

**INSETA - ASSESSMENT QUALITY PARTNER**

**External Integrated Summative Assessment EXEMPLAR**

## INSURANCE UNDERWRITER: MEDICAL

## EXEMPLAR 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** | **MED2024/04/25UW** |

**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**

**MED2024/04/25 – 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)

**Insurable interest means that in the event of a loss, the insured must suffer.**

1. Financial Loss
2. Social loss
3. Emotional loss
4. None of the above

## 2024/04/25-(MC2)

**An underwriter is an individual responsible for,**

1. Assessing claims that have been submitted.
2. Assessing the risk that a client bears.
3. Monitoring compliance of the medical scheme.
4. None of the above.

## 2024/04/25-(MC3)

**Medical schemes have to work together with the following bodies except?**

1. Council of Medical Schemes
2. South African Medical Association
3. South African Insurance Association
4. Financial Sector Conduct Authority

## 2024/04/25-(MC4)

**The following concepts are applicable in medical schemes underwriting except,**

1. Community rating
2. Risk rating.
3. Open enrolment
4. Late joiner penalty

## 2024/04/25-(MC5)

**Who is eligible for a 90-day waiting period for the individuals below?**

1. A member who is joining the medical scheme for the first time.
2. A member who is moving from one medical scheme to the other without taking a break
3. A member who has not been covered for the past 2 years but they were a member of a medical scheme before.
4. A member who is upgrading their option within the same medical scheme.

## 2024/04/25-(MC6)

**A member who has a chronic condition is not entitled to claim during a certain period, which one is it?**

1. General waiting period
2. Condition specific waiting period.
3. Cooling off period
4. None of the above

## 2024/04/25-(MC7)

**The following are FIC Act regulations except**

1. Appoint a responsible person to monitor compliance.
2. As an accountable institution you must Know Your Client.
3. Give comprehensive advise to clients for them to make an informed decision.
4. Train your stuff and keep records of the training register.

## 2024/04/25-(MC8)

**Which word describes the process of risk management?**

1. Identify
2. Quantify
3. Remove
4. All of the above

## 2024/04/25-(MC9)

**Which of the following is the most typical risk for a medical scheme?**

1. Liquidity risk
2. Strategic risk
3. Reputational risk
4. All of the above

## 2024/04/25-(M10)

**Which of the following risks is covered by medical schemes?**

1. Death
2. Illness
3. Living too long (retirement)
4. None of the above



# Multiple Choice: Total Marks = 10

pg. 5



**SECTION B**

**MED2024/04/25 – 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.

## MED2024/04/25-SA01

## Medical schemes do not charge their premiums based on individual risks for their members, why then is underwriting necessary, should they underwrite or not? Justify your answer. [5 Marks]

**MED2024/04/25-SA02**

As underwriter you are expected to comply with the FAIS Act. Outline the guidelines that an underwriter must implement according to the FAIS general code of conduct **[5 Marks]**

## MED2024/04/25-SA03

The FSB was recently replaced by the FSCA and Prudential Authority. What was the mandate of the FSB then and how is that mandate divided between the FSCA and Prudential Authority? **[5 Marks]**

## MED2024/04/25-SA04

What information must be included on the application form to enable you to make an informed underwriting decision [**5 Marks]**

## MED2024/04/25-SA05

Define the concept of pro-ration of benefits. Use an example to illustrate how an underwriter would use it in medical schemes. **[5 Marks]**

# Short Answer Questions: Total Marks = 20

pg. 6



**SECTION C**

**MED2024/04/25 – 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 provided answer books to answer selected questions in the correct answer space of the answer book.

# CASE STUDY 1 MED2024/04/25–CS04

Thembi is a 53-year-old male applicant who is self-employed. Thembi operates a small construction business, but the challenge is that he has a complex medical history and several high-risk factors that may impact his insurability. He has the following conditions: hypertension, high cholesterol, coronary artery disease, and type 2 diabetes which was triggered by his obesity. Because of the fact that he runs a construction business, he is far away from home most of the time and he mainly eats fast foods and street food. To date, Thembi has undergone multiple cardiac interventions, including angioplasty and stent placement, due to previous myocardial infarctions (heart attacks). He is also on diabetes medication of which he claims that his diabetes is under control. 5 years ago, he had to quit smoking after one of the heart attack episodes.

