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RSK3701

MAY/JUNE 2018

RISK FINANCING AND SHORT TERM INSURANCE

STUDENT NUMBER									

IDENTITY NUMBER											

FOR USE BY EXAMINATION INVIGILATOR

Question No	Marks					
	Examiners					
	1	2	3	4	5	6
Section A						
1						
2						
Section B						
3						
4						
5						
6						
7						
8						
9						
10						
Total						

Subject

01
Number of paper

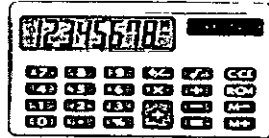
Date of examination

Examination centre

WARNING

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**RSK3701**

May/June 2018

Risk Financing and Short Term Insurance

Duration 2 Hours

70 Marks

EXAMINERS

FIRST

MS CJ DE SWARDT

SECOND

MS TG LEGOTLO

MISS Z YOUSUF

EXTERNAL

DR GJ SANDROCK

Use of a non-programmable pocket calculator is permissible

Closed book examination

This examination question paper remains the property of the University of South Africa and may not be removed from the examination venue

This paper consists of 14 pages in total, including 2 pages for rough work

This paper comprises of two sections, A and B

Section A comprises multiple choice and true/false questions. You must answer the questions in this section on the examination paper as instructed

Section B comprises calculation and written questions. These questions must be answered in the designated spaces provided on the paper

Please note:

- 1 **This is a fill-in examination paper and there is no need for any examination scripts. Students must hand over the examination paper to the invigilator before leaving the examination hall.**
- 2 **NO MARK READING SHEET IS PROVIDED for the multiple choice questions. The answers must be indicated on the exam paper as instructed.**
- 3 **Any silent, non-programmable, battery operated pocket calculator may be used**
- 4 **Pages for rough work have been provided (see pages 13 and 14) No rough work will be marked.**

[TURN OVER]

SECTION A MULTIPLE-CHOICE AND TRUE FALSE QUESTIONS**Question 1 Multiple-choice questions**

INDICATE THE CORRECT ANSWER TO EACH QUESTION BY DRAWING A CIRCLE AROUND THE NUMBER OF THE CORRECT OPTION

1 1 Indicate the **correct** statement

- 1 Insurance contracts indemnify the insured in terms of money only
- 2 Pooling is a prerequisite for insurance
- 3 Organisational charts are useful in identifying supplier risk
- 4 Driver training is an example of a pre-loss minimisation technique

1 2 A farmer insures his crop for R800 000. Just before harvesting the crop, the whole crop is destroyed by a run-away fire from a neighbouring farm. The total estimated loss amounts to R1 000 000. If the principle of special condition applies, the insurer will be liable for

- 1 R0
- 2 R600 000
- 3 R800 000
- 4 R1 000 000

1 3 The drought in the Western Province is an example of a(n) risk

- 1 uninsurable
- 2 insurable
- 3 particular
- 4 speculative

1 4 Indicate the **correct** statement

- 1 Companies authorised to issue SASRIA cover are remunerated by means of interest payments
- 2 The government is the sole shareholder of SASRIA
- 3 The government has an unlimited liability towards SASRIA
- 4 SASRIA cover risks in South Africa and Namibia

1 5 Indicate the **correct** statement.

- 1 Collusion or theft by employees is a general exception to most accident policies
- 2 Cover for property, also covered in terms of a marine policy, is a standard exclusion to the multi-peril policy
- 3 Exceptions to policies can be deleted and the particular peril covered for an additional premium
- 4 Loss of damage arising from war is a general exclusion to all short-term policies

1 6 Medical equipment carried with a doctor while doing house-calls to bedridden patients can be covered under insurance

- 1 goods-in-transit
- 2 business all risk
- 3 motor vehicle
- 4 house holder

[TURN OVER]

1 7 For a loss to be insurable it should be

- 1 inevitable
- 2 catastrophic
- 3 measurable
- 4 unique

1 8 An insurer has a stop loss treaty for 90% of any excess of claims over 70% of premiums in any one year up to 100%. The insurer has R20 000 000 premium income for 2017 and losses amount to R18 000 000. The stop loss treaty will pay

