Self-assessment Questions

Section A

Question 1

1.1   ABC Life Insurance Company has signed a business continuity contract and disaster recovery plan with DEF Continuity. During the 2018 financial period, the systems of DEF Continuity were breached. As a result, ABC Life Insurance clients' data has been corrupted and is being used for fraudulent purposes.

   According to POPI requirements …

1.   ABC Life Insurance, as an operator, must notify the Regulator about the breach.
2.   DEF Continuity, as a responsible party, must notify the Regulator about the breach.
3.   ABC Life Insurance, as responsible party, may be instructed by the Regulator to inform the data subjects.
4.   DEF Continuity, as an operator, may be instructed by the Regulator to inform the data subjects.

1.2   Mr X would like to buy life policies for his spouse, three children and his neighbour's son, which of the following statement is most likely correct

1.   Mr X can proceed and buy the life policies for the five persons without any restrictions.
2.   Mr X will be required to provide tangible evidence, if called upon to do so, that he stands to suffer a financial loss in the event of the insured event happening to the five persons he wants to insure.
3.   Mr X will be required to provide tangible evidence, if called upon to do so, that he stands to suffer a financial loss in the event of the insured event happening to his neighbour's son.
4.   Mr X will not be allowed to insure his neighbour's son.

1.3   John has a life policy of R2 million with XYZ Life Insurance company. After eight months of being insured, John was sentenced to death in one of South Africa's neighbouring countries for a crime he committed earlier. Based on the above statement which one of the following is most likely correct

1.   John's dependants will have a successful claim on the life policy.
2.   The state will expropriate the proceeds of the policy.

3.   XYZ Life Insurance Company does not have to pay the life claim.
4.   If John does not have dependants, then his legal representative will have a successful claim.

Section B

Question 2

2. 1   Mokoena is employed by Duli Manufacturing, which makes dangerous chemicals. Duli Manufaturing has group life insurance for its employees. As a result, Mokoena was injured while at work on 27 September 2018 and the professional medical examination indicates that Mokoena will not be able to work in future.

      Mokena's personal accident policy will pay the claim.

True/False

2.2   Not knowing that she was suffering from an inherited disease, Mlamli bought a hospital cash plan. After one year on the plan, the effect of the disease manifested itself. On submission of a claim, the insurer will pay the claim.

True/False

2.3 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 C

Question 3

XYZ Reinsurance reinsures KLM Life Insurance Company on a facultative basis. The reinsurance agreement shows that ABC retains 20% for standard risks and 40% for substandard risks per each insured life. Answer the questions below, using the following premium and claims bordereaux of ABC.

Table 1: ABC premium and claims bordereaux

Insured	Risk level	July premium 2018	July claims 2018
John Didi	Standard	R800	R20 000
Gert Bhelu	Substandard	R500	0
Mokoena Leeu	Substandard	0	R50 000
Basel Futhi	Standard	R300	R15 000
Lefu Song	Substandard	R200	R18 000

3.1 Calculate the total retention amount for premiums. (4 marks)

3.2 Calculate the total share of claims for XYZ. (4 marks)

3.3 Calculate the total amount of claims that ABC will pay for the month of July 2018.

(2 marks)

Question 4

Suppose Ntate will be retiring in three years' time and he has four dependants who will be studying at institutions of higher learning, starting a year after his retirement. Ntate has sufficient pension money from the Employer's Pension Fund to pay for the costs of education until his four dependants complete their studies. Ntate believes that his four dependants will not qualify for the free education benefit until they complete their studies. Ntate is planning to purchase annuity investments and does not want to lose money before and after death. Ntate also expects some returns on the investments.

8.1   Define an annuity.   (2 marks)

8.2   What type of annuity product is under discussion?   (2 marks)

8.3   Discuss the advantages of annuity products.   (3 marks)

8.4   Recommend the annuity products, which would suit the risk profile of Ntate.

(4 marks)