Arrangement or to withdraw the status of a Specialist or Semi-Specialist Broker, by giving 30 days written notice of the alteration or withdrawal which will take effect from the date of posting such notice. This notice will also be sent to all clients who at the time have nominated the Broker to their policies.

3. TERMINATION AND ALTERATIONS OF ARRANGEMENTS

- 3.1 No termination of any arrangement between Credit Guarantee and a Broker, irrespective of whether the termination has been mutually agreed upon shall be effective unless:
 - A. All Clients holding current policies with Credit Guarantee through the intermediation of that Broker have been given prior notice of the termination by either Credit Guarantee or the Broker or by both.
 - B. Both parties to this Arrangement are beforehand satisfied that all reasonable steps have been taken for such information to reach all such Clients.
- 3.2 The provisions of 3.1 shall apply in respect of any change occurring in the status or relationship, authority or mandate, of any Broker.
- 3.3 Should any Broker's FSP Licence be suspended by the FSB, it will be incumbent on that Broker to advise Credit Guarantee immediately of such suspension and simultaneously advise their clients. If the suspension is lifted, it will be incumbent on that Broker to advise Credit Guarantee immediately and simultaneously advise their clients.
- 3.4 Should any Broker's FSP Licence be withdrawn by the FSB, it will be incumbent on that Broker to advise Credit Guarantee immediately of such withdrawal and Credit Guarantee reserves the right to immediately terminate this Arrangement and advise all clients accordingly. In this instance, the commission payable will cease with effect from the end of the last accounting month.

4. COMMISSION PAYABLE

4.1 Specialist Brokers

4.1.1 Commission payable on short-term policies sold.

4.1.1 A. An ongoing commission of 7,5% shall be paid on all credit insurance premiums invoiced by Credit Guarantee, in respect of all 'New Policies' to which the Specialist Broker has been appointed and recognised by Credit Guarantee.

B. An ongoing commission of 15% shall be paid on all credit insurance premiums invoiced by Credit Guarantee in respect of any 'New Policy' sold with an inception date from 01 June 2009 by the Specialist Broker where the anticipated annual premium of the policy is greater than R250.000,00 (two hundred and fifty thousand Rand). If the anticipated annual premium is not realised within the first insurance year of the policy, the commission paid by Credit Guarantee will be re-adjusted to 7,5% for the second and all subsequent years. The anticipated annual premium on individual 'New Policies' sold within a group may be accumulated together, if the 'New Policies' are sold within 12 months of each other. If a new policy is sold into an 'old' group that already attracts the higher rate of commission, then the new policy will also attract the same commission rate.

4.1.2 No commission will be paid on current (pre-existing) un-broked policies where the broker is subsequently nominated 'Mid-Term' in the life of the policy or where any policy is or has been re-negotiated.

4.1.3 An ongoing commission of 7,5% shall be paid on all credit insurance premiums invoiced by Credit Guarantee, in respect of all pre-existing policies to which the Specialist Broker has been appointed and recognised by Credit Guarantee, where there was a previously appointed Specialist or Semi-Specialist broker.

4.2 Semi-Specialist Brokers

4.2.1 Commission payable on short-term policies sold.

4.2.1 A. An ongoing commission of 5% shall be paid monthly in arrears on all credit insurance premiums invoiced by Credit Guarantee, in respect of all 'New Policies' to which the Semi-Specialist Broker has been appointed and recognised by Credit Guarantee.

B. An ongoing commission of 7,5% shall be paid monthly in arrears on all credit insurance premiums invoiced by Credit Guarantee in respect of any 'New Policy' sold with an inception date from 01 June 2009 by the Semi-Specialist Broker where the anticipated annual premium of the policy is greater than R250.000,00 (two hundred and fifty thousand Rand). If the anticipated annual premium is not realised within the first insurance year of the policy, the commission paid by Credit Guarantee will be re-adjusted to 5% for the second and all subsequent years. The anticipated annual premium on individual 'New Policies' sold within a group may be accumulated together, if the 'New Policies' are sold within 12 months of each other. If a new policy is sold into an 'old' group that already attracts the higher rate of commission, then the new policy will also attract the same commission rate.

4.2.2 No commission will be paid on current (pre-existing) un-broked policies where the broker is subsequently nominated 'Mid-Term' in the life of the policy or where any policy is or has been re-negotiated.

4.2.3 An ongoing commission of 7,5% shall be paid on all credit insurance premiums invoiced by

Credit Guarantee, in respect of all pre-existing policies to which the Semi-Specialist Broker has been appointed and recognised by Credit Guarantee, where there was a previously appointed Specialist or Semi-Specialist broker.

4.3 Introductory Brokers

4.3.1 Commission payable on New Policies sold.

An ongoing commission of 2,5% shall be paid monthly in arrears on all credit insurance premiums invoiced by Credit Guarantee in respect of any 'New Policy' sold through the Introductory Broker. Should the client nominate a Specialist or Semi-Specialist Broker during the life of the policy, commission will only be paid to the Introductory Broker in respect of the period up to the end of the month in which the new nomination is received.

4.3.2 No commission will be paid on current (pre-existing) un-broked policies where the broker is subsequently nominated 'Mid-Term' in the life of the policy or where any policy is or has been re-negotiated.

