

Tutorial Letter 101/3/2017

Long Term Insurance

RSK3702

Semesters 1 and 2

Department of Finance, Risk Management and Banking

IMPORTANT INFORMATION:

Register as a user of myUnisa as soon as possible. It is free of charge. Visit <https://my.unisa.ac.za> for details. At myUnisa you will be able to get in touch with fellow students, submit your assignments, update your details, find self assessment questions, as well as participate in discussion forums and blogs. It is also important that you provide Unisa with your cellular number because important announcements may be sent to you by sms.

Note that this module carries 12 credits and requires at least 120 hours of study, including the time required to complete the assignments and the examination. Devote at least 120 hours to this module in order to ensure your success.

Note of Rule 12 contained in the brochure, my Registration @ Unisa. You must pass at least 4 modules of 12 credits each or 2 modules of 24 credits each per year. Students who do not comply with this requirement will be excluded from further admission to the university.

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1 INTRODUCTION

Dear Student

We wish to welcome you to the module, **Long Term Insurance (RSK3702)**, and trust that you will find it interesting and informative.

This module is only offered online. It is imperative that you access your study material as soon as possible on myUnisa so that you have ample time to work through all the study units and do your assignments properly.

This tutorial letter contains important information on the assignments you need to complete, due dates, your study material, the prescribed books that you will have to obtain and information on your exam. Read this tutorial letter carefully and consult it when working through the study units in preparation for the assignments as well as the examination.

Make sure that you read all the tutorial letters that you receive during the year as they always contain important or urgent information.

Note that this module is only offered online. No printed material will be forwarded to students. All material will be made available on myUnisa only.

2 Tutorial matter

The following study material for the module, Principles of Long Term Insurance (RSK3702), will be available on myUnisa:

- A study guide
- Tutorial Letter 101

Shortly after the closing date of the assignment, Tutorial Letter 201 will be posted on myUnisa which will contain the solutions to the assignment questions of RSK3702.

3 PURPOSE OF AND OUTCOMES

3.1 Purpose

The purpose of the module is to equip learners with the necessary competencies (knowledge, values and skills) to be able to apply the fundamental concepts, principles and processes in providing long-term insurance products and services. Specific module outcomes are provided in the study guide provided on registration.

3.2 Outcomes

On completing this module students will be able to demonstrate knowledge of the role and function of the long-term insurance industry and regulatory environment, the role and function of long-term insurance as a risk financing instrument and the role and function of the retirement industry and estate planning as a risk financing instrument. Also refer to additional module and study unit learning outcomes reflected in the study guide.

4 LECTURER(S) AND CONTACT DETAILS

4.1 Lecturers

You are welcome to contact lecturers, via e-mail to discuss any problems you may encounter in your study material. To enable us to assist you, be specific on enquiry and furnish us with the following information:

- Topic
- Definition of the problem/concern
- Your suggested solution/understanding of the problem

As students, you may also want to discuss certain topics with one another using the discussion forum on myUnisa (<https://my.unisa.ac.za>).

If you want to visit the lecturers in person, make a formal appointment beforehand. Also note that lecturers can only help you with **academic** matters. The lecturers responsible for this module are as follows:

Lecturers details	LP Mamaro (1 st Lecturer)	Mr J Van Huyssteen (2 nd lecturer)
Telephone	(012) 429-3519	(012) 429-2576
Email address	mamarlp@unisa.ac.za	vhuyjsi@unisa.ac.za
Office number	AJH van der walt 5-100	AJH van der walt 5-115

4.2 Department

This module is offered by academic staff members from the Department of Finance, Risk Management and Banking (DFRB).

Note that you may get in touch with fellow students, download study material, submit assignments, change your address and/or examination venue, view your assignment marks and download previous examination papers at <https://my.unisa.ac.za>

You may direct all academic enquiries to: 012 429-3603, and e-mail queries to finman@unisa.ac.za.

4.2 University

You may direct all administrative queries to the appropriate department as indicated in the brochure, *my Registration @ Unisa*. Examples of administrative queries are registration matters, study material matters, account queries and graduation issues. Direct registration matters to econ@unisa.ac.za

5 RESOURCES

5.1 Prescribed books

The compulsory prescribed textbook for this module is:

- Principles of life insurance. 2016. (RSK3702 LIFE INSURANCE) Published by and obtainable from the Insurance Institute of South Africa.

You should purchase the prescribed book from the Insurance Institute of South Africa in Johannesburg. Also, you may use older versions of books (not older than 2012). Note that the book is not available at any of the official bookstores of Unisa. The contact details of the Insurance Institute are as follows:

E-mail: info@iisa.co.za
 Local Tel: 011 341 9480
 Int Tel +27 11 341 9480

Street Address

Ground floor, Block B
 Investment Place,
 10th Road off 2nd Road
 Hyde Park 2196

Website: www.iisa.co.za

Fax: 011 325 0608
 Int Fax +27 11 325 0606

Postal Address

P O Box 413264
 Craighall 2024

The study guide supplied by UNISA serves as a guide for studying the prescribed book and it is also a source of additional information on South African conditions and phenomena, which are imperative background reading for any meaningful study of risk financing and insurance.

