



INSETA - ASSESSMENT QUALITY PARTNER

External Integrated Summative Assessment

EXEMPLAR

INSURANCE UNDERWRITER: LONG TERM INSURANCE

QUESTION PAPER

Occupational Certificate - Insurance Agent: Insurance Underwriter

SAQA ID: 91784	NQF LEVEL: 5	CREDITS: 156
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DATE:		TIME:	09h00-12h00
DURATION:	3 hours (180 minutes)	MARKS:	120
		PASS MARK	84 (70%)
EXAMINER:		MODERATOR:	
INSETA PAPER SERIAL Number		LT2025/04/25UW	



INSTRUCTIONS TO CANDIDATES:

1. Candidates are required to answer all questions in Section A (1 mark each)
2. Answer ANY 4 questions in Section B (5 marks each – short answer questions)
3. Answer ANY 2 questions in Section C (45 marks each – case study questions)
4. This is a closed book examination.
5. No written material may be brought into the examination room.
6. **ONLY** reference materials supplied with the examination paper may be utilised to answer the questions.
7. The use of a calculator is permitted.
8. Write legibly and neatly.
9. Do not turn over this page until permitted by the invigilator.



SECTION A

LT2024/04/25– Multiple Choice Questions

Candidates are required to **answer ALL questions** in this section. Write ONLY the correct letter against the question number in the provided answer book.

2024/04/25-(MC1)

The purpose of POPIA is.

- A. To apply to the processing of personal information in the course of purely household or personal activity and where the information has been sufficiently de-identified and cannot be re-identified again.
- B. To regulate the manner in which personal information may be processed, by establishing conditions, in harmony with international standards that prescribe the minimum threshold.
- C. To stipulate eighteen information protection conditions
- D. To recommend, guide or propose advice of a financial nature furnished to clients of the financial services industry.
- E. To safe keep financial products in which a client has invested.

2024/04/25-(MC2)

The _____ is a unique independent institution established by statute to oversee the South African Non-Banking Financial Services Industry in the public interest.

- A. Association for Savings and Investments South Africa
- B. Life Offices' Association
- C. Money Laundering Advisory Council
- D. Financial Services Conduct Authority



2024/04/25-(MC3)

Conflict of interest refers to: Insurable interest means that in the event of a loss, the insured must suffer _____.

- A. A situation in which an individual has competing interests or loyalties.
- B. A situation where the FSP has multiple interests which create incentives to act in the best interest of the client.
- C. An event of a loss, the insured must suffer because of their decisions.
- D. All of the above.

2024/04/25-(MC4)

What is not a component of underwriting?

- A. Pricing
- B. Marketing
- C. Financial reporting
- D. Risk assessment.

2024/04/25-(MC5)

What is a Financial Statement?

- A. A structured, disciplined, and continuous process of knowing the financial results of an organisation.
- B. A document that lists the company's assets, liabilities, and equity.
- C. A summary of the company's financial transactions.
- D. A report prepared by the marketing department.



2024/04/25-(MC6)

The role of the Ombudsman is to:

- A. Settle claims lodged by the insured.
- B. Assess a risk, determine whether or not to insure it and charging an appropriate premium.
- C. Follow up on client premium payments.
- D. Resolve disputes between financial service providers and their clients in a procedurally fair, informal, economical, and expeditious manner.

2024/04/25-(MC7)

According to the FAIS Act, furnishing advice means.

- A. Selling of financial products.
- B. Recommendation and guidance of a financial nature
- C. Guidance or proposals of a financial nature
- D. All of the above

2024/04/25-(MC8)

What is financial underwriting in insurance?

- A. The process of determining the amount of insurance cover that is justified based on the individual's income and needs.
- B. The process of assessing the individual's medical conditions for insurance coverage.
- C. The process of determining the age of the individual for insurance coverage.
- D. The process of determining the location of the individual for insurance coverage.

2024/04/25-(MC09)

An underwriter is required to keep records for how long?

- A. 10 years
- B. 5 years
- C. 15 years
- D. 3 years



2024/04/25-(MC10)

Intuitive decision making involves relying on

- A. a combination of different types of decision-making styles and skills.
- B. the act of using logic to determine what is best, by reviewing all possible options and then evaluating each option using logic and rationality.
- C. the decision that feels right, without necessarily thinking about the logic that goes into that choice.
- D. accepting the one that is satisfactory for the needs of the company.

Multiple Choice: Total Marks = 10



SECTION B

LT2024/04/25 – Short Answer Questions

Candidates are required to **answer any 4** of the 5 questions here-below. Use the provided answer book to answer questions in the correct spaces.

