

Tutorial Letter 101/3/2017

Risk Financing and Short Term Insurance RSK3701

Semesters 1 and 2

Department Finance, Risk management and
Banking

IMPORTANT INFORMATION

This tutorial letter contains important information
about your module.

BARCODE

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1 INTRODUCTION

Dear Student

Welcome to the module Risk Financing and Short Term Insurance (RSK3701). You have enrolled for an interesting yet challenging module. To be successful in this module, you will have to devote at least 120 hours to reading, summarizing and doing assignments.

Do not hesitate to contact me (on *myUnisa*, by email or by telephone) if you are experiencing problems with the content of this tutorial letter or any aspect of the module. I sincerely hope that you find this module, as well as your online learning experience, interesting and rewarding and trust that you will complete the module successfully.

Please also provide Unisa with your cellular number because important announcements may be sent to you by sms. Also check your *myLife* email address regularly for announcements.

Please note that this module is offered fully online and you therefore need to go online to see your study materials and complete the learning activities for this course. Go to the website here: <https://my.unisa.ac.za> and login with your student number and password. You will see the RSK3701-17-S1/S2 module site in the row of modules in the orange blocks across the top of the webpage. Remember to also check in the - more site - tab if you cannot find it in the orange blocks. Click on the module you want to open and read the **Welcome page**.

We wish you success on your journey!

2 MODULE FORMAT

2.1 Fully online module

All study material for this module will be available on *myUnisa*. It is thus very important that you register on *myUnisa* and access the module site on a regular basis. You must be registered on *myUnisa* to be able to access your learning material and assignment questions, submit your assignments, gain access to various learning resources, “chat” to your lecturer or fellow students about your studies and the challenges that you might encounter, and to participate in online discussion forums. Importantly, *myUnisa* contains the **Learning Units** tool from which you will only be able to access the study material for this module if you have registered and have access to *myUnisa*. The complete study guide for RSK3701(MO001) and this tutorial letter (TL101/3/2017) are also available on-line under Official Study Material. Please also go to “additional resources” and “announcements” for updates on the study material or other important messages. These are available online only.

2.2 Printed materials to support the online module

Because we want you to be successful in this online module, Unisa will also provide you with the **Learning Units or Study Guide** in printed format (MO001). This will allow you to read the study materials, even if you are not online. While these printed materials may sometimes appear slightly different from the online study materials, they are exactly the same and have been copied from the online *myUnisa* website.

Remember, the printed support materials are a back-up to everything that is found online, on *myUnisa* under the Learning Units and/or Official Study Material. All additional resources must be downloaded from *myUnisa*. **In other words, you should NOT wait for the printed support materials to arrive to start studying.**

Please consult with the *myStudies@Unisa* publication for more information on the activation of your *myLife* email address as well as obtaining access to the *myUnisa* module site.

3 PURPOSE AND OUTCOMES

3.1 Purpose

The purpose of this module is to enable you to study the nature and principles of short-term insurance and alternative risk financing techniques. Specific module outcomes are provided in the UNISA study guide provided at registration.

3.2 Outcomes

On completion of this module students will be able to demonstrate effective risk management skills by selecting appropriate short term insurance cover to provide for the financial consequences of risk and demonstrate the ability to use alternative risk financing techniques to fund the financial consequences of risk. Also refer to additional module and study unit learning outcomes reflected in the study guide.

4 LECTURER(S) AND CONTACT DETAILS

4.1 Lecturer(s)

The lecturers responsible for this module are as follows:

Mrs C de Swardt	Secondary lecturer
AJH van der Walt 5-115 dswarcj@unisa.ac.za Consulting hours: Monday-Friday from 08:00 till 13:00	TBC

You are welcome to contact us via email to discuss any problems you may encounter in your academic study material. To enable us to assist you, please be specific on enquiry and furnish us with the following information:

- Topic
- Definition of the problem/concern
- Your suggested solution/understanding of the problem.

You may also want to discuss certain topics with one another using the discussion forum on *myUnisa* (<https://my.unisa.ac.za>).

Please make a formal appointment beforehand for personal visits to the lecturers. Also note that lecturers can only help you with academic matters.

To contact the University, you should follow the instructions in the *myStudies@Unisa* brochure. Remember to have your student number available when you contact the University. When you contact the lecturer, please do not forget to always include your **student number** and **module code**. This will help the lecturer to assist you.

4.2 Tutors

Please be informed that, with effect from 2013, Unisa offers online tutorials (e-tutoring) to students registered for qualifying modules at NQF level 5, 6 and 7 which means first year, second year and third year modules respectively. Once you have been registered for a **qualifying module**, you will be allocated to a group of students with whom you will be interacting during the tuition period as well as an e-tutor who will be your tutorial facilitator. Thereafter you will receive a sms informing you about your group, the name of your e-tutor and instructions on how to log onto myUnisa in order to receive further information on the e-tutoring process.

Online tutorials are conducted by qualified e-tutors who are appointed by Unisa and are offered free of charge. All you need to be able to participate in e-tutoring is a computer with internet connection. If you live close to a Unisa Regional Centre or a Telecenter contracted with Unisa, please feel free to visit any of these to access the internet. E-tutoring takes place on myUnisa where you are expected to connect with other students in your allocated group. It is the role of the e-tutor to guide you through your study material during this interaction process. For you to get the most out of online tutoring, you need to participate in the online discussions that the e-tutor will be facilitating.

For those modules with low through-put rates, face-to-face tutors are appointed and tutorials for these modules take place at the Unisa Regional Centers. There are no face-to-face tutors appointed for the module RSK3701.

5 RESOURCES

5.1 Prescribed books

The compulsory prescribed textbook for this module is:

Risk Financing and Short Term Insurance RSK3701. 2017. Published by and obtainable from the Insurance Institute of South Africa.