5.2 Recommended books

None.

5.3 Electronic reserves (e-reserves)

None.

6 STUDENT SUPPORT SERVICES

Important information appears in your brochure, *Study @ Unisa*.

7 STUDY PLAN

Use your brochure, *Study @ Unisa* for general time management and planning skills.

8 PRACTICAL WORK AND WORK-INTEGRATED LEARNING

None.

9 ASSESSMENT

9.1 Assessment plan

Assignments are seen as part of the learning material for this module. As you do the assignments, study the reading texts, consult other resources, discuss the work with fellow students or tutors or do research, you are actively engaged in learning. Paying attention to the assessment criteria for each assignment will help you to understand what is required of you more clearly.

You may submit written assignments and assignments done on mark-reading sheets either by post or electronically via myUnisa. Assignments may not be submitted by fax or e-mail. For detailed information and requirements concerning assignments, see the brochure, *Study @ Unisa* that you received with your study material.

Compulsory assignments

There are two compulsory assignments for this module. There are non-negotiable submission deadlines for each of the assignments of this module. The assignments contribute to your year mark. (see below)

Year mark and final mark

Your year mark, based on the mark obtained for the compulsory assignment, contributes 20% towards your final mark, while your examination mark contributes 80%.

The combined weighted average of your year mark and examination mark must be 50% or higher for you to pass the module. However, should you obtain less than 40% in the examination, your year mark **will not** be considered and you will fail.

For example:

Assignment mark = 50% = Year mark 10/20

Assume an examination mark of 60%
80% of the examination mark = 48%

Final mark = (20% assignment mark) + (80% examination mark)
= 10 + 48%
= 58%

You will need a final mark of at least 40% in order to qualify for a supplementary examination.

For general information and requirements concerning assignments, see the brochure, *Study @ Unisa*, which you received with your study material.

9.2 General assignment numbers

Assignments are numbered consecutively per module, starting from 01.

9.3 Unique assignment numbers

The assignment has been allocated a unique number in order to identify it in the Unisa assessment plans. Ensure you always indicate the correct unique number when submitting assignments.

9.4 Due date for the assignment

Semester	Semester 1	Semester 2
Assignment 01	Due date: 20 March 2017 Unique number: 696238	Due date: 22 August 2017 Unique number: 794474
Assignment 02	Due date: 10 April 2017 Unique number: 802766	Due date: 11 September 2017 Unique number: 847457

As indicated earlier, you should preferably submit your assignments at <https://my.unisa.ac.za> prior to the due date of the assignment. Do not wait until the day just prior to the due date. Technical problems with the computer servers of myUnisa may prevent you from submitting your assignment at the last minute.

Ensure that your assignment reach the Unisa main campus by the due date should you not be able to submit your assignments at myUnisa and need to mail us your assignments in hard copy format. Requests for extension of due dates for assignments will not be granted. The due dates have been set to allow you sufficient time to complete other assignments and prepare for the examination.

Information about whether Unisa has received your assignment and the mark obtained for an assignment can be accessed from <https://my.unisa.ac.za>.

9.5 Submission of assignments

To submit an assignment **via myUnisa:**

- Go to myUnisa at <https://my.unisa.ac.za>
- Log in with your student number and password.

- Select the module.
- Click on assignments in the left-hand menu.
- Click on the assignment number you want to submit.
- Follow the instructions on the screen.

Students can now submit their multiple-choice assignments via their mobile phones!

Requirements:

- A mobile device with Java MIDP 2.0 support. If you are unsure about your device's capability, just download the app and try it out!
- Data Services with your provider and Credit/Airtime
- A myUnisa account (If you do not have an account, simply join by visiting <https://my.unisa.ac.za/portal/pda>)

Steps to follow:

1. Download and install the Unisa Mobile application from <https://my.unisa.ac.za/mobileapp/unisamobileapp.jar>
2. Install and start the application on your phone
3. Select the "MCQ Assignment" option
4. Login with your myUnisa* credentials
5. Select your module
6. Select the appropriate unique assignment number
7. Select appropriate answers to the assignment questions
8. Send your answers
9. Receive immediate onscreen confirmation

Note: You can view a complete set of assignment information by logging onto <https://my.unisa.ac.za/portal/pda> using an HTML web browser from any internet enabled device

Conditions:

1. Unisa takes no responsibility if an assignment submission results from the unauthorised use of one's password.
2. Unisa will not tolerate abuse of any part of this service.
3. Unisa reserves the right to modify or discontinue this service at any time.
4. Unisa cannot guarantee the compatibility of this application with your particular phone model. Nevertheless, Unisa will strive to accommodate as many as possible.

