

FINAL	%	
-------	---	--

**RSK3702**

**MAY/JUNE 2017**

**RISK MANAGEMENT: LONG TERM INSURANCE**

STUDENT NUMBER									

IDENTITY NUMBER													

**FOR USE BY EXAMINATION INVIGILATOR**

Question No	Marks					
	Examiners					
	1	2	3	4	5	6
<b>Section A</b>						
1						
2						
<b>Section B</b>						
3						
3 1						
3 2						
4						
4 1						
4 2						
5						
6						
<b>Total</b>						

**Subject**

**Number of paper**

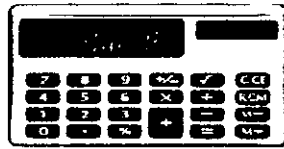
**Date of examination**

**Examination centre**

**WARNING**

- 1 A candidate who without authorisation takes into the examination venue any book, document or object which could assist him in the examination, and does not hand over such material to the invigilator before the official commencement of the examination, will be guilty of infringing the University's examination regulations and will be liable to punishment as determined by Council
- 2 Rough work may be done only on the examination question paper and must be labelled as such
- 3 No notes may be made on any part of the body, such as the hands or on any garment
- 4 This page/paper is the property of the University and under no circumstances may the candidate retain it or take it out of the examination venue

**NB PLEASE COMPLETE THE ATTENDANCE REGISTER ON THE BACK PAGE, TEAR OFF AND HAND TO THE INVIGILATOR**

**RSK3702**

May/June 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 examination paper consists of 18 pages in total, including two pages for rough work

This paper comprises 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 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. Hand 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 examination paper as instructed.**
- 3 Any silent, non-programmable, battery-operated pocket calculator may be used.**

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

[Total 30 marks]

Indicate the **CORRECT** answer to each question in the table at the end of this section.

**Question 1****(10)**

1 1 In terms of a voluntary-purchase annuity

- a the value of the annuity can be obtained from the insurer
- b there is no need for annuity to be permanent
- c It has one very important implication for the annuitant as it must be for the rest of his life
- d subject to certain conditions, the capital repayment portion of the annuity will be tax-exempt

Choose the **correct** combination

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

1 2 Jan is employed permanently by Ramosedi Holdings and is entitled to a salary of R500 000 per year. Jan takes out life cover for R1 000 000 on the life of Ramosedi (employer). The cover is equivalent to the value of the three years contract that he has with Ramosedi. From an insurable interest point of view, this policy is valid

- 1 on Jan's own life
- 2 on the life of Jan
- 3 on the life of Ramosedi
- 4 creditor on the life of a debtor

**[TURN OVER]**

1 3 Which one of the following benefits provide for the regular payment or release of a portion of the total sum insured where long-term treatment or care is required to take place in a registered nursing home or equivalent?

- 1 Terminal illness benefits
- 2 Dread-disease benefits
- 3 Disability income benefits
- 4 Long-term care (LTC) or frail-care benefits

1 4 Lobisa is single man and will turn 26 this year He does not have any dependents and group coverage He drives a polo vivo to work every day Which one of the following supplementary benefits should be added to his current individual insurance plan?

- 1 Accidental death and dismemberment
- 2 Accidental death and waiver of premium
- 3 Disability insurance benefits and guaranteed annuity
- 4 Term insurance and waiver of premium

1 5 An insurer is not obliged to pay a life insurance claim when the insured

- 1 commits suicide
- 2 is murdered
- 3 is killed while performing military service
- 4 is convicted of a crime for which he or she is executed

1 6 The following persons are disqualified from receiving a benefit from the will of the testator

- a a person that attests and signs the will as a 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/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

- 1 7 Sean is a smoker and travels frequently in South Africa for athletics. In the past two years he has been arrested for speeding. He drinks a glass of wine per week at social events. Sean is looking to buy a life insurance. It is important to consider selection process to accept the principle of life insured, to contribute his fair share toward the risk involved. Which one of the following risk classes is applicable to Sean's policy?
- 1 Travel risk classes
  - 2 Preferred classes
  - 3 Substandard classes
  - 4 Non-smoker classes
- 1 8 The principle of *uberrima fides* (utmost good faith) applies to any proposal for insurance whereas the test for the validity of the contract is determined by the reasonable-man test. This includes the divulgence of material facts/information. In life insurance material facts would include the
- 1 lapse of a previous policy due to non-payment of premiums
  - 2 rejection of a policy application by another life insurer
  - 3 retrenchment by a former employer
  - 4 fact that he/she is going bald
- 1 9 The difference between medical schemes and hospital insurance is that
- 1 contributions to hospital cash plans are taxable whereas contributions to medical schemes are not
  - 2 hospital cash plans pay the hospital for all medical expenses whereas medical schemes pay the member
  - 3 hospital cash plans are only for accidents sustained at work whereas medical schemes cover natural illnesses
  - 4 medical schemes fall under the Medical Schemes Act whereas hospital cash plans fall under the Short-Term Insurance Act