The prescribed book must be purchased from the Insurance Institute of South Africa in Johannesburg. Older versions of books CANNOT be used as the book was revised in 2016. Please note that the book is not available at any of the official bookstores of UNISA. The contact details of the Insurance Institute are as follows:

E-mail: info@iisa.co.za
Local Tel: 011 341 9480
Int Tel +27 11 341 9480
0861 01 4472

Street Address

Ground Floor, Block B
Investment Place
10th Road Off 2nd Road
Hyde Park
Sandton

Website: www.iisa.co.za
Fax: 011 325 0608

Int Fax +27 11 325 0606

Postal Address

PO Box 413264
CRAIGHALL
2024

The study guide supplied by UNISA serves as a guide for studying the prescribed book and it is also a source of additional information on South African conditions and phenomena, which are imperative background reading for any meaningful study of risk financing and insurance.

5.2 Joining myUnisa

If you have access to a computer that is linked to the internet, you can quickly access resources and information at the University. The *myUnisa* learning management system is Unisa's online campus that will help you to communicate with your lecturers, with other students and with the administrative departments of Unisa – all through the computer and the internet.

You can start at the main Unisa website, <http://www.unisa.ac.za>, and then click on the *myUnisa* orange block. This will take you to the *myUnisa* website. To go to the *myUnisa* website directly, go to <https://my.unisa.ac.za>. When you are on the *myUnisa* website, click on the "Claim UNISA Login" at the right-hand side of the screen. You will then be prompted to give your student number to claim your initial myUnisa as well as myLife login details.

Please consult the publication **my Studies @ Unisa** which you received with your study material for more information on *myUnisa*.

It is therefore very important that you log into myUnisa regularly. We recommend that you should do this at least every week or every 10 days to check for announcements and activities on the discussion form.

We hope that this system will help you to succeed in this online module by giving you extra ways to study the materials. At the same time, you **MUST** go online in order to complete the activities and assignments on time and to get the most from the online course.

Remember, the printed support materials are only a back-up to everything that is found online, on myUnisa. **You therefore do NOT have to wait for the printed support materials to arrive to start studying this module.**

5.3 Library services and resources information

For brief information, go to www.unisa.ac.za/brochures/studies

For detailed information, go to the Unisa website at <http://www.unisa.ac.za/> and click on **Library**.

For research support and services of personal librarians, go to <http://www.unisa.ac.za/Default.asp?Cmd=ViewContent&ContentID=7102>.

The Library has compiled numerous library guides:

- finding recommended reading in the print collection and e-reserves – <http://libguides.unisa.ac.za/request/undergrad>
- requesting material – <http://libguides.unisa.ac.za/request/request>
- postgraduate information services – <http://libguides.unisa.ac.za/request/postgrad>
- finding , obtaining and using library resources and tools to assist in doing research – http://libguides.unisa.ac.za/Research_Skills
- how to contact the library/finding us on social media/frequently asked questions – <http://libguides.unisa.ac.za/ask>

6 ASSESSMENT

6.1 Assessment plan

Assignments are seen as part of the learning material for this module. As you do the assignments, study the reading texts, consult other resources, discuss the work with fellow students or do research, you are actively engaged in learning. Paying attention to the assessment criteria for each assignment will help you to understand what is required of you more clearly.

You may submit assignments either by post or electronically via myUnisa. Assignments may not be submitted by fax or e-mail. For detailed information and requirements as far as assignments are concerned, see the brochure *myStudies@Unisa* that is available on the Unisa web-site.

Compulsory assignments

There are two compulsory assignments for this module. There are non-negotiable submission deadlines for each of the assignments of this module. The assignments contribute to your year mark. (See below). A **third** assignment containing written questions is also included. This assignment is for self-assessment only and must not be submitted.

Year marks

Your year mark, based on the marks obtained for the two compulsory assignments, contributes 20% towards your final mark, while your examination mark contributes 80%.

The combined weighted average of your year mark and examination mark must be 50% or higher for you to pass the module. However, you must obtain a minimum of 40% in the examination, regardless of your year mark. If you obtain less than 40% in the examination, your year mark will not be taken into account and you will fail.

For example:

Assignment 01 mark = 50% Assignment 02 mark = 90%. These marks each contribute 50% towards the final 20% year mark.

Assignment no	Mark	Weight	Total
Ass. 01	50%	50%	25
Ass. 02	90%	50%	45
			70 x 20% of final = 14

Assume an examination mark of 45%
80% of the examination mark is 36

Final mark = (20% of the average assignment marks) + (80% examination mark)
= 14 + 36
= 50%

The example demonstrates that your year mark can help you to pass the module. To pass the module you need a final mark of at least 50% and to qualify for a supplementary examination you will need a final mark of above 40%.

6.2 General assignment numbers

Assignments are numbered consecutively per module, starting from 01.

6.3 Unique assignment numbers

Each assignment has been allocated a unique number in order to identify it in the Unisa assessment plans. Please ensure you always indicate the correct unique number when submitting assignments.

6.4 Due dates for assignments

Semester	Semester 1	Semester 2
Assignment 01	Due date: 22 March 2017 Unique number: 821608	Due date: 21 August 2017 Unique number: 753262
Assignment 02	Due date: 10 April 2017 Unique number: 870344	Due date: 11 September 2017 Unique number: 878260

You should preferably submit your assignments at <https://my.unisa.ac.za>. Do not wait until the day just prior to the due date to submit your assignment. Technical problems with the computer servers of myUnisa may prevent you from submitting your assignment at the last minute.

Should you not be able to submit your assignments at myUnisa and need to mail us your assignments in hard copy format, please ensure that your assignments reach the Unisa main campus by the due dates. Requests for extension of due dates for assignments will not be granted. These due dates have been set to allow you sufficient time for the completion of other assignments and your preparation for the examination.