4.4 Bond and Surety Business

A commission rate of 15% will be applied to all new Bond and Surety business placed with Credit Guarantee with effect from 01 June 2009.

5. TERMS OF PAYMENT

5.1 Credit Guarantee shall on a monthly basis forward a commission statement to Specialist, Semi-Specialist and Introductory Brokers reflecting the premiums invoiced in respect of each of their clients. The statement will also reflect the commission earned on this premium and will be credited to their account. The commissions earned by any Specialist; Semi-Specialist or Introductory Broker will be paid by Credit Guarantee on a monthly basis, unless arranged otherwise.

5.2 Any reversals of premium on any policy to which a Specialist; Semi-Specialist or Introductory Broker is nominated, will result in the consequent reversal of commission, which will reflect on the affected Broker's statement at the end of the accounting month in which the reversal occurs.

6. RESPONSIBILITIES OF SPECIALIST AND SEMI-SPECIALIST BROKERS

As a Specialist or Semi-Specialist Broker it is agreed that the Broker shall:

6.1 actively endeavour to market Credit Guarantee's products and services as well as assist with the development of new credit insurance products and services where appropriate;

6.2 endeavour to sell Credit Guarantee's products and services, with particular reference to any markets which may have been specifically targeted by Credit Guarantee;

6.3 ensure that Credit Guarantee is presented with an equal opportunity to generate a quote on any potential new business, which may be in the offing;

6.4 allow Credit Guarantee equal opportunity to requote on existing business where the policy is under threat from other insurers.

- 6.5 not divulge the details of any quotation or any policy issued by Credit Guarantee to any third party other than the Prospective Client or the Insured, without first obtaining Credit Guarantee's written consent;
- 6.6 perform the function of an independent and unbiased intermediary, whenever this may be required in any matter concerning the Insured and Credit Guarantee;
- 6.7 furnish Credit Guarantee with a brief report pertaining to each visit made to a Client or potential client, when not accompanied by a Credit Guarantee representative;
- 6.8 endeavour to assist Credit Guarantee in obtaining overdue declarations or any outstanding premium payments from their clients;
- 6.9 on a quarterly basis attend a senior management meeting arranged by Credit Guarantee for the purpose of evaluating these arrangements and to discuss any other relevant issues, where such meeting is deemed necessary;
- 6.10 promote Credit Guarantee's access to its Clients in order to foster the vital aspects of communication, customer relationship management and understanding between all parties concerned, i.e. the Client, the Broker and Credit Guarantee;
- 6.11 not be required to become involved in the day-to-day administration of a client's credit insurance policy insofar as this concerns the application for credit limits, the mitigation of and payment of claims, the receiving of declarations, the collection of premium or the maintaining of all necessary files. However, the qualified Broker may assist the client, as a value added service, with administration of the policy, as may be arranged from time to time.
- 6.12 Comply fully with all material requirements of the FAIS Act.

7. PREMIUMS

- 7.1 In terms of policies issued by Credit Guarantee, premiums due are payable by the Insured on receipt of their monthly premium statement. Statements will be forwarded directly to Clients. Brokers shall not be held liable for the payment of premiums.
- 7.2 Should a Broker inadvertently receive any premium payment from any of their clients, the Broker should advise Credit Guarantee of this occurrence and remit the payment concerned to Credit Guarantee immediately.
- 7.3 Notwithstanding the provisos to Section 20 of the Insurance act of 1943 as amended, Credit Guarantee does not authorise Brokers to retain, for any reason or period whatsoever, any premium paid to them contrary to the terms and conditions of the policies issued by Credit Guarantee.
- 7.4 Brokers shall not be allowed to offset any commission, which may be due to them, from premiums which may have been received from any of their clients, prior to remitting these premiums to Credit Guarantee.

LETTER OF APPOINTMENT

I / We the undersigned hereby give permission for the transfer of the following policy/ies to the agency of:

NAME OF BROKER:

POLICY NUMBER/S:
.....
.....

This appointment revokes any existing appointment of as INSURANCE BROKER(S) AND / OR AGENT.

I acknowledge and understand that this appointment entitles

.....
(Name of Broker / Agent)

to receive payment of commission from the INSURER, where applicable, after the policy has been placed in the name of the authorised Broker.

BUSINESS NAME AND ADDRESS OF INSURED:

.....
.....
.....
.....
.....

BUSINESS TELEPHONE NUMBER: (.....)

NAME OF SIGNATORY.....

SIGNATURE

DATE SIGNED

CELL NUMBER:

I confirm that I am duly authorised and mandated to make this appointment / change.

LETTER OF AUTHORISATION

(PLEASE NOTE THAT THIS LETTER OF AUTHORISATION IS NOT A LETTER OF APPOINTMENT)

I,hereby give
(Name of Signatory)

.....
(Name of Broker)

access to the cover, insured amounts and claims history of my portfolio with the aim of compiling a quotation.

THE FOLLOWING POLICIES ARE APPLICABLE

POLICY NUMBER/S:
.....
.....

BUSINESS NAME AND ADDRESS OF INSURED:

.....
.....
.....
.....
.....

TELEPHONE NUMBER: (.....)

SIGNATURE

DATE SIGNED

CELL NUMBER:

I confirm that I am duly authorised and mandated to sign this letter of authorisation.