Costs:

Data usage (rates as per mobile service provider)

Features:

- Submit Multiple-choice Questions (MCQ)
- View Memorandum
- View Submissions
- Contact Info

Only if you do not have access to the internet should you submit your assignment by means of a **mark-reading sheet (for MCQs)** and mail it to Unisa. If you are using the mark-reading sheet, remember to:

1. Use an HB pencil.
2. Indicate your student number and the above-mentioned unique number on the mark-reading sheet.
3. Follow the instructions for completing mark-reading sheets. Incomplete mark-reading sheets will be returned to you unmarked.
4. Submit the assignment in good time. It must have reached the Unisa Main Campus by the indicated in the assignments below. Otherwise it might not be in time to be marked by the Assignment Section.

9.6 Feedback on assignments

The suggested solutions to Assignment 01 and the self-assessment assignment will be posted on **myUnisa** after the due date of this assignment. The assignments form an important part of your learning experience and it is advisable to redo the assignment after you receive the feedback to make sure that you comprehend the learning outcomes and to prepare you for the examination.

Assignments are seen as part of the learning material for this module. As you do the assignments, study the reading texts, consult other resources, or do research (i.e. actively engage in learning), refer to the learning outcomes and assessment criteria given for each study unit in the study guide to determine what is required of you.

Refer to annexure A for the assignment questions.

10 OTHER ASSESSMENT METHODS

Students who fail modules in their final year and who need to pass only this module to qualify for the degree will be given the opportunity to either complete an alternative assessment in the form of a portfolio or to rewrite the examination in the next examination session. The examination section will identify and notify the specific students. Note that the portfolio assignment comprises two questions, requiring both theoretical knowledge and practical application. Students should pass both questions to be granted an overall maximum pass rate of 50%. Contrary to beliefs under students, the portfolio assignment requires a lot of time and effort from students and is by no means an easy way out.

11 EXAMINATION

All students who submit an Assignment will be granted examination admission. Students who do not submit the assignment will **NOT** be allowed to write the examination.

The provisional examination dates will be published at <https://my.unisa.ac.za>. Checking these dates well in advance will help you determine how much effort to put in doing final preparations for the examination.

The examination paper will consist of two sections, A and B. Section A will consist of multiple-choice questions of 1 mark each. Section B will consist of essay questions. The duration of the examination paper is two-hours for a total of 70 marks. More details regarding the format of examination paper as well as other examination guidelines will be provided in Tutorial Letter 201.

A student must attain a mark of at least 40% in order to qualify for admission to the supplementary examination. Details about the procedure and cost for the re-marking of examination scripts may be found on myUnisa (<https://my.unisa.ac.za>).

12 FREQUENTLY ASKED QUESTIONS

SECTION A: ADMINISTRATIVE MATTERS

1 MATTERS PERTAINING TO REGISTRATION

What should I do if any of my personal details (name, address, etc) have been incorrectly captured during the registration process?

Use myUnisa (<https://my.unisa.ac.za>) to rectify any mistakes. Alternatively send an e-mail to econ@unisa.ac.za or mail us a letter addressed to The Registrar, PO Box 392, Unisa, 0003. Remember to quote your student number in all correspondence.

What do I need to do to obtain study material?

This module is only offered online. No printed study material will be made available to students. All study material should be downloaded from the internet facility at <https://my.unisa.ac.za>.

2 ASSIGNMENTS***My assignment is late because Can I submit it at a later date?***

It is your responsibility to make sure that you submit your assignment at myUnisa or reaches the Unisa Main Campus on or before the closing date. Do not call us to request an extension of the due date for the submission of an assignment. Once you have received the tutorial letter containing the solutions, you will know that you definitely can no longer submit the assignment.

Are the assignments of this module compulsory?

Assignment 01 is compulsory. Assignment 02 is for self-assessment purposes only and must not be submitted. The intention is that you should use the assignments to prepare yourself for the examination.

Do the marks obtained for assignments count towards the final mark?

The mark obtained for Assignment 01 will count towards the final mark, as explained in this tutorial letter.

Who do I contact to find out if Unisa received my assignment(s) that I sent by mail?

Preferably submit your assignments via myUnisa. If you do not have access to the internet and mailed Unisa your assignments, SMS 43584 in order to determine if Unisa received your assignment(s).

What do I do if my assignment goes missing in the mail?

Preferably submit your assignments via myUnisa. Always make a copy of your assignment and keep it in a safe place in case you need to submit a duplicate copy.

Can I submit my assignments by e-mail?

No, all assignments should either be submitted via myUnisa or posted. Assignments e-mailed to lecturers will not be marked.

How long will I have to wait before I can expect my assignment(s) results?

The assignment is marked electronically. The results will be made available on myUnisa. A preliminary and final marking run is done. The dates of the two runs are normally a week apart. The first run is normally done a few days after the assignment due date.