Information about whether Unisa has received your assignment and the mark attained for an assignment can be obtained from <https://my.unisa.ac.za>.

6.5 Submission of assignments

To submit an assignment **via myUnisa**:

- Go to myUnisa at <https://my.unisa.ac.za>
- Log in with your student number and password.
- Select the module.
- Click on assignments in the left-hand menu.
- Click on the assignment number you want to submit.
- Follow the instructions on the screen.

6.6 Feedback on assignments

The suggested solutions to the assignments will be posted on **myUnisa** after the due date of the respective assignments. The assignments form an important part of your learning experience and it is advisable to redo the assignment after you receive the feedback to make sure that you comprehend the learning outcomes and to prepare you for the examination.

Assignments are seen as part of the learning material for this module. As you do the assignment, study the reading texts, consult other resources, or do research (i.e. actively engage in learning), refer to the learning outcomes and assessment criteria given for each study unit in the study guide to determine what is required of you.

Refer to Annexure A, B and C for the assignment questions.

6.7 Examination

Examination admission will be granted to all students who submit Assignment 01 before the due date. Students who do not submit the assignment will NOT be allowed to write the examination.

The provisional examination dates have been published at <https://my.unisa.ac.za>.

The examination for RSK3701 will be a 2 hour paper for 70 marks. Details of the composition of the examination will be provided in TL 201 which will be available on-line and in printed format after the due date of the second assignment.

A student must attain a mark of at least 40 per cent in order to qualify for admission to the supplementary examination. Details about the procedure and cost for the re-marking of examination scripts may be found on myUnisa (<https://my.unisa.ac.za>).

7 FREQUENTLY ASKED QUESTIONS

SECTION A: ADMINISTRATIVE MATTERS

1 MATTERS PERTAINING TO REGISTRATION

What should I do if any of my personal details (name, address, etc) have been incorrectly captured during the registration process?

Please use myUnisa (<https://my.unisa.ac.za>) to rectify any mistakes. Alternatively send an e-mail to econ@unisa.ac.za. Alternatively mail us a letter addressed to The Registrar, PO Box 392, Unisa, 0003. Please remember to quote your student number in all correspondence.

What do I need to do to obtain study material?

This module is only offered online. All material can be downloaded from the internet facility at <https://my.unisa.ac.za>. To accommodate students who do not have access to electronic media, all learning material will also be made available in printed format.

2 ASSIGNMENTS***My assignment is late because Can I submit it at a later date?***

It is your responsibility to ensure that your assignment is submitted at myUnisa or reaches the Unisa Main Campus on or before the closing date. Please do not call us to request an extension for the submission of an assignment. Once the tutorial letter containing the solutions has been made available on myUnisa, you will know that you definitely can no longer submit the assignment.

Are the assignments of this module compulsory?

Assignment 01 and 02 are compulsory. Assignment 03 is for self-assessment purposes only and must not be submitted. The intention is that you should use the assignments to prepare yourself for the examination.

Do the marks obtained for assignments count towards the final mark?

The marks obtained for Assignments 01 and 02 will count towards the final mark, as explained in this tutorial letter.

Who do I contact to find out if Unisa received my assignment(s) that I sent by mail?

Preferably submit your assignments via myUnisa. If you do not have access to the Internet and mailed Unisa your assignments, [sms 43584](sms:43584) in order to determine if Unisa received your assignment(s).

What do I do if my assignment goes missing in the mail?

Preferably submit your assignments via myUnisa. Always make a copy of your assignment and keep it in a safe place in case you need to submit a duplicate copy.

Can I submit my assignments by e-mail?

No, all assignments must either be submitted via myUnisa or posted. Assignments e-mailed to lecturers will not be marked.

How long will I have to wait before I can expect my assignment(s) results?

The assignments are marked electronically. The results will be made available on myUnisa. A preliminary and final marking run is done. The dates of the two runs are normally a week apart. The first run is normally done a few days after the assignment due date.

Can I expect my assignment to be returned sooner if I submit it well before the due date?

The assignments are marked electronically. The marking of the assignment is normally done a few days after the assignment due date. Assignments are not marked or returned prior to the due dates.

What mark did I obtain for my assignment(s)?

Register as a user of the myUnisa facility and visit <https://my.unisa.ac.za> to find out the mark you received for your assignment(s).

3 EXAMINATION

What happens if I am unable to write the examination because of ill health, work commitments or any other crisis?

Any requests for aegrotat examinations need to be done in writing and directed to the Head: Examinations, Box 392, Unisa, 0003 or exams@unisa.ac.za. A fee is payable for such requests. The amount payable is determined by the Examination Section.

What happens if I fail any papers?

Students who fail any of the papers may be granted admission to write the supplementary examination scheduled for the next examination, provided they achieved a final mark of at least 40%. Any enquiries in this regard need to be directed to the Head: Examinations, Box 392, Unisa, 0003 or exams@unisa.ac.za

What will happen if I do not write any of the papers during the supplementary examination?

In such a case you will have to obtain a registration form, complete it, pay the required fees and register again.

What do I need to bring to the examination venue?

Bring your identity document (ID), student card, an HB pencil, black pen, financial calculator, ruler, eraser, and pencil sharpener.

Will it be an open-book examination?

No.

Could you give me an idea of the scope of the examination paper?

The examination paper is based on your prescribed book and the learning outcomes provided in your study guide. Each learning outcome statement and assessment criterion may be used to set examination questions. Guidelines for the preparation for the examination will be provided with Tutorial letter 201. Please do not call us with regard to the “scope” of the examination paper.

4 RESULTS

I am going to be away when the examination results are due to be released. Could you please tell me what mark I obtained for this paper?