1 10 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 If the spouse of the applicant receives a pension or any other grant, a quarter of the amount received is taken into account as income of the applicant
- b All the applicant's assets, excluding his/her house, are taken into account at market value
- c Money earned from any kind of work before any deductions is taken into account
- d Money earned from growing crops and/or breeding livestock

Choose the **correct** combination

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

Indicate your answers in this table.

1.1	
1.2	
1.3	
1.4	
1.5	
1.6	
1.7	
1.8	
1.9	
1.10	

Question 2

(20)

Evaluate the accuracy of each of the following statements. Indicate whether you consider the statement to be True or False and provide a full justification for your answer.

2 1 A pension fund is allowed to pay more than a third of the accumulated value due to the member as a lump sum on retirement

True/False


2 2 Upon processing a death claim, the insurance company finds that the age had been misstated and never confirmed during the duration of the policy. The insurer is entitled to declare the policy void on the basis of misstatement of information and to refund all premiums received, together with a reasonable rate of interest

True/False


2 3 Under a universal life policy, the cost of the life cover has to be calculated monthly because the mortality tables that are used give monthly probabilities

True/False


[TURN OVER]

2 4 The validity of a life insurance contract is based on the principle of *caveat emptor*

True/False


2 5 Underwriting manuals are considered the absolute authority on medical underwriting

True/False


2 6 Simon has a R500 000 whole life insurance policy that includes R100 000 dread disease benefit. He recently suffered a stroke that has left him almost fully paralysed. Provided that he survived at least 30 days following the stroke, he can apply to receive the dread disease benefit of R100 000.

True/False


2 7 Under a revocable nomination of the beneficiaries, the beneficiary requires full rights the moment nomination is accepted in writing.

True/False


[TURN OVER]



2. 8 If at claims stage an insurer discovers that a person who was a financial manager died while working as a miner, the insurer will be justified to repudiate a claim on the basis that this was a material fact that required disclosure.

True/False


2. 9 Tom just submitted a death claim for both his father's individual universal life and group life policies. He would like to know if the death benefits are taxable. The death benefit for an individual is always tax-free. If the employer paid the group life premium portion, the premium would not be added to Tom's income and the death benefit is tax-free too.

True/False


2. 10 Most South African life policies have a suicide clause which states that a death claim as a result of suicide during the first 12 months of the contract will be repudiated.

True/False


**SECTION B**

**[Total 40 marks]**

**ANSWER ALL THE QUESTIONS IN THIS SECTION IN THE SPACE PROVIDED.**

**Question 3**

**(10)**

Paul took out a life insurance policy while married to Cynthia. He nominated her as sole beneficiary of the policy. They divorced and he remarried Nelly. Three years into his second marriage Paul dies in a car accident. In his last will he leaves his estate, including the life policy, to Nelly. However, he neglected to change the beneficiary of his life policy. In this scenario Cynthia will be able to claim the proceeds of the policy despite the conditions of the will. Where there is a difference between the stipulations of a will and the nomination of a beneficiary in a life policy, the court will favour the beneficiary nomination of a long-term policy.

- 3.1 In light of the above-mentioned scenario, describe the beneficiaries applicable to the scenario and also indicate whether you agree or disagree with the statement. Give reasons for your decision. (5)


**[TURN OVER]**


3 2 How are contributions to a medical scheme treated relative to income tax? (5)


[TURN OVER]



- 4 2 Explain whether a claim will be considered 20 months after the reinstatement of a policy if the cause of death was suicide (5)


[TURN OVER]

**Question 5****(10)**

Explain the operation of policy loans (Clearly show circumstances that may give rise to a need for such loans and explain their operation in detail)

**(10)**


**[TURN OVER]**








**TOTAL MARKS: 70**

DO YOUR ROUGH WORK HERE.

NO ROUGH WORK WILL BE MARKED.

[TURN OVER]

Tear

attendance register  
(university copy) UNISA

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

Tear

attendance register  
(student copy) UNISA

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