Can I expect my assignment to be returned sooner if I submit it well before the due date?

The assignment is marked electronically. The marking of the assignment is normally done a few days after the assignment due date. Assignments are not marked or returned prior to the due dates.

What mark did I obtain for my assignment(s)?

Register as a user of the myUnisa facility and visit <https://my.unisa.ac.za> to find out the mark you received for your assignment(s).

3 EXAMINATION

What happens if I am unable to write the examination because of ill health, work commitments or any other crisis?

Any requests for aegrotat examinations need to be done in writing and directed to the Head: Examinations, Box 392, Unisa, 0003 or exams@unisa.ac.za. A fee is payable for such requests. The amount payable is determined by the Examination Section.

What happens if I fail any papers?

Students who fail any of the papers may be granted admission to write the supplementary examination scheduled for the next examination, provided they obtained a final mark of at least 40%. Direct any enquiries in this regard to the Head: Examinations, Box 392, Unisa, 0003 or exams@unisa.ac.za

What will happen if I do not write any of the papers during the supplementary examination?

In such a case you will have to obtain a registration form, complete it, pay the required fees and register again.

What do I need to bring to the examination venue?

Bring your identity document (ID), student card, an HB pencil, black pen, financial calculator, ruler, eraser, and pencil sharpener.

Will it be an open-book examination?

No.

Could you give me an idea of the scope of the examination paper?

The examination paper is based on your prescribed book and the learning outcomes provided in your study guide. Each learning outcome statement and assessment criterion may be used to set examination questions. Guidelines for preparing the examination will be provided with Tutorial Letter 201. Do not call us with regard to the "scope" of the examination paper.

4 RESULTS

I am going to be away when the examination results are due to be released. Could you tell me what mark I obtained for this paper?

The results should be available four (4) weeks after completing the examination period. Do not call the lecturers to request your results.

How will the results be announced?

The results are normally mailed to students. They are also published at myUnisa <https://my.unisa.ac.za> and the MTN results facility, cellular number 083 1234.

5 STUDY GUIDE AND TUTORIAL LETTERS

I cannot access some of the study material on myUnisa?

All material for this module should be downloaded from myUnisa. Register as a user at <https://my.unisa.ac.za>. If you cannot access some of the study material for some reason you may request the lecturers to e-mail the study material to you.

6 CHANGES IN REGISTRATION DETAILS

What do I need to do if I want to add or cancel any of the modules?

Update your details at myUnisa. Alternatively send an e-mail, facsimile or letter to indicate any changes that need to be made to your registration. You should complete any such changes two months before the examination. Send an e-mail to econ@unisa.ac.za. Alternatively mail a letter addressed to The Registrar, Box 392, Unisa, 0003. Remember to quote your student number in all correspondence.

7 ACCOUNTS

What do I do if I do not agree with my account statement?

Send a letter addressed to The Head, Student Accounts, Box 392, Unisa, 0003.

Alternatively send an e-mail to finan@unisa.ac.za.

Provide a copy of your receipt(s), deposit slips or electronic funds transfer (EFT) as proof of payment as well as your student number.

Will the payment immediately appear on my account statement?

Note that your payment will only be reflected on your next account statement.

SECTION B: ACADEMIC MATTERS

1 THE PRESCRIBED BOOK

May I use any alternative books?

We strongly recommend the use of the prescribed book. You are welcome to consult additional reading material but the examination paper is based on the prescribed book.

Which specific pages do I need to study and which can I leave out?

The chapters that you need to study are indicated in your study guide. The study guide will indicate if any pages may be left out. You need to focus on achieving the learning outcome statements.

Could you highlight the most important aspects of each chapter?

Some students are inclined to study only the “most important aspects”. This may prove to be disastrous in the examination. All aspects of the prescribed chapters identified by means of the learning outcome statements should be regarded as important for the examination. A Tutor Guide will also be uploaded on myUnisa. Download this guide as it may assist you in studying this module and preparing for the examination.

2 CALCULATORS

Am I allowed to use a calculator?

Yes. In fact we would like to encourage you to use a **non-programmable financial calculator**.

I have a scientific calculator. Will it be sufficient for this paper?

No. Use a financial calculator.

Which calculator is prescribed or recommended?

We recommend the use of the HP10-B II.

Am I allowed to use a programmable calculator in the exam?

No.

3 SUPPLEMENTARY BOOKS AND VIDEOS

Are there any supplementary books and videos which I can use?

No supplementary books and videos are prescribed.

I would like to do some additional exercises and calculations. Could you provide me with the tutorial letters of 20..?

Because of limited storage space at Unisa, no tutorial letters from previous years are kept and/or made available to students. Visit myUnisa for additional resources, if available.

4 CONTACT WITH FELLOW STUDENTS

I wish to contact other students enrolled for this module in my area. Provide me with their contact details.