The results should be available four (4) weeks after completion of the examination period. Please do not call the lecturers to request your results.

How will the results be announced?

The results are normally mailed to students. They are also published at myUnisa <https://my.unisa.ac.za> and the MTN results facility, cellular number 083 1234.

5 STUDY GUIDE AND TUTORIAL LETTERS

I cannot access some of the material on myUnisa?

All material for this module can be downloaded from myUnisa. Register as a user at <https://my.unisa.ac.za>. If you cannot access some of the material for some reason you may request the lecturers to email the material to you.

6 CHANGES IN REGISTRATION DETAILS

What do I need to do if I want to add or cancel any of the modules?

Please update your details at myUnisa. Alternatively send an e-mail, facsimile or letter to indicate any changes that need to be made to your registration. Any such changes must be completed two months before the examination. Please send an e-mail to econ@unisa.ac.za. Alternatively mail a letter addressed to The Registrar, Box 392, Unisa, 0003. Please remember to quote your student number in all correspondence.

7 ACCOUNTS

What do I do if I do not agree with my account statement?

Please send a letter addressed to The Head, Student Accounts, Box 392, Unisa, 0003.

Alternatively send an e-mail to finan@unisa.ac.za.

Please provide a copy of your receipt(s), deposit slips or electronic funds transfer (EFT) as proof of payment as well as your student number.

Will the payment immediately appear on my account statement?

Please note that your payment will only be reflected on your next account statement.

SECTION B: ACADEMIC MATTERS

1 THE PRESCRIBED BOOK

May I use any alternative books?

We strongly recommend the use of the prescribed book. You are welcome to consult additional reading material but the examination paper is based on the prescribed book and additional material in the Unisa guide/Learning units.

May I use older versions of the prescribe book?

The prescribed book has been revised in 2016 and I strongly advise you to purchase the latest version.

Which specific pages do I need to study and which can I leave out?

The chapters that need to be studied are indicated in your study guide. The study guide will indicate if any pages may be left out. You need to focus on achieving the learning outcome statements.

Could you highlight the most important aspects of each chapter?

Some students are inclined to study only the "most important aspects". This may prove to be disastrous in the examination. All aspects of the prescribed chapters identified by means of the learning outcome statements should be regarded as important for the examination. A Tutor Guide will also be uploaded on myUnisa in the form of Tutorial letter 102. Please download this guide as it may assist you in studying this module and preparing for the examination.

2 CALCULATORS

Am I allowed to use a calculator?

Yes. In fact we would like to encourage you to use a **non-programmable financial calculator**.

I have a scientific calculator. Will it be sufficient for this paper?

No. Please use a financial calculator.

Which calculator is prescribed or recommended?

We recommend the use of the HP10-B II.

Am I allowed to use a programmable calculator in the exam?

No.

3 SUPPLEMENTARY BOOKS AND VIDEOS

Are there any supplementary books and videos which I can use?

No supplementary books and videos are prescribed.

I would like to do some additional exercises and calculations. Could you provide me with the tutorial letters of 20..?

Because of limited storage space at Unisa, no tutorial letters from previous years are kept and/or made available to students. Visit myUnisa for additional resources, if available.

4 CONTACT WITH FELLOW STUDENTS

I wish to contact other students enrolled for this module in my area. Please provide me with their contact details.

Contact may be established with fellow students at the discussion forum and blog at myUnisa. Due to the constitutional right to privacy we may not disclose the details of students to their fellow students.

5 EXAMINATION

Are any old examination papers available?

The curriculum for this module was revised in 2013 and previous papers should be used with caution.

What will the format of the examination paper be like?

The format of the examination paper will be confirmed in one of the tutorial letters (normally tutorial letter 201) which will be posted on myUnisa during the semester/year.

Will the examination paper contain any theory questions or will there only be calculations and interpretations?

Most of the questions involve theory, applications, calculations and interpretations.

Will all equations be provided as an annexure to the examination paper?

Equations will not be provided as part of the examination paper. You must be able to apply the equations in the exam. No marks are awarded for quoting equations in the examination script.

If I study only the assignment questions, will I be adequately prepared for the examination?

No. It is unlikely that you will be adequately prepared by studying only the assignment questions. The assignment questions represent a sample of the work and cannot be regarded as being representative of all the study material.

Can you give me the “scope” of or any “hints” for the exam?

No “hints” are provided to students. Please do not call the lecturers about the “scope” of or “hints” for the exam. Base your preparation for the examination on the learning outcome statements. Also refer to the Tutor Guidelines published on myUnisa.

8 CONCLUSION

This tutorial letter provided you with the purpose and outcomes of the module. The contact details of the lecturer(s) have been provided, as well as module related resources and student support services. It is important that you now prepare a study plan for yourself and devote 120 hours to this module in order to achieve success in the examination. A tutor guideline will be uploaded on myUnisa to assist you in this regard.

Details of your assessment have been provided, including your assignments for the different semesters.

Please contact the Insurance Institute as soon as possible to order your prescribed book.

We wish you all of the best with your studies.

Kind regards

Mrs CJ de Swardt
Primary Lecturer
Department Finance, Risk Management and Banking

ANNEXURE A

ASSIGNMENTS FOR SEMESTER 01

Please note: The compulsory assignments for semesters 01 and 02 differs.

ASSIGNMENT 01

Due date: 22 March 2017

Unique number: 821608

The purpose of this assignment is to test your knowledge and understanding of:

- The risk management concept
- The principles of insurance
- The short-term industry
- The practice of underwriting
- Renewals
- Reinsurance

Study the above chapters in the prescribed book together with the corresponding material in the Unisa study guide.

Answer the following questions and submit your assignment at <https://my.unisa.ac.za>

This assignment is compulsory for admission to the examination.