- 1 R14 000 000
- 2 R18 000 000
- 3 R 4 000 000
- 4 R 3 600 000

1 9 You insured your house with a newly founded insurer. In order to limit its exposure the insurer enters into a reinsurance agreement in terms of which the reinsurance company retains 70% of the total risk and the insurer retains 30%. This reinsurance agreement is referred to as a agreement

- 1 quota share treaty
- 2 stop-loss
- 3 surplus treaty
- 4 excess of loss

1 10 In terms of a comprehensive motor insurance policy the insured is

- 1 covered against damages to recovered stolen vehicles
- 2 not covered against accidental damages to his/her own vehicle
- 3 not covered while driving the insured vehicle in Malawi
- 4 covered by the policy should his/her vehicle be driven by an unlicensed driver

(10 x 1 =10)

Question 2: True/False Questions

THIS SECTION COMPRISES TEN QUESTIONS AND MUST BE ANSWERED IN THE SPACES PROVIDED. ALL THE QUESTIONS MUST BE ANSWERED. INDICATE WHETHER A STATEMENT IS TRUE OR FALSE AND PROVIDE A MOTIVATION FOR YOUR ANSWER. NO MARKS WILL BE AWARDED FOR AN ANSWER WITHOUT A PROPER MOTIVATION

2 1 An insured has a motor policy with a straight deductible of R5 000. The insured is involved in a car accident, sustaining damages of R4 000. The damages will be covered in full by the insurer

True/False

[TURN OVER]

2 2 Consideration in terms of insurance policies is not essential for concluding a contract

True/False

2 3 Neighbours have an insurable interest in each other's life

True/False

2 4 The replacement of stolen assets with new assets is a violation of the principle of indemnity

True/False

2 5 A worker sustained lung cancer as a result of working in an asbestos plant. The worker will have a claim under the personal accident section of his short-term policy

True/False

2 6 Fidelity guarantee insurance provides cover against money transported to and from a bank

True/False

[TURN OVER]

2 7 An insured has a policy with a R10 000 deductible and a recapture factor of 4% Should a loss of R100 000 be sustained, the insured will pay the full deductible of R10 000

True/False

2 8 An underwriter is requested to underwrite a tyre manufacturing plant The sums insured are

Fire R20 000 000
Loss of profits R15 000 000

The underwriter has a net line of R5 000 000 and can take an additional 50% if the risk involves Fire and Loss of profit The underwriter has an eight line surplus treaty The underwriter will need no facultative reinsurance in this case (Show all calculations)

True/False

2 9 Hull insurance does not cover barratry and collision

True/False

2 10 A House Owners policy covers the buildings and outbuildings of a residence but can also be extended to include fixed sanitary ware against chipping and scratching

True/False

(10 x 2 = 20)
[30]

[TURN OVER]