Contact may be established with fellow students at the discussion forum and blog at myUnisa. Due to the constitutional right to privacy we may not disclose the details of students to their fellow students.

5 EXAMINATION

Are any old examination papers available?

The curriculum for this module was revised and differs from previous years. There are therefore no previous papers available.

What will the format of the examination paper be like?

The format of the examination paper will be confirmed in one of the tutorial letters (normally Tutorial Letter 201) which will be posted on myUnisa during the semester/year.

Will the examination paper contain any theory questions or will there only be calculations and interpretations?

Most of the questions involve theory, applications, calculations and interpretations.

Will all equations be provided as an annexure to the examination paper?

Equations will not be provided as part of the examination paper. You should be able to apply the equations in the examination. No marks are awarded for quoting equations in the examination script.

If I study only the assignment questions, will I be adequately prepared for the examination?

No. It is unlikely that you will be adequately prepared by studying only the assignment questions. The assignment questions represent a sample of the work and cannot be regarded as being representative of all the study material.

13 CONCLUSION

This tutorial letter provides you with the purpose and outcomes of the module. It also provides the contact details of the lecturer(s), as well as module-related resources and student support services. It is important that you now prepare a study plan for yourself and devote 120 hours to this module in order to succeed in the examination.

The tutorial letter also provides details of your assessment, including your assignments for the semester. It also provides some frequently asked questions (FAQs) in order to save you a telephone call or e-mail.

Contact the Insurance Institute as soon as possible to order your prescribed book, and make sure you order the latest version of the book.

We wish you all of the best with your studies.

Kind regards

**Mr LP Mamaro
Mr J van Huyssteen
Department Finance, Risk Management and Banking**

ASSIGNMENT 01: SEMESTER 1**Due date: 20 March 2017****Unique number: 696238**

The purpose of this assignment is to test your knowledge and understanding of:

- Long-term industry bodies affecting the life intermediary
- Legal and tax issues
- Life insurance – A product introduction
- Retirement annuities, annuities and supplementary benefits
- Health care and funding in South Africa
- Introduction to underwriting
- Policy servicing
- General overview and principles of claims
- An introduction to retirement funds
- The use of insurance in the business environment
- Estate planning

Study the relevant topics in the study guide together with the corresponding material in the prescribed book.

Answer the following questions and submit your assignment at <https://my.unisa.ac.za>

[15]**Question 1**

Upon processing a death claim, the insurance company finds that the age had been misstated and never confirmed during the duration of the policy. Identify the action the insurer is allowed to take.

- 1 Declare the policy void.
- 2 Cancel the policy *ab initio*.
- 3 Refund all premiums received, together with a reasonable rate of interest.
- 4 Adjust the sum insured to the level supported by the premium and the real age.

Question 2

Lobisa was married to Tshungu for 15 years. As part of their financial planning, they both took a life insurance cover on each other for an amount of R5 million. In the passage of time, they have divorced. Lobisa decided to move on with life and remarried. Ten years later, Lobisa passed away. Assuming that Tshungu had continued with the premium payments on the policy for Lobisa's life, state whether Tshungu would successfully claim from the life insurer.

1. Yes, since she had insurable interest when the policy commenced.
 2. No, she cannot since she no longer had insurable interest in Lobisa's life.
 3. Yes, because she continued paying premiums consistently over the policy period.
 4. No, since Lobisa had a new wife who was entitled to the benefits of the policy.
- In terms of universal life policies.

Question 3

Which one of the following categories would classify credit life insurance?

1. Term
2. Universal
3. Whole life
4. Endowment

Question 4

The whole life policy differs from a term policy in that ...

1. the premium on a whole life policy increases each year.
2. no premiums are required when the insured turns age 65.
3. a whole life policy accumulates cash value, whereas a term policy does not.
4. the rate on a whole life policy is always lower than that charged on a term policy.

Question 5

Following advice from their financial advisor, Tshepo and Rebotile decided to make a lump sum investment on the life of their child (Lesego). At age five Lesego suffers from a rare disease and dies. The investment had grown to R60 000 over the five years. Initial premium was R25 000. The maximum amount claimable.

1. R10 000
2. R25 000
3. R30 000
4. R60 000

Question 6

Indicate the **correct** statement:

- 1 No interest is charged on policy loans where the policy has a surrender value.
- 2 Policy loans approved by a life insurer are paid from the investment account of the policy.
- 3 Policy loans are paid out with money retained in the reserve account of the life insurer.
- 4 The value of a policy loan granted will be limited to a percentage of the cash value of the policy.

Question 7

An absolute cession of a life insurance policy is used under which one of the following circumstances?

- 1 When an education policy is taken out.
- 2 When in a partnership buy and sell agreement.
- 3 When taking a bond for a house with a bank.
- 4 When a wife needs protection against insolvency of her spouse.