Question 1

An insurance agent ...

- 1 sells insurance as his/her main occupation.
- 2 is allowed to sell other products such as property on a commission basis.
- 3 does not need to comply to the FAIS Act.
- 4 does not need to register with the Registrar of Financial Service Providers.

Question 2

A farmer insures his crop for R100 000. The value of the crop is R125 000. A loss of R50 000 is sustained. If the principle of special condition applies, an amount of ... will be payable by the insurer.

- 1 R 33 333,33
- 2 R 37 500,00
- 3 R 50 000,00
- 4 R100 000,00

Question 3

Indicate the **correct** statements.

- 1 Insurance contracts indemnify the insured in terms of money, services or both.
- 2 Pooling changes the nature of risk and hampers predictions.
- 3 Organisational charts are useful in identifying supplier risk.
- 4 Driver training is an example of post-loss minimisation technique.

Question 4

Self insurance may result in ...

- a the less effective use of funds for development of the business.
- b lower premiums.
- c less focused risk control programmes.
- d a smaller statistical base for premium calculations.

Choose the correct combination:

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

Question 5

In terms of collective insurance ...

- a only one policy document is issued.
- b claims are handled by the broker.
- c the collective share of each insurer is reflected in the policy document.
- d a company which has a share on a collective policy are not allowed to quote against the lead insurer.

Choose the correct combination:

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

Question 6

Adverse selection ...

- 1 can result in higher losses than expected.
- 2 is increased by introducing clauses such as a suicide clause.
- 3 refers to the tendency that people with a lower probability of loss than the average seek insurance.
- 4 is increased by introducing compulsory medical examinations when applying for policies.

Question 7

Indicate the **correct** statement.

- 1 Wagering contracts are illegal in terms of common law.
- 2 Insolvent people have no capacity to enter into contracts.
- 3 In terms of common law the issuing of a policy document is not essential for the conclusion of an insurance contract.
- 4 In terms of common law the payment of the first premium is essential for the conclusion of an insurance contract.

Question 8

Indicate the **correct** statement(s).

- a Stamp duties are no longer payable on short-term insurance policies.
- b Consideration in terms of insurance policies is defined as the payment of the premium.
- c The replacement of stolen assets with new assets is a violation of the principle of indemnity.
- d Insurable interest is only required for short-term insurance policies.

Choose the correct combination:

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

Question 9

The policy schedule includes details of the:

- a Period of the insurance.
- b Special terms and conditions.
- c First amount payable.
- d Exceptions.

Choose the correct combination:

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

Question 10

Indicate the **correct** statement:

- 1 The principle of indemnity applies to all insurance contracts.
- 2 Insurable interest enforces the principle of indemnity.
- 3 Insurance contracts are contracts of *uberrima fides*.
- 4 Insurable interest is not a requirement for taking out a life insurance policy on another person's life.

Question 11

Mr A insured his car, valued at R400 000, with Company X for R150 000 and Company Y for R250 000. Mr A is involved in an accident and damage to his car amounts to R25 000. His claim, however, is repudiated due to some technical reasons. Company Y, however, decided to make an ex gratia payment of R15 625 to Mr A.

Based on the aforementioned scenario, indicate the correct statement.

- 1 Ex gratia payments are indemnity payments.
- 2 The principle of contribution does not apply to ex gratia payments.
- 3 Company X will be liable to pay R9 375 to Mr A
- 4 Ex gratia payments may affect future claims payments.

Question 12

In terms of a quota share treaty ...

- 1 risk is shared on a non-proportional basis between the cedant and reinsurer.
- 2 the share of the different parties involved in the agreement is expressed as an amount.
- 3 the reinsurer is bound to accept a fixed proportion of every risk.
- 4 only the amount of excess of the cedant's normal capacity for a particular risk is ceded to the reinsurers.

Question 13

Unemployment is an example of a (n) ... risk.

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

Question 14

An underwriter is requested to underwrite a tyre manufacturing plant. The sums insured are:

Fire	R50 000 000
Loss of profits	R30 000 000

The underwriter has a net line of R2 000 000 and can take an additional 50% if the risk involves Fire and Loss of profit. The underwriter has a nine line surplus treaty.

Under the above scenario ...

- 1 the gross retention is R27 000 000.
- 2 the total net line is R2 000 000.
- 3 no facultative reinsurance is required.
- 4 facultative reinsurance of R50 000 000 will have to be placed.

Question 15

Insurable interest ...

- 1 must exist at the time a life insurance policy claim is submitted.
- 2 is a requirement for wagering agreements.
- 3 must only exist at the time of issuing of a motor policy.
- 4 must exist at the time of a marine loss.

ASSIGNMENT 02 : SEMESTER 01

Due date: 10 April 2017

Unique number: 870344

The purpose of this assignment is to test your knowledge and understanding of:

- The risk management concept
- The principles of insurance
- The short-term industry
- The practice of underwriting
- Renewals
- Reinsurance
- Claims procedures
- Government supervision
- Personal insurance
- Commercial insurance
- Motor insurance
- SASRIA, COID and miscellaneous covers

Study all the material in the study guide together with the corresponding material in the prescribed book.

Answer the following questions and submit your assignment at <https://my.unisa.ac.za>

This assignment contributes 50% towards your year mark.

Question 1

Proximate cause ...

- 1 refers to the final or last cause of a loss where more than one event contributes to the loss.
- 2 need not be an insured peril.
- 3 refers to the first or original cause of a loss where more than one cause/event contributes to the loss.
- 4 refers to the dominant cause of a loss.