SECTION B: WRITTEN QUESTIONS

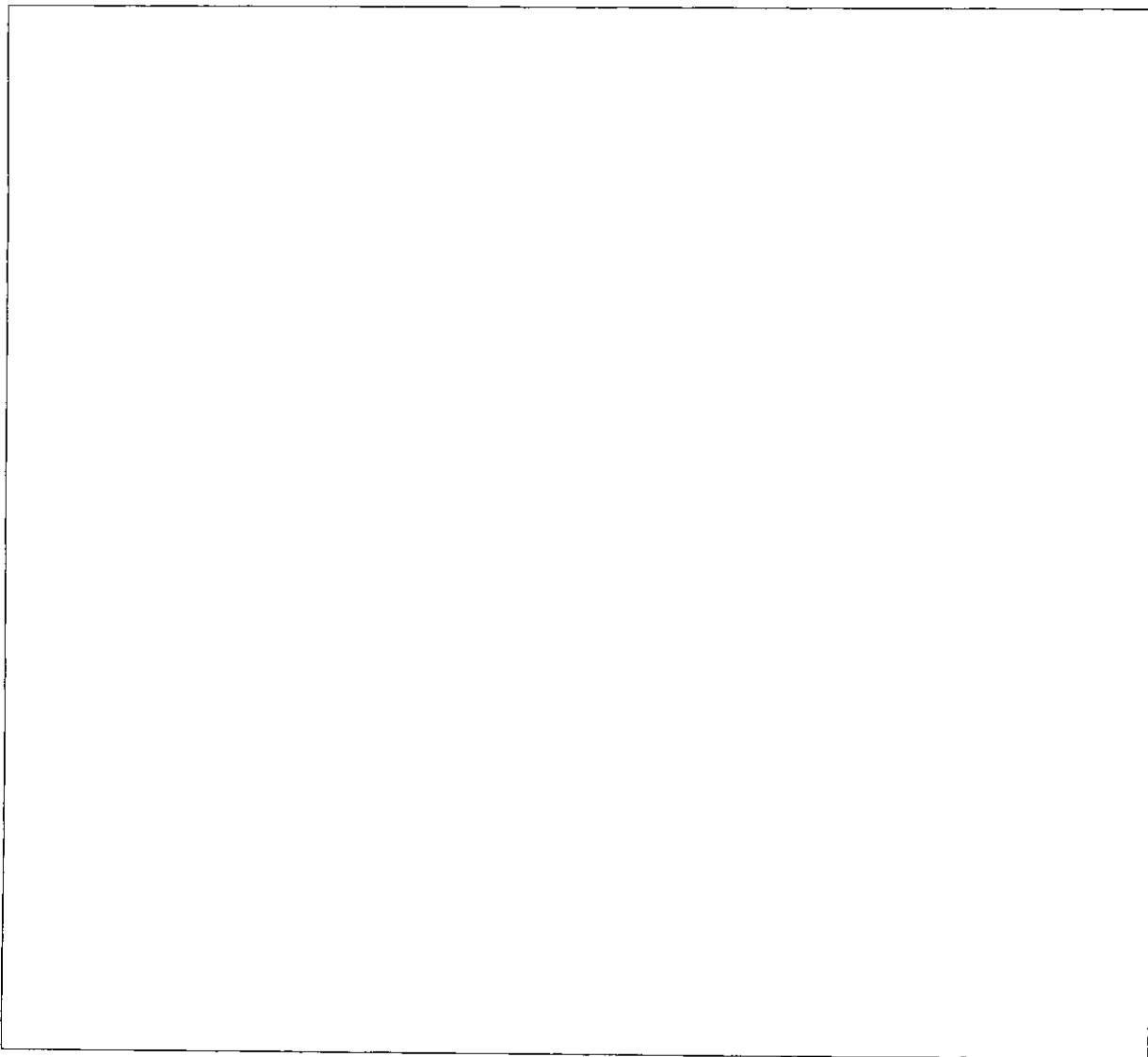
THIS SECTION COMPRISES EIGHT QUESTIONS AND MUST BE ANSWERED IN THE SPACES PROVIDED ALL THE QUESTIONS MUST BE ANSWERED

Question 3 (5 marks)

You are appointed as the risk manager of a company with the following financial results

Turnover	R10m
Net assets	R5m
Net current assets	R3m

Determine the upper and lower levels of the company's retention capacity



[TURN OVER]

ROUGH WORK PAGE

NO ROUGH WORK WILL BE MARKED

[TURN OVER]

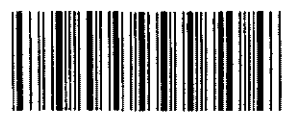
ROUGH WORK PAGE

NO ROUGH WORK WILL BE MARKED

attendance register
(university copy)

attendance register
(student copy)

Fill-in/MCQ



Examination period

Student number

Surname

First Names

Subject

Code of paper

Number of paper

Centre

Date

This is to certify that I have read the rules governing the examinations as set out on the inside cover of this examination answer book and in the examination instructions

That the information supplied by me in this answer book is correct and valid

I undertake to adhere to the procedures, rules and regulations of the University of South Africa as published in the official brochures

Signature of candidate

ID Number

Batch No
28092015MCQ

Signature of invigilator

UNISA invigilator's personnel number

NOTE Not a valid document if not completed by the Invigilator

Fill-in/MCQ



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