Question 8

The difference between medical schemes and hospital insurance lies in that ...

1. contributions to hospital cash plans are taxable while contributions to medical schemes are not.
2. hospital cash plans pay the hospital for all the medical expenses while medical schemes pay the member.
3. hospital cash plans are only for accidents sustained at work while medical schemes cover natural illnesses.
4. medical schemes fall under the Medical Schemes Act while hospital cash plans fall under the Short Term Insurance Act.

Question 9

With an assistance business group life insurance scheme ...

- a) individual underwriting is done.
- b) the policy has term cover only.
- c) individual persons are the policy holders.
- d) the policy may be cancelled by either party to the policy.

Choose the correct combination:

- 1 a,b,c,d
- 2 a,b,c
- 3 a,c,d
- 4 b,c,d

Question 10

Which of the following is benefits that an insurer will pay out if the insured become permanently disabled or permanently unable to earn an income?

1. Life income option
2. Fixed period option
3. Fixed income option
4. Lump sum payment

Question 11

A person whom the deceased has left a specific items or sum of money, as a specific mention in his/her will, is referred to as a ...

- 1 heir.
- 2 legatee.
- 3 testator.
- 4 decendant.

Question 12

If an individual is worried about the possibility of a loss of earning ability and wants a policy that will supply him with a regular income until she/he reaches retirement age, which policy would you recommend?

1. Endowment
2. Capital disability
3. Income protection
4. Dread disease cover

Question 13

In terms of the Association of Saving and Investment of South Africa (ASISA) Human Immunodeficiency Virus (HIV) testing protocol ...

1. testing is only compulsory for life cover above R200 000.
2. all applicants for life insurance must undergo HIV testing.
3. an HIV test is not compulsory for life insurance applicants.
4. positive results must not be recorded in the ASISA registry.

Question 14

Which of the following is **incorrect** regarding whole life insurance.

1. The main objective is to protect in one form or another.
2. Policy loans are paid out with money retained in the reserve account of the life insurer.
3. The annual premium in the early years was more than enough to cover the year-to-year risk and expenses.
4. The policy is constituted a protection for spouses and children which cannot be claimed by creditors in the event of insolvency.

Question 15

Indicate the **correct** statement:

1. In terms of universal life policies, the investment account belongs to the insurer.
2. The Financial Intelligence Centre Act exempts the long-term insurers from complying with the Act.
3. An *intervivos* trust is created through a will and only exists after the death of the owner of an estate.
4. Anti-selection is a tendency by those that are exposed to higher risk like smokers, to take life insurance cover.

ASSIGNMENT 02 : SEMESTER 1**Due date: 10 April 2017****Unique number: 802766**

The purpose of this assignment is to test your knowledge and understanding of:

- Long-term industry bodies affecting the life intermediary
- Legal and tax issues
- Life insurance – A product introduction
- Retirement annuities, annuities and supplementary benefits
- Health care and funding in South Africa
- Introduction to underwriting
- Policy servicing
- General overview and principles of claims
- An introduction to retirement funds
- The use of insurance in the business environment
- Estate planning

Study the relevant topics in the study guide together with the corresponding material in the prescribed book.

Answer the following questions and submit your assignment at <https://my.unisa.ac.za>

[30]**Question 1 (10 marks)**

Mahlobo paid the first premium as the normal deduction was made. However, he was accidentally shot and killed at his house during a robbery and after being hospitalised for a year, he became disabled permanently.

In terms of social grants by government in South Africa, which one of the following grants are applicable to Mahlobo.

- 1.1 Discuss two social grants which are applicable to Mahlobo. (5)
- 1.2 Explain the guaranteed insurability benefit under a life insurance policy. State the reasons why a person would option for such cover. (15)

Question 2 (10 marks)

Mr Mapaleng applied for a life insurance policy on 1 April 2016. He signed and submitted all documents to his broker and submitted a cash premium with the proposal. He requested the inception date of the policy to be 1 May 2016. On 10 April 2016 on his way from Centurion, Mr Mapaleng was killed in a motorcar accident. At the time of the accident the policy document was still in the possession of the broker.

- 2.1 In terms of the aforementioned scenario: discuss five circumstances under which a claim will be considered for Mapaleng. (5)
- 2.2 Explain the operation of a universal life insurance policy. (5)

ASSIGNMENT 01 : SEMESTER 2**Due date: 22 August 2017****Unique number: 794474**

The purpose of this assignment is to test your knowledge and understanding of:

- Long-term industry bodies affecting the life intermediary
- Legal and tax issues
- Life insurance – a product introduction
- Retirement annuities, annuities and supplementary benefits
- Health care and funding in South Africa
- Introduction to underwriting
- Policy servicing
- General overview and principles of claims
- An introduction to retirement funds
- The use of insurance in the business environment
- Estate planning

Study the relevant topics in the study guide together with the corresponding material in the prescribed book.