LT2024/04/25-SA01

Explain the importance of confidentiality in the work of an underwriter. **[5 Marks]**

LT2024/04/25-SA02

Briefly explain the cycle of underwriting. **[5 Marks]**

LT2024/04/25-SA03:

Explain the consequences of non-disclosure of material information by an insurance applicant. **[5 Marks]**

LT2024/04/25-SA04

Insurers pay ex gratia to their policyholders from time to time. Explain what an ex gratia payment is and explain why sometimes insurers pay ex gratia payments **[5 Marks]**

LT2024/04/25-SA05

Discuss the advantages and disadvantages of a term life policy. **[5 Marks]**

Short Answer Questions: Total Marks = 20



SECTION C

LT2024/04/25 – CASE STUDIES

Candidates are required to answer **ANY 2** of the 3 case study questions here-below. Each case study question carries a total of 45 marks. Use the provide answer books to answer selected questions in the correct answer space of the answer book.

CASE STUDY 1

LT2024/04/25–CS01

Sarah, a 30-year-old individual, applies for a whole life insurance policy with a reputable insurer. She completes the application form, which includes questions about her health and medical history.

Sarah intentionally omits her recent diagnosis of hypertension from the application. She fears that disclosing this condition might lead to higher premiums or even denial of coverage.

Policy Issuance:

The insurer approves Sarah's application based on the information provided. Sarah receives her policy documents, and the contract takes effect.

Unforeseen Event:

Tragically, Sarah suffers a heart attack six months later.

Her family files a claim under the whole life policy.

Questions

- 1) Describe whole life insurance and universal life insurance. **[4 marks]**

- 2) a) State, with a reason whether the omission of information by Sarah is a misrepresentation or a non-disclosure **[2 marks]**

- b) The omission Explain the difference between misrepresentation and nondisclosure. **[6 marks]**



3) During the claims process, the insurer discovers Sarah's concealed medical history. They review her application and find no mention of hypertension.

Determine the consequences of Sarah's intentional omission. **[5 marks]**

4) What are the typical underwriting factors that are considered when underwriting a whole life insurance application for cover. **[12 marks]**

5) If you were the underwriter looking and assessing at Sarah's application, what measures would you have put in place to ensure you get the full extent of her health status. **[6 marks]**

6) Insurance contracts are based on trust and good faith. By being transparent and diligent, you can protect yourself and ensure the validity of your coverage. How can the insurer and insured protect themselves from misrepresentation and non-disclosure related issues. **[10 marks]**

Case Study 1: Total Marks = 45



CASE STUDY 2

LT2024/04/25–CS02

Kloofendal Life is an insurance provider specialising in life insurance products.

John, an experienced underwriter at Kloofendal Life, is responsible for assessing applications for long-term life insurance policies.

John's Personal Investment:

John owns shares in a pharmaceutical company that develops drugs for chronic illnesses.

The pharmaceutical company's success directly impacts John's financial well-being.

A client named Emily applies for a whole life insurance policy with a coverage period of 30 years. Emily has a pre-existing medical condition (Type 2 diabetes), which she disclosed. Apart from that condition, she is otherwise healthy.

The policy would provide financial security for her family in the event of her death.

Questions

- 1) Define an assistance policy. **[4 marks]**
- 2) a) Outline benefits and exclusions that could be added to Emily's policy. **[8 marks]**
b) Briefly explain why Emily would opt for a life policy instead of a dread disease cover. **[8 marks]**
- 3) How would the knowledge that Emily is diabetic influence your underwriting decision as an underwriter? **[6 marks]**
- 4) a) Explain the term conflict of interest in detail using John's current situation. **[3 marks]**
b) Explain ways used by insurers to prevent conflict of interest. **[6 marks]**
- 5) If John approves Emily's application, the pharmaceutical company's success (due to its diabetes-related drugs) could benefit him financially. However, if he denies the application, Emily's family may suffer financial hardship upon her death.

Discuss the several options John can handle the conflict he is currently experiencing and their possible consequences **[10 marks]**

Case Study Question 2: Total Marks = 45



CASE STUDY 3

LT2024/04/25-CS03

The table below provides brief details about Thabang and Liz who are applying for life insurance cover

Applicant	Thabang	Liz
Profile	• Age: 55 years old • Education: High school diploma • Occupation: Manual labourer • Health: Smoker	• Age: 30 years old • Education: Bachelor's degree • Occupation: Office manager • Health: Non-smoker
Coverage Amount	R122, 000.00	R122,000.00

Questions

1) Briefly describe the respective risk profiles of both Thabang and Liz and explain how each would influence the decision of a life insurance underwriter **[10 marks]**

2) a) Outline the purpose of underwriting in insurance. **[3 marks]**

b) Outline the two main types of underwriting in long term insurance. **[6 marks]**

3) Given the respective risk profiles of Thabang and Liz, propose a reasonable waiting period for each, with reasons and state any 1 exclusions or conditions on each. **[6 marks]**

4) Advise Thabang and Liz on the different ways they can adopt to reduce their premiums. **[8 marks]**

5) Thabang has a family medical history of Type 2 diabetes.

Analyse his application discuss how family medical history affects an applicant. Include effects on the underwriting process, coverage, and terms. **[12 marks]**



Case Study 3: Total Marks = 45

Overall Question Paper Total = 120

Multiple Choice Questions: = $1 \times 10 = 10$

Short Answer Questions: = $5 \times 4 = 20$

Case Study Questions: = $45 \times 2 = 90$