Question 2

Indicate the **correct** statement:

- 1 Fidelity guarantee insurance only provides cover against theft of money by employees.
- 2 Fidelity guarantee insurance is always issued on a blanket basis.
- 3 The premium of Fidelity guarantee insurance is based on the sum insured and the number of employees.
- 4 The level of hazard under Fidelity guarantee insurance is judged by the levels of control and the salaries and wages paid in a business.

Question 3

Indicate the **correct** statement.

- 1 Theft of money by employees is covered under money insurance only if discovered within 30 days of its happening.
- 2 The breakage of mirrors in a fitting room of a retailer is covered under All Risk insurance.
- 3 Money transported to and from the bank is covered under Money insurance.
- 4 Shoplifting is covered under theft insurance.

Question 4

Indicate the **correct** statement.

- 1 Personal Accident policies provide cover for accidents and illnesses.
- 2 Personal Accident policies are policies of compensation.
- 3 Temporary disablement due to an accident will not be covered under a Personal Accident policy.
- 4 No age restrictions apply to Personal Accident cover.

Question 5

Indicate the **correct** statement.

- 1 Exclusions to policies cannot be deleted and always apply.
- 2 Exceptions to a policy can be deleted and the peril covered for an extra premium.
- 3 Collusion or theft by employees is a general exception under most accident policies.
- 4 Loss arising from war is a general exclusion to commercial policies.

Question 6

Indicate the **correct** statement:

- 1 SASRIA cover risks in South Africa and Namibia.
- 2 The government is one of the shareholders of SASRIA.
- 3 The government has an unlimited liability towards SASRIA.
- 4 Companies authorised to issue SASRIA cover are remunerated by means of commission.

Question 7

Indicate the **correct** statement:

- 1 The solvency margin of a company is the total value of its fixed assets and long-term liabilities.
- 2 Shareholders of a company usually prefer lower solvency margins.
- 3 Lower solvency margins indicate a lower utilisation of resources.
- 4 Policyholders usually prefer lower solvency ratios.

Question 8

Advanced listing ...

- a entails the listing of policies due for renewal.
- b are done four months before the renewal date of policies.
- c are a long process completed manually by the claims department.
- d enables the underwriter to rate the claims experience for the policy.

Choose the correct combination:

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

Question 9

Proportional reinsurance ...

- 1 is arranged on a treaty or facultative basis.
- 2 is arranged on a treaty basis only.
- 3 entails the cedant to underwrite its retention as a form of first-loss insurance.
- 4 have grown in popularity because they are simple to operate.

Question 10

Indicate the **correct** statement:

- 1 Ex gratia payments are compensation payments.
- 2 Litigation can only be used to resolve problems of quantum.
- 3 Ex gratia payments might affect future claim payments.
- 4 Contribution and subrogation applies to ex gratia payments.

Question 11

A ship has an insurable value of R5 000 000 but is insured for only R4 500 000. The ship is damaged during a storm at sea. Damage amounts to R500 000. The insurer will be liable for ... of the loss.

- 1 the full value
- 2 R250 000
- 3 R450 000
- 4 no part

Question 12

An excessive claim reserve will result in ...

- 1 the loss ratio of the insurer appearing lower than it actually is.
- 2 an increase in the share price of the insurance company.
- 3 a decrease in investments from external sources.
- 4 a lower solvency margin.

Question 13

Indicate the **correct** statement:

- 1 A cricket bat broken during a match will not be covered under the All Risk section of a Personal Lines policy.
- 2 The cover provided by All Risk Insurance is also referred to as *property risks*.
- 3 A radio system stolen from a locked motor vehicle will not be covered under the All Risk section of a Personal Lines policy.
- 4 Money, cheques and coins are covered under the All Risk section of a Personal Lines policy.

Question 14

Indicate the **correct** statement:

- 1 The principle of contribution applies to personal accident policies.
- 2 Proof of insurable interest must be submitted when purchasing an annuity.
- 3 Personal Accident policies are life insurance policies.
- 4 Insurable interest enforces the principle of indemnity.

Question 15

Motor traders internal policies ...

- 1 do not cover vehicles temporarily garaged in the course of a journey.
- 2 covers the insured's vehicles against and vehicles in his/her custody against accidental damage.
- 3 provides no cover for the insured's own vehicles against accidental damage at the premises of the insured.
- 4 are rated on a trade plate basis.

ANNEXURE B

ASSIGNMENTS FOR SEMESTER 02

Please note: The compulsory assignments for semester 01 and 02 differs.

ASSIGNMENT 01

Due date: 21 August 2017

Unique number: 753262

The purpose of this assignment is to test your knowledge and understanding of:

- The risk management concept
- The principles of insurance
- The short-term industry
- The practice of underwriting
- Renewals
- Reinsurance

Study the above chapters in the prescribed book together with the corresponding material in the Unisa study guide.

Answer the following questions and submit your assignment at <https://my.unisa.ac.za>

This assignment is compulsory for admission to the examination.

Question 1

Brokers ...

- 1 are allowed to collect premiums from the insured.
- 2 have a legal obligation to handle claims on behalf of their clients.
- 3 cannot be held legally liable for advice given to clients.
- 4 may not operate in the reinsurance market.

Question 2

Production flow charts may assist the risk manager in identifying ...

- a weaknesses in the organisational structure of an organisation.
- b supplier risks.
- c process type risks.
- d lines of authority.

Choose the correct combination:

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

Question 3

Indicate the **correct** statement:

- 1 An insurer is better able to prevent losses.
- 2 Pooling results in smaller deviations from expectations in terms of possible losses.
- 3 Shoplifting is an uninsurable risk.
- 4 Reinsurance assures the buyer of insurance that all insurers will charge the same premium for the same risk.

Question 4

You have insured your house for R2 000 000 with ABC Insurer. You transfer your bond to another bank and take out insurance on the house with DEF Insurer for R1 500 000. You do not cancel your insurance with ABC Insurance company. The actual value of your house is R2 000 000. A fire breaks out in your house causing damages of R500 000.