Answer the following questions and submit your assignment at <https://my.unisa.ac.za>

[15]**Question 1**

Various devices have been designed and implemented in an attempt to curb the escalating cost of health care, such as ...

- a. capitation.
- b. co-payments.
- c. service unbundling.
- d. medical savings accounts.

Choose the **correct** combination:

- 1 a,c,d
- 2 b,c,d
- 3 a,b,d
- 4 a,b,c,d

Question 2

Indicate the **correct** statement.

1. Where a polygamous man dies intestate, the first wife will inherit the estate.
2. A minor or mentally ill descendant is able to renounce his/her right to inherit.
3. Adopted children have a claim against the intestate estate of their natural parents.
4. The adopted parent has a claim against the intestate estate of his/her adopted child.

Question 3

Mr Calvin applied for a life policy on 1 January 2015. The policy included a suicide clause excluding death by suicide within one year of inception of the policy. On 1 June 2015 the policy lapsed due to non-payment of premiums. Mr Calvin applied for the reinstatement of the policy and it was reinstated on 1 February 2016, with proof of good health. Mr Calvin died on 6 October 2016 as a result of an overdose of prescribed sleeping pills. Suicide is expected.

With reference to the aforementioned facts, indicate the **correct** statement:

1. The beneficiaries to Mr Calvin's policy will be entitled to claim the benefits of the policy.
2. The suicide exclusion no longer applies as the policy has been in force for a period exceeding the stipulated one-year period.
3. The burden of proofing the death was not caused by suicide lies with the beneficiaries of the policy.
4. If suicide is proven, the insurer will not be liable for any claims as the suicide clause is still in force.

Question 4

In order to qualify for social grants by government, the applicant must pass a means test. As part of the means test the following is considered:

- a. money earned from growing crops and /or livestock.
- b. money earned from any kind of work, before any deductions, is taken into account.
- c. all the applicants assets, excluding his/her house, is taken into account at market value.
- d. where the spouse of the applicant is receiving pension or any other grant, a quarter of the amount received is taken into account as income of the applicant.

Choose the **correct** combination:

1. a,c,d
2. a,b,d
3. a,b,c
4. a,c,

Question 5

Which of the factors that influence the assessment risk of life policy?

- a. Contravention of the law
- b. The family medical history
- c. The proposer's physical condition
- d. Driving while under the influence of alcohol

Choose the **correct** combination:

- 1 a,b,c,d
- 2 a,b
- 3 a,b,c
- 4 b,c

Question 6

Indicate the **incorrect** statement regarding contingent liability.

1. It is a personal surety that may be required to sign.
2. It is an alternative collateral security acceptable to the creditors.
3. It is a written agreement between the business and the director.
4. It is a plan which can only safeguard the estate of deceased director.

Question 7

The main purpose of doing an actuarial valuation of a life insurance company is to ...

1. test the solvency of the life office.
2. determine the mix of premiums and products.
3. test the accuracy of the mortality tables used.
4. determine the profits of a life insurance company.

Question 8

Indicate the **correct** statement.

1. The cash value of the policy is the current value of the investment account of the policy.
2. Where aggregated charging for expenses is used by a life insurer, there will be little difference between the cash and surrender value of the policy.
3. The cash value of the policy is the amount of money the policy holder will receive if he/she decides to cancel the policy.
4. Where expenses are upfront recovered by a life insurer, there will be quite a large difference between the cash and surrender value of the policy.

Question 9

Most life insurers incorporate a “suicide clause” in the policy. This clause applies when ...

1. the cause of death is AIDS.
2. the policy lapsed and has been reinstated.
3. the policy is an assistance insurance policy.
4. a claim occurs during the first three years of a policy.

Question 10

The principle of *uberrima fides* (utmost good faith) applies to any proposal for insurance, but the test to the validity of the contract will be determined by the “reasonable man test”. This includes the divulgence of material facts/information. In life insurance material facts would include the...

- 1 fact that he/she is going bald.
- 2 retrenchment by a former employer.
- 3 declinature of a policy application by another life insurer.
- 4 lapsing of a previous policy due to non-payment of premiums.

Question 11

A waiver-of-premium on death clause ...

1. waives the suicide clause.
2. allow the person to purchase additional insurance at no extra costs.
3. used where the premium payer is someone other than the principal life insured.
4. the premium payment cease and the policy is maintained in force free of charge.

Question 12

The guaranteed insurability benefit ...

1. allows the purchase of additional insurance at all ages.
2. allows the purchase of unlimited supplemental insurance.
3. allows purchase of additional insurance without proof of insurability.
4. generally requires a physical examination before the policyholder is allowed to purchase additional insurance.

Question 13

Indicate the **incorrect** statement regarding hospital cash plans exclusion.