# Questions

1. What additional information has not been submitted by Thembi which will assist in making an informed decision? [**5 Marks]**
2. Which product will be best suited for Thembi give a description of the product and what benefits are generally associated with the product. [**8 Marks]**
3. What are the risk factors in this case study?  [**9 Marks]**
4. What underwriting principles are related to this case? [**5 Marks]**
5. What will be your underwriting decisions in Thembi’s case? Motivate your decision. [**18 Marks]**

# Case Study 1: Total Marks = 45



**CASE STUDY 2 MED2024/04/25–CS02**

Emma is an accountant and she studied in Canada because that is where her parents were staying at that time. The whole family had private medical cover as her parents could afford at the time. When Emma started working in Canada, she had to be removed as a dependent, so she sought medical cover for herself. She is now 38 years old and has decided to relocate back to South Africa. She is still single and has never had a child, but she is also seeking cover for her mother who is now retired. She basically had cover for all her adult life.

Generally, Sarah is healthy, and she has no significant medical history as she has never been hospitalised or undergone any surgeries. She maintains a healthy lifestyle, including regular exercise, balanced nutrition, and routine health screenings. Emma does not smoke but she drinks occasionally and it’s nothing really to worry about.

On her parents’ side, her dad passed away due to an accident just after moving back to South Africa. Her mother just complains of back pains here and there but nothing significant as she also follows a healthy lifestyle including the fact that she has been vegetarian for the past 15years. Sarah’ father had high levels of cholesterol but was never diagnosed of any consequential disease related to the high cholesterol. Emma’s mother is 58years old. All of Emma’s siblings are now financially independent and she does not need to cover them.

The premium for the option selected by Emma is as follows:

|  |  |
| --- | --- |
| **Member**  | **Contribution** |
| Main member | R2 000 |
| Adult dependent | R1 500 |
| Child dependent | R1 000 |

# Questions

1. Identify the type of cover suitable for Emma and her mother and describe the benefits offered in detail. Justify your recommendation. [**10 Marks]**
2. Identify the risk factors in this application. [**10 Marks]**
3. Analyse the case and identify the medical underwriting principles are applicable in this case? [**7 Marks]**
4. What will your final underwriting decision be for this case? [**18 Marks]**

# Case Study Question 2: Total Marks = 45



**CASE STUDY 3 LT2024/04/25-CS03**

Blessed was recently offered medical scheme benefits as an additional to his employment package, but employees are free to choose any medical scheme they would want to join. The company contributes 50% of the premium. Blessed registered with Scheme A as a member, but however feels that the current Medical Scheme A does not offer them the best value for their money anymore and have decided to get services from a different Scheme B. Blessed is 53 years old and suffers from epileptic seizures since the age of 35years, his father had a fatal seizure 7 years ago. He is currently on chronic medication to control his seizures. Blessed had not been a member of a scheme for 3 years due to affordability. Upon acceptance, Scheme A had imposed waiting period on Blessed and he is currently serving the waiting period as he has only been a member of Scheme A for 2 months before the change occurred.

Blessed is married to Patience, a 45-year-old. Patience has not yet been diagnosed with any chronic condition, neither has she received any treatment for any condition during the past year. She strives to live a healthy lifestyle. Both Blessed and Patience were members of medical Scheme A and are both moving to Scheme B

# Questions

1. Which medical scheme product will be best suited for Blessed and Patience as they are moving to Scheme B. [**6 Marks]**
2. Describe the benefits offered by the above-named product and substantiate your view as to why you recommended the product. [**7 Marks]**
3. Why do medical schemes impose waiting periods for new members? **[6 marks]**
4. Analyse this case and identify what risks does Blessed and Patience pose for Medical Scheme B?

 **[6 Marks]**

1. What underwriting principles will be applicable in this case? **[8 marks]**

1. What will your underwriting decision be for the above application? [**12 Marks]**

# Case Study 3: Total Marks = 45

**Overall Question Paper Total = 120**

## Multiple Choice Questions: 1x10 =10 Short Answer Questions: = 5x4 =20 Case Study Questions: = 45x 2= 90