

INSETA - ASSESSMENT QUALITY PARTNER

External Integrated Summative Assessment

EXAMPLAR

INSURANCE UNDERWRITER: SHORT-TERM

EXEMPLAR QUESTION PAPER

Occupational Certificate - Insurance Agent: Insurance Underwriter		
SAQA ID: 91784	NQF LEVEL: 5	CREDITS: 156

DATE:		TIME:	09h00-12h00
DURATION:	3 hours (180 minutes)	MARKS:	120
EXAMINER:		MODERATOR:	
INSETA PAPER SERIAL Number		ST2024/04/28UW	

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

ST2024/04/25 – 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.

ST2024/04/25 -(MC1)

Identify the regulation/ Act that established the Financial Sector Regulation Authority (FSCA)?

- A. Financial Advisory and Intermediary Services Act
- B. Financial Sector Regulation Act
- C. Financial Services Board Act
- D. Financial Sector Conduct Authority Act

ST2024/04/25 -(MC2)

Which decision is **NOT** a responsibility of an underwriter?

- A. Accept a proposal
- B. Set terms on a policy
- C. Reject proposals
- D. Reject claims

ST2024/04/25-(MC3)

From the list below, identify a principle that applies to rating of insurance risks.

- A. Equitable sharing of risk
- B. Manage adverse selection
- C. Profitability
- D. A, B and C

ST2024/04/25-(MC4)

Define betterment?

- A. The possibility of the sum insured being more than the true value of the asset
- B. A client getting an insurance object that is newer than the item that was lost
- C. A client getting a new model of an object which is more valuable than the item lost
- D. When he insured is paid cash instead of a replacement for the asset that was insured

ST2024/04/25-(MC5)

The client and the insurer are disagreeing on whether a products liability claim is valid or not due to the circumstances of the loss. Which Ombudsman would you recommend for resolving this matter?

- A. Ombudsman for Short Term Insurance
- B. Ombudsman for Long Term Insurance
- C. Ombud for Financial Services
- D. Both A and C

ST2024/04/25-(MC6)

How best can you define the role of an underwriter?

- A. Making sure that all risks are evaluated properly
- B. Making sure that all risks are made equal
- C. Blocking all risks that you perceive to be higher risk
- D. Restricting cover where risk is higher

ST2024/04/25-(MC7)

Identify a common reason for repudiation of domestic claims.

- A. A peril not covered for caused the loss
- B. Poor design and faulty.
- C. Retaining walls not built to acceptable standards
- D. A, B & C

ST2024/04/25-(MC8)

Which risk would an underwriter protect using a Quota Share Treaty?

- A. New risks with less information
- B. A risk with a potential for catastrophes
- C. A risk with a low loss ratio
- D. All of the above



ST2024/04/25-(MC09)

In the underwriting cycle, a hard market is characterised by...

- A. Low profits
- B. Higher premiums
- C. Cheaper reinsurance
- D. Higher competition

ST2024/04/25-(MC10)

Identify requirements of the FAIS general code of conduct. The FSP must ...

- A. Act honestly and fairly
- B. Treat client fairly
- C. Comply with all legislation.
- D. A, B & C

Multiple Choice: Total Marks = 10





SECTION B

ST2024/04/25 – 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.

ST2024/04/25-SA01

Explain the application of technical meaning, trade, legal or scientific and the *Eiusdem Generis* Rules in the interpretation of insurance contracts. [5 Marks]

ST2024/04/25-SA02

Explain the concept of adverse selection and clearly show its effects and how it can be managed. [5 Marks]

ST2024/04/25-SA03:

Explain the following rating methods: [5 Marks]

- a. Experience Rating
- b. Retrospective Rating

ST2024/04/25-SA04

Explain the following underwriting factors under ratios. [5 Marks]

- a. Loss ratio
- b. Expense ratio
- c. Combined ratio

ST2024/04/25-SA05

Explain the cover and list the exclusions under a guarantee policy. [5 Marks]

Short Answer Questions: Total Marks = 20



SECTION C

ST2024/04/25 – 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 35 marks. Use the provide answer books to answer selected questions in the correct answer space of the answer book.

CASE STUDY 1

ST2024/04/25 –CS01

Ms. Zulu is a 35-year-old successful Accountant. She values wealth creation through acquiring properties on cash. She currently owns two houses that were bought on cash. She sees herself buying more properties in the future as a way of preserving and increasing her wealth. Due to the nature of her work, she asked her nephew to live with her so that she can take care of her son when she is not around. That way there is always someone in the house. As a responsible mother, she has also ensured that she has a linked alarm with an armed response too. You are given the list of assets for Ms Zulu so that you can answer the following underwriting questions.