1. Hospitalisation caused by the abuse of drugs or alcohol.
2. Hospital cash plans exclude any sexual transmitted diseases.
3. The normally applies where the period of hospitalisation is less than three days.
4. Pre-existing medical conditions will usually not be covered for two years after the commencement date.

Question 14

Indicate the **incorrect** statement.

1. The retirement annuity fund does not involve the employer.
2. A provident fund may pay the total value of the accumulated benefits out as a lump sum.
3. A pension fund may pay the total value of the accumulated benefits due to the member as a single lump sum.
4. A retirement fund is usually set up by means of an agreement between an employer and employees.

Question 15

Which of the following considered to be used under an absolute cession of a life policy?

- a. A policy is given as security for a loan.
- b. A policy is given as a gift to a family member.
- c. A policy with a cash value is sold to an investor.
- d. A policy ceded as part of an ante-nuptial agreement.

Choose the correct combination:

- 1. a,b,c,d
- 2. a,b,c
- 3. b,d
- 4. a,b,d

ASSIGNMENT 02 : SEMESTER 2

Due date: 11 September 2017

Unique number: 847457

The purpose of this assignment is to test your knowledge and understanding of:

- Long-term industry bodies affecting the life intermediary
- Legal and tax issues
- Life insurance – a product introduction
- Retirement annuities, annuities and supplementary benefits
- Health care and funding in South Africa
- Introduction to underwriting
- Policy servicing
- General overview and principles of claims
- An introduction to retirement funds
- The use of insurance in the business environment
- Estate planning

Study the relevant topics in the study guide together with the corresponding material in the prescribed book.

Answer the following questions and submit your assignment at <https://my.unisa.ac.za>

[30]

Question 1 (10 marks)

Mr Rodgers took out a life insurance policy while married to his wife, Mercy. He nominated her as sole beneficiary of the policy. They divorced and he remarries wife Noko. Three years after the marriage he dies in a car accident. In his last will he leaves his estate, including the life policy to his wife Noko. However, he neglected to change the beneficiary of his life policy. Under this scenario, his former wife Mercy will be able to claim the proceeds of the policy despite the conditions of the will.

- 1.1 In the light of the abovementioned scenario, describe the beneficiaries applicable and argue whether you agree or disagree with the statement and motivate why? (5)
- 1.2 Based on the scenario, name the beneficiaries favoured by the court and argue why there may be differences between stipulation of a will and the nomination of the beneficiary and motivate? (5)

Question 2

- 2.1 Explain five points under the demarcation guidelines between health insurance and medical schemes. (15)
- 2.2 Argue whether a claim submitted 20 months after the reinstatement of a policy will be considered if the cause of death was suicide. (5)

ASSIGNMENT 03

This assignment is for self-assessment purposes only and you do not have to submit it. Complete the assignment questions after studying the material in the prescribed book and study guide. Pay special attention to the suggested solutions and guidelines that will be provided in Tutorial Letter 201. Evaluate your answers using the guidelines provided. Remember that written questions will contribute 40 marks in the examination.

The purpose of this assignment is to test your knowledge and understanding of:

- Long-term industry bodies affecting the life intermediary
- Legal and tax issues
- Life insurance – a product introduction
- Retirement annuities, annuities and supplementary benefits
- Health care and funding in South Africa
- Introduction to underwriting
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- General overview and principles of claims
- An introduction to retirement funds
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- Estate planning

Study the relevant topics in the study guide together with the corresponding material in the prescribed book.

Question 1

Discuss insurable interest, setting out the fundamental concept (definition) thereof, give the differences between the required presence of insurable interest under short-term and life insurance policies and also provide brief notes on at least three examples of insurable interest.

(5)

Briefly discuss the above statement and give the reasons for the above principles and explain how these are achieved.

(5)

Question 2

Policy servicing in a life office involves a variety of functions and aspects. Briefly discuss the following issues:

- | | | |
|------------|-------------------------|---|
| 4.1 | Cash values | 1 |
| 4.2 | Surrender values | 1 |
| 4.3 | Automatic premium loans | 1 |

4.4	Revival conditions	1
4.5	Policy loans	1
		(5)

Question 3

It may happen that a person dies without having drawn up a will, while it is also possible that the Master of the Supreme Court may rule that certain conditions set out in a person's will do not conform to criteria acceptable to him and he can then declare the will (or part thereof) to be invalid.

When this occurs the "deceased" is said to have died *intestate* and the Intestate Succession Act No. 81 of 1987 (as amended) will determine who will inherit the estate, once the estate has been finally wound up.

Briefly set out the distribution basis of the estate under the following conditions, when the deceased is:

- 5.1 Survived by a spouse, but not by a descendant
- 5.2 Not survived by a spouse or a descendant, but by parents, or one parent
- 5.3 Survived by a spouse and three children
- 5.4 Only survived by an adopted child
- 5.5 A man who was in a polygamous (religious) marriage, with multiple wives

(5 x 2 = 10)