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**RSK3702**

**OCT/NOV 2017**

**RISK MANAGEMENT: LONG TERM INSURANCE**

<b>STUDENT NUMBER</b>									

<b>IDENTITY NUMBER</b>											

**FOR USE BY EXAMINATION INVIGILATOR**

Question No	Marks		
	Examiners		
	1	2	3
<b>Section A</b>			
1			
2			
<b>Section B</b>			
3			
4			
5			
<b>Total</b>			

**Subject**

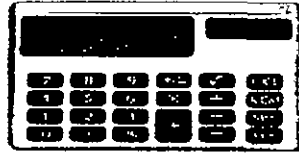
**Number of paper**

**Date of examination**

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**RSK3702**

October/November 2017

**RISK MANAGEMENT: LONG TERM INSURANCE**

Duration 2 Hours

70 Marks

**EXAMINERS**

FIRST

MR WK MPHANJUKELWA

SECOND

MR LP MAMARO

EXTERNAL

PROF RW VIVIAN

**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 21 pages in total, including 3 pages for rough work

This paper comprises two sections, A and B

Section A comprises multiple-choice and true/false questions

Section B comprises paragraph and essay-type questions

Both sections must be answered in the designated area below the question. You must answer all the questions

**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 from 19 to 21). No rough work will be marked.

**[TURN OVER]**

**SECTION A: MULTIPLE-CHOICE AND TRUE/FALSE QUESTIONS**

Indicate the correct answer to each question by writing the number of the correct option in the table on page 6.

**Question 1****[10 Marks]**

- 1 1 Life insurance companies assess risks in terms of
- a mortality in permanent health insurance
  - b occupation and medical condition in personal accident insurance
  - c morbidity in life insurance
  - d medical condition and medical history in hospital and medical insurance

**Choose the correct combination**

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

1.2 In which category would you classify credit life insurance?

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

1 3 Morbidity rates

- 1 are used to calculate premiums for life benefits the proposer might want.
- 2 are used to calculate premiums for disability benefits the proposer might want.
- 3 used by life insurers are based on census statistics
- 4 are not impacted by HIV/AIDS

1 4 Defined contribution funds

- 1 are less flexible about retirement ages when compared to defined benefits funds
- 2 usually present an open-ended contribution and liability to employers
- 3 have an easily calculated member share of the fund
- 4 lead to cross-subsidisation between members, dependent on their ages

**[TURN OVER]**

1 5 Indicate the correct statement.

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

1 6 The difference between medical schemes and health insurance is 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 Long- and Short-term Insurance Acts

1 7 Competition is an important aspect to be considered by the underwriter. Competition will ensure that the policy

- a is equitable
- b provides benefits that meets the need of the buyer
- c delivery is prompt
- d premium is much lower than that of the competition

**Choose the correct combination**

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

**[TURN OVER]**

1 8 Indicate the correct statement

- 1 A risk class as it applies to life insurance is a group of insured who present a dissimilar morbidity risk to the insurance company
- 2 The standard life insurance risk class includes individuals with impairments that can be expected to shorten their life span
3. Proper underwriting helps guard against anti-selection in life insurance
- 4 The preferred life insurance risk class includes individuals whose anticipated mortality is regarded as average

1 9 Indicate the correct statement

1. Any annuity arranged or paid by a pension fund is a voluntary annuity
2. The gender of a person applying for a compulsory annuity will have no impact on the annuity the insurer is prepared to guarantee
- 3 With an annuity certain, the annuity will cease if the annuitant dies within the stipulated period
- 4 Indexed annuities are normally issued with a minimum annual interest to protect the investor against stock crashes

1 10 The following persons are *disqualified from receiving a benefit from the will of the testator*

- a A person that attest and sign the will as witness
- b The spouse of the person who signs the will on behalf of the testator
- c A person who writes the will in his or her own handwriting
- d A person generally disqualified but declared by a court competent to receive a benefit

**Choose the correct combination:**

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

**[TURN OVER]**

Indicate your answer in this table.

1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

(10 X 1 = 10)

[TURN OVER]

**Question 2**

**[20 Marks]**

**Evaluate the accuracy of each of the following statements. Indicate whether you consider the statement accurate or not and provide a full motivation for your answer.**

2 1 With the exception of second-hand policy, persons do not need to declare the proceeds of life insurance policies for the purpose of the payment of capital gain tax

True/False


2 2 Where an insurer uses aggregated charging to charge for expenses, there is usually very little difference between the cash and surrender value of a policy, especially if the policy is still fairly new.

True/False


2 3 Contingent liability insurance secures the personal estate of the deceased director who may have signed personal sureties

True/False


**[TURN OVER]**

2.4 The nomination of a beneficiary is automatically revoked if the policy is ceded to a third party

True/False


2.5 A foster child grant is provided to a primary care giver who cares for a child or children who are under the age of 18

True/False


2.6 Living benefits policies provide for the payment of a lump sum to an insured who is suffering a disabling health event as defined in the policy

True/False


[TURN OVER]



2 7 The reserve value of a policy is the amount which at any point in time is made up of the premiums and interest received to date, less expenses

True/False


2 8 Annuity investments are most certainly beneficial to the investor, especially with regard to short-term investments

True/False


2 9 A pension fund may pay the total accumulated benefit to a member as a lump sum on retirement where the accumulated benefit is under the statutory minimum

True/False


[TURN OVER]

2 10 It is the responsibility of the claims assessor to check if that insurable interest exists at the inception of the contract

True/False


(10 x 2 = 20)  
Sub-total [30]

[TURN OVER]



















**DO YOUR ROUGH WORK HERE.  
NO ROUGH WORK WILL BE MARKED.**

**[TURN OVER]**

**DO YOUR ROUGH WORK HERE.  
NO ROUGH WORK WILL BE MARKED.**

**[TURN OVER]**