Asset	Value	Notes
House in Durban	R2 Million	Main home
House in Mpumalanga	R1 Million	Second home
Household contents	R500 Thousand	Main house in Durban
Toyota Fortuner	R900 Thousand	Financed
Toyota Corolla	R300 Thousand	Bought on cash
Jewellery	R30 Thousand	
Cell phones	R15 000	Oppo Reno 8
Tablet	R7500	New Oppo Tablet

Questions

1. Define the concept of the ‘insured property’ under householders Insurance. **[5 marks]**
2. Define the risk factors to be considered when underwriting a householders insurance proposal **[10 marks]**
3. Discuss the implications of the renting out of the House in Mpumalanga to holiday makers when Ms Zulu is not using it herself. **[5 Marks]**

4. If you were aware that the Ms Zulu leaves her home unoccupied for two months twice in a year, what additional cover or extensions would you suggest **[5 Marks]**
5. Identify the main cover and additional cover that you would highly recommend to Ms Zulu on her financed Toyota Fortuner? **[5 Marks]**
6. Explain the details that you would require when proving cover for the All-Risks Items. Clearly distinguish between Specified and unspecified items. **[5 Marks]**
7. Decide on the acceptability of the risk and justify your decision. **[10 Marks]**

Case Study 1: Total Marks = 45



CASE STUDY 2

ST2024/04/25-CS02

FIRE SURVERY REPORT - COMMERCIAL

Name of Insured	Smart Farm	Policy No/Quote No	SMA 01
		Broker/Adviser	Eirene Insurance Brokers
Date of Cover Start	01-01-2025	Date of Cover End	31-12-2025
Address of property		Bronkhorstspuit.	

Background/Introduction	Upon the receipt of the instructions, we contacted Smart Farm. for an appointment to carry out the site inspections at various locations. To carry out the mandate, we explained the need for the report and the processes involved as well as the importance of full disclosure. Clients were also assured of the confidential treatment of the information obtained.
Describe the occupation of the premises	- Horticulture - Poultry - Cattle ranching
Construction	Standard brick under iron sheets.
Surrounding Buildings	Other farms
Moral Hazard	None detected.

Risks from Goods, Storage and Handling	Fire risk from fertilizers.
Lighting, Heating and Power Supply	Only the residential, poultry and cattle pens are fully lighted.



Special Hazards	None.
Fire Risk (Extinguishers, Condition, Location, Servicing and Adequacy)	Extinguishers are in place at the main residence and poultry section. All fire equipment is maintained and serviced according to the SABS.
Sprinkler Systems (Adequacy, Condition and Periodic Testing)	Wall mounted. Office has one 9 kg dry powder extinguisher. Laboratory has one carbon dioxide and one halon extinguisher. Warehouse has a hose reel and two halon extinguishers.
Housekeeping	Once a day and when necessary
Security	Barbed wire around the farm and electric fence around the main residence. There are dogs and an unarmed night security officer.
Sum Insured (Schedule of Risks)	R750 Million
Excess/Deductible	10% of loss minimum R10 000
Other Insurances	None
Previous Insurances	Covered by Agri Insurance for the past 2 years
Past Losses	15%
Nature of Losses	Theft of equipment
EML/MPL	N/A
Risk Improvement Recommendations	Improve security
Retention	.
Recommendation	None.

Conclusion	Overall, the risk of an acceptable nature.
Completed By	Randy Tembo
Signature	
Date	25 November 2024.

Other Covers Requested

Cover			
Fire	R750 000 000		
Theft			
Motor – Light Delivery Vehicles	R1 500 000		
Public Liability	R2 000 000		
Products Liability	R1 000 000		

Questions

- 1) Based on the survey report, decide whether to accept the risk or not. Justify your answer and highlight some conditions that you would impose. Provide your answer per section of the policy as requested by the client. **(In your answer include the risk classification, specific warranties, endorsements and even that you would include in the policy)**

[20 Marks]

- 2) Explain and substantiate 5 factors that you would consider in underwriting the theft cover at the farm.

[10 Marks]

- 3) Discuss how the following the underwriting criteria would affect your decision to accept the public liability risk for Smart Farm? You need to state whether you will accept the risk or not.

- i. Insured's reputation
- ii. Nature of goods
- iii. Markets served
- iv. Recent and past court judgements
- v. Turnover

[5 Marks]

Describe the concepts of Estimated Maximum Loss (EML) and Maximum Possible loss (MPL)

[10 Marks]

Case Study Question 2: Total Marks = 45



CASE STUDY 3

ST2024/04/25-CS03

LIZWE Training College started its operations in 1994 and has been growing exponentially and now boasts of a campus in three provinces in South Africa. The approach across all campuses is to use their own premises because these have been viewed as cheaper. The college focuses on trades in plumbing, electrical and building. As part of their requirements for accreditation, the college must have basic tool sets for each student that is enrolled. This equipment is passed on from one cohort to another. Before completing the qualification, students must go through an internship to acquire hands-on experience. As a way of completing the value chain, Lizwe training establish a construction company specializing in plumbing, electrical and building. There are two experts employed in each other three areas of specialization. These experts provide hands-on training to students on an internship.

Questions

- 1) Explain the cover under business all risks insurance and clearly indicate the exclusions under this policy **[10 Marks]**
- 2) Explain defective workmanship how it might occur in the scenario above. **[10 Marks]**
- 3) In your own view, which other covers should be taken by this college? **[10 Marks]**
- 4) Differentiate between group personal accident and stated benefits cover and show which cover would be more suitable for the students and interns at Lizwe **[5 Marks]**
- 5) Will you accept the proposal for insurance cover by Eyezwe College and why? **[10 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: $= 45 \times 2 = 90$