

## Suggested Solutions of Self-Assessment Questions

### Section A

#### Question 1

- 1.1 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.

#### **Question 1: Correct answer - option 1**

**Refer to par. 2.5.2 of Chapter 2 in the IISA prescribed book.**

1. Adjust the sum insured to the level supported by the premium and the real age.
  2. Cancel the policy ab initio.
  3. Refund all premiums received, together with a reasonable rate of interest.
  4. Declare the policy void.
- 1.2 Which is the correct statement if Mr X wants to buy a life policy for his spouse, three children and his neighbour's son?

#### **Question 1: Correct answer - option 2**

**Refer to par. 2.2.2 of Chapter 2 in the IISA prescribed book.**

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 cannot be allowed to insure his neighbour's son.

1.3 The following persons are disqualified from receiving a benefit from the will of a testator:

- a. a person that attests and sign the will as a witness
- b. the spouse of a person who signs the will on behalf of the testator
- c. the spouse of 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

**Question 1: Correct answer - option 3**

**Refer to par. 11.6.7 of Chapter 11 in the IISA prescribed book.**

Choose the correct combination:

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

**Section B**

Each correct answer in this section is awarded to marks.

**Question 2**

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

False, (Refer to par. 9.1.1 of Chapter 9 in the IISA prescribed book)
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A provident fund may pay the total accumulated benefits to the member.
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**Question 3**

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

True, <b>(Refer to par. 8.1.2 and 8.2 of Chapter 8 in the IISA prescribed book)</b>
Occupation is one of the factors which could influence the insurer's underwriting decisions.

**Question 4**

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

False, <b>(Refer to par. 2.6.3 of Chapter 2 in the IISA prescribed book)</b>
Suicide period is usually 2 years.

**Section C****Question 5**

In January 2015 Ms Y bought a life policy, disability policy and health insurance policy for herself and for each of her three family members, namely spouse (currently aged 38), firstborn child (currently aged 23) and lastborn child (currently aged 10). In June 2017,

Ms Y separated from her spouse and surrendered the policies of her spouse. Early in January 2018, her firstborn was involved in a terrible work-related accident and was declared permanently disabled by medical professionals. In March 2018, the lastborn of Ms Y died because of food poisoning.

Supposing all the policies had accumulated cash values, answer the following questions:

5.1 What are the implications of the policy surrender? (3)

The surrender value of the policy will be paid to Ms Y.

5.2 Discuss the disability claim. (3)

Disability benefits will be paid in full for the claim of the first born. (**Refer to par. 3.3.5 of Chapter 2 in the IISA prescribed book**)

5.3 Discuss the death claim. (3)

The life policy will pay the maximum amount of R30 000. (**Refer to par. 2.5.1 of Chapter 2 in the IISA prescribed book**)

## Question 6

Ms K is the chief executive officer of a recently incorporated life insurance company. She wants to comply with all the requirements of the Protection of Personal Information (POPI) Act. Advise her by answering the following questions:

6.1 Define data subjects, operator and responsible parties. (2)

Data subjects means the person to whom the personal information relates. (**Refer to Chapter 1, definitions, of the Act**)

Operator: a third party which processes personal information for or on behalf of a responsible party, (refer to **section 2.15.3**).

Responsible parties:

Mean a public or private body or any other person which alone or in conjunction with others, determines the purpose of and means for processing personal information.

**(refer to Chapter 1, definitions, of the Act)**

6.2 What are the requirements of POPI with regard to security standards? (3)

**(Refer to par. 2.15.3 of Chapter 2 in the IISA prescribed book)**

The measures taken will be regarded as appropriate and reasonable if the responsible party:

- identifies all reasonably foreseeable risks to personal information under its control;
- establishes and maintains appropriate risks against the risks identified;
- regularly verifies that the safeguards are effectively implemented; and
- ensures that safeguards are continually updated where necessary.

**(Any 3 of the above mentioned facts)**

6.3 What are the requirements of POPI with regard to data breaches? (3)

**(Refer to par. 2.15.3 of Chapter 2 in the IISA prescribed book)**

If there is a reasonable suspicion that a data breach has occurred, the responsible party must notify the Regulator and affected data subjects. The Regulator may direct the responsible party to notify data subjects in a certain way, for example by publicising the data breach.

- 6.4 What is the most efficient way of complying with all the requirements of POPI?  
(3)

**(Refer to par. 2.15.3 of Chapter 2 in the IISA prescribed book)**

In regard to notification of data subjects, the most practical way to ensure compliance with his requirement is to have a privacy policy (on a website for example) to which data subjects are directed when their information is collected.