Choose the **correct** statement:

- 1 Each insurer will pay R250 000 of the loss.
- 2 ABC will pay R285 714,29 and DEF R214 285,71 of the claim.
- 3 ABC will pay R285 714,29 and DEF R160 714,28 of the claim.
- 4 DEF Insurer will not be liable for any losses as the house is underinsured.

Question 5

Indicate which of the following is/are considered as a material fact(s) when taking out a fire policy.

- a The location of the premises.
- b The type of business carried out at the premises.
- c The number of staff operating from the premises.
- d Previous claims experience.

Choose the correct combination:

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

Question 6

Indicate the **correct** statement(s).

- a The breaching of a warranty in an insurance contract by the insured may result in the repudiation of a claim by the insurer.
- b The first amount payable is reflected in the schedule of a policy document.
- c Insurance contracts are based on the premise of *caveat emptor*
- d The reasonable man test is generally applied to test the validity of insurance contracts.

Choose the correct combination:

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

Question 7

An insurer enters into a quota share arrangement with the ceding insurer retaining 60% of any loss. How much will the reinsurer pay if the loss amounts to R40 000 under a R80 000 policy?

- 1 R24 000
- 2 R40 000
- 3 R32 000
- 4 R16 000

Question 8

In terms of a surplus treaty ...

- 1 the reinsurer is bound to accept a fixed proportion of every risk.
- 2 risk is shared on a non-proportional basis between the cedant and reinsurer.
- 3 the share of the different parties involved in the agreement is expressed as an amount.
- 4 only the amount of excess of the cedant's normal capacity for a particular risk is ceded to the reinsurers.

Question 9

An underwriter is requested to underwrite a tyre manufacturing plant. The sums insured are:

Fire R35 000 000
Loss of profits R10 000 000

The underwriter has a net line of R3 000 000 and can take an additional 50% if the risk involves Fire and Loss of profit. The underwriter has a nine line surplus treaty.

Under the above scenario ...

- 1 the gross retention is R50 000 000.
- 2 the total net line is R3 000 000.
- 3 facultative reinsurance of R5 000 000 will have to be placed.
- 4 no facultative reinsurance is required.

Question 10

A change in consumer preferences is an example of a (n) ... risk to a retailer.

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

Question 11

Choose the **correct** statement.

- 1 In insurance practice, premiums are due on the inception date of a new policy.
- 2 Premiums paid to an intermediary are only considered paid once the amount is paid over to the insurer.
- 3 A 15-day period of grace apply to all short term insurance policies.
- 4 Annual policies are most common to the personal lines market.

Question 12

Indicate the **correct** statement(s).

- a Stamp duties are not payable on short-term insurance policies.
- b Consideration in terms of insurance policies is defined as the payment of a claim.
- c The replacement of stolen assets with new assets is considered a violation of the principle of indemnity.
- d The issuance of a policy is not essential for concluding an insurance contract.

Choose the correct combination:

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

Question 13

Indicate the **correct** statement.

- 1 Joint owners of property have an insurable interest in each other's life.
- 2 Neighbours have an insurable interest in each other's life.
- 3 Trustees cannot insure the property for which they are liable for.
- 4 There is no legally recognised relationship between mortgagees and mortgagors.

Question 14

Indicate the **correct** statements:

- a The solvency margin of a company is represented by the capital from shareholders and free reserves of the company.
- b Policyholders usually prefer higher solvency margins.
- c Higher solvency margins indicate a higher utilisation of resources.
- d Shareholders usually prefer higher solvency ratios.

Choose the correct combination:

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

Question 15

Annual policies are ...

- 1 reviewed on a monthly basis.
- 2 quoted annually but paid in monthly instalments.
- 3 immediately affected by changes in the underwriting philosophy of insurer.
- 4 most common to the personal lines markets.

ASSIGNMENT 02 : SEMESTER 02

Due date: 11 September 2017

Unique number: 878260

The purpose of this assignment is to test your knowledge and understanding of:

- The risk management concept
- The principles of insurance
- The short-term industry
- The practice of underwriting
- Renewals
- Reinsurance
- Claims procedures
- Government supervision
- Personal insurance
- Commercial insurance
- Motor insurance
- SASRIA, COID and miscellaneous covers

Study Topics 1 and 2 in the study guide together with the corresponding material in the prescribed book.

Answer the following questions and submit your assignment at <https://my.unisa.ac.za>

This assignment contributes 50% towards your year mark.

Question 1

An excessive claim reserve will result in ...

- 1 a decrease in the share price of the insurance company.
- 2 the loss ratio of the insurer appearing lower than it actually is.
- 3 a lower solvency margin.
- 4 an increase in investments from external sources.

Question 2

A House Owners policy covers the buildings and outbuildings of a residence but can also be extended to include ...

- 1 swimming pool machinery against wear and tear.
- 2 fixed television antennae against breakage.
- 3 fixed sanitary ware against chipping and scratching.
- 4 accidental damage to television sets and video cassette recorders.

Question 3

Indicate which of the following is likely to be covered in terms of Personal Accident policy.

- 1 A man murdered by thugs on his way home from work.
- 2 A man injured when picking up a heavy box.
- 3 A women dying six months after being injured in a car accident.
- 4 A worker sustaining lung cancer as a result of working in an asbestos plant.

Question 4

The following is/are exceptions in terms of liability covers in a domestic package:

- a Liability arising from conduct of business for reward.
- b Liability for the death of the policyholder.
- c Liability arising from the negligent use of a firearm.
- d Liability arising from the consequences of a bad slice at golf.

Choose the correct combination:

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

Question 5

Mr A insures his factory in terms of a general fire policy. A worker who was dismissed by the company deliberately sets fire to some flammable material which is stored in the factory. The sprinkler system is activated which extinguishes the fire but causes water damage to the other stock in the factory. Some records of debtors are also destroyed. It is assumed that it will take more or less two months to restore the factory to full production. Based on the aforementioned scenario, indicate the **correct** statement(s).

- a Consequential losses caused by damage to the factory will be covered in terms of the policy.
- b Water damage caused by the sprinkler system will be covered in terms of the policy.
- c The insurer will not be liable for any losses due to the fact that the fire was caused by arson.
- d The water represents both the hazard and peril in this particular case.

Choose the correct combination.

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

Question 6

Mr Albany is an electrician. Apart from the working tools he carries with him, he also carries wires and pipes and in many cases electrical equipment that needs to be fitted at a clients' premises. In terms of Goods in Transit insurance the following items will be covered:

- 1 The pipes, wire and electrical equipment that needs to be installed.
- 2 The working tools, pipes and wire.
- 3 The working tools, pipes, wire and electrical equipment that needs to be installed.
- 4 The working tools and electrical equipment.

Question 7

Indicate the **correct** statement.

- 1 Under third party only cover, cover is only provided for the insured's vehicle.
- 2 The first amount payable under motor insurance is cumulative in the case of windscreen excess.
- 3 Damage to the insured's recovered stolen vehicle will be covered under a Third party, Fire and Theft policy.
- 4 In terms of the "pillion passenger extension" liability cover is provided for injuries to passengers carried in a side-car of a motor cycle.

Question 8

A fire policy can be extended to include damage caused by ...

- a earth tremors.
- b sonic shock waves.
- c landslips.
- d malfunctioning of sprinkler systems.

Choose the correct combination.

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

Question 9

Business interruption insurance ...

- 1 is also referred to as profit and loss insurance.
- 2 provides cover for bad debts.
- 3 has an unlimited indemnity period.
- 4 was developed to reimburse those charges that continue regardless of the reduction in turnover after a loss incident.

Question 10

Indicate the **correct** statement.

- 1 Shoplifting is covered under theft insurance.
- 2 The breakage of mirrors in a fitting room of a retailer is covered under glass insurance cover.
- 3 Money transported to and from the bank is covered under Fidelity insurance.
- 4 Theft of money by employees is covered under money insurance if discovered within 30 days of its happening.

Question 11

Indicate the **correct** statement:

- 1 Arbitration can be used to resolve all types of claim disputes.
- 2 Litigation can only be used to resolve problems of quantum.
- 3 Repudiation of liability applies where the terms and/or conditions of a policy have not been complied with.
- 4 Arbitration is the most common way of handling disputed claims.

Question 12

Consider a policy with a R5000 deductible and a recapture factor of 5%. Determine the amount that the insurer would pay for a loss of R45 000.

- 1 R40 000
- 2 R42 750
- 3 R42 000
- 4 R44 750

Question 13

An insurer enters into a quota share arrangement with the ceding insurer retaining 60% of any loss. How much will the insurer pay if the loss amounts to R40 000 under a R80 000 policy?

- 1 R16 000
- 2 R24 000
- 3 R40 000
- 4 R32 000

Question 14

In terms of the COID Act (130 of 1993) ...

- 1 employers have less need for Employer's Liability cover.
- 2 employees can sue their employers for injuries following an accident at work.
- 3 domestic workers and contractors have a right to compensation from the government for injuries following an accident at work.
- 4 Permanent Military Force members have no the right to compensation from the government for injuries following an accident at work.

Question 15

Indicate the **correct** statement.

- 1 Risks such as good in transit are covered under a Material Damage coupon in terms of SASRIA cover.
- 2 SARIA cover is renewable on an annual basis.
- 3 Insurance companies have the authority to settle claims on behalf of SASRIA.
- 4 The prescription period in terms of SASRIA motor claims is 6 months.

ANNEXURE C

SELF-ASSESSMENT ASSIGNMENT

This assignment is for self-assessment purposes only and must not be submitted. Complete the assignment questions after studying all the material in the prescribed book and study guide. Pay special attention to the suggested solutions and guidelines to these questions that will be posted on the discussion form as the semester progresses. The solutions will also be included in Tutorial letter 201. Evaluate your answers using the guidelines provided. Keep in mind that written questions will contribute 40 marks in the examination.

The purpose of this assignment is to test your knowledge and understanding of:

- Short term insurance
- Self-funding and its advantages and disadvantages
- How much self-funding an organisation can afford
- Risk retention
- Captives and Rent-a-captives
- Finite risk insurance and capital market instruments

Question 1

ABC Traders, a medium sized retailer, is considering the implementation of a self-insurance programme and approaches you for some assistance in this regard. The following information is supplied by the auditor of the concern to assist you with your final recommendations:

Annual sales	R1 100 000
Net income after tax	R 520 000
Average net income after tax for 5 years	R 580 000
Net income percentage of turnover	33%
Un-mortgaged assets	R400 000
Current ratio	2:1
Asset test ratio	1,1:1

You are required to comment on the aforementioned organisation's ability to absorb losses and to make recommendations with regard to the implementation of a self-insurance programme. All recommendations should be backed by sound theoretical principles. In your answer make reference to the advantages and disadvantages of self-insurance programmes. (10)

Question 2

Graphically illustrate and explain the relationship between **severity and frequency** of losses and the **funding decision**. In your answer identify and briefly explain the **three categories of possible losses** in an organisation. (10)

Question 3

A worker sustained lung cancer as a result of working in an asbestos plant. Explain whether the worker would have a claim under the **personal accident section** of a policy. (5)

Question 4

Use a **numerical example** to illustrate the difference between a straight and disappearing deductible. (5)

[30]