



INSETA - ASSESSMENT QUALITY PARTNER
External Integrated Summative Assessment
EXEMPLAR

OCCUPATIONAL CERTIFICATE: LONG TERM INSURANCE
ADVISOR
MARKING MEMO

Occupational Certificate: Insurance Underwriter		
SAQA ID: 105022	NQF LEVEL: 5	CREDITS: 180

DATE:		TIME:	09h00-10h30
DURATION:	1½ hours (90 minutes)	MARKS:	40
EXAMINER:		MODERATOR:	
INSETA PAPER SERIAL Number		LT2024/04/25-FAPQ	

INSTRUCTIONS TO CANDIDATES:

- 1. Candidates are required to answer all questions**
- 2. This is a closed book examination.**
- 3. No written material may be brought into the examination room**
- 4. ONLY reference materials supplied with the examination paper may be utilised to answer the questions.**
- 5. The use of a calculator is permitted.**
- 6. Write legibly and neatly.**
- 7. Do not turn over this page until permitted by the invigilator.**



SECTION A

You are required to answer **ALL** questions in this section.

FA2024/04/25-CASE STUDY 1

Instructions:

You are a long-term insurance financial advisor employed by YourLife Life Company. You are required to read the following case study and answer ALL the questions that follow.

Summary of a financial needs analysis conducted for Themba Mkhize.

1. Themba is 48 years old and is employed as an accountant at Bridge Conveyancers and earns R1 200 000 per year.
2. He pays 10% of his gross salary each year into a pension scheme set by his employer. He has been working for the company for the past 15 years.
3. He has death in service cover that is two times his net annual income, also paid by his company.
4. His 42-year-old wife, Kate , is a stay-at-home mum.
5. They have two kids aged 15 and 7 years old currently attending school.
6. They recently bought a house valued at R5 000 000 and have been offered a housing loan payable over 25 years.
7. They currently have savings amounting to R700 000.
8. Themba is also worried that he will pass on and leave his family with no source of income.
9. They have no further debts or protection policies.

Assume the following:

1. Themba's net annual income is 80% of his gross annual income.
2. He desires a credit life policy that covers the mortgage for the house.
3. The pension will pay out an equivalent of contributions made over the number of years worked at Bridge Conveyancers.

Question 1

Themba has indicated that he needs a credit life policy that covers the mortgage for the house. Use the information in the Case Study above to determine following:

- a. Calculate Themba's net income. **[1 mark]**
- b. Use Themba's net income calculated above to determine his death in service payout? **[2 marks]**
- c. In Rand terms, how much does Themba contribute towards his pension? **[1 mark]**
- d. Calculate what Themba's beneficiaries would receive from the pension fund if he were to pass on today, taking into account the number of years he has contributed into the pension fund. **[2 marks]**
- e. Calculate the capital required for the credit life policy that Themba wants. **[4 marks]**

Question 2

Study a summary of the fact find provide below that was made when conducting a financial needs analysis for Tom and Mary, and answer the questions that follow.

Summary of a financial needs analysis conducted for Tom and Mary Makling.

1. Tom aged 45 and Mary aged 39, have 2 children aged 13, 12 and 5
2. They own their company and take directors salaries of R80 000 each
3. They have taken a serious illness policy on a joint life basis
4. They have mortgage protection policy on their home through a term policy that expires at the end of the year. The mortgage repayment will expire in 5 years' time. There is R500 000 outstanding on the mortgage.
5. They have a holiday home they recently purchased for R2 000 000 on a 25year mortgage.
6. They have savings and assets worth R1 000 000

Use the Client Advice Record for YourLife Insurance company attached below and the information provided in the Case Study for Tom and Mary Makling to answer the following questions:

- a. Using the information in the Case study above , populate Section A of the Client Advice Record for YourLife Insurance company with Tom and Mary's financial needs and objectives.
[5 marks]
- b. Identify **any two** additional goals and objectives that Tom and Mary need explain why these are seen as additional needs. Fill in your answers in the Client Advice Record for YourLife Insurance company.
[2 marks]
- c. Assuming that Tom and Mary took a serious illness policy that covers them for R500 000, on a joint life basis, as stated in the Case Study above, what additional financial needs will this create for this couple?
[1 mark]
- d. Populate Section B of the Client Advice Record by justifying the decision for recommending the financial products for the financial needs and objectives mentioned in (a) and (b) above.
[7 marks]



YOURLIFE INSURANCE COMPANY - CLIENT ADVICE RECORD

Client name	<i>Tom Makling</i> <i>Mary Makling</i>	Occupation	<i>Director</i> <i>Director</i>
Telephone Number	<i>xxx</i>		
Income	<i>R80 000 p/m each</i> <i>Total income R160 000p/m</i>		

Financial needs and objectives

a.

b.

c.

d.

e.

Additional financial needs identified and the reason why

SECTION B ADVICE PROVIDED TO CLIENT AND RATIONALE

Financial products recommended and rationale.

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Question 3

- a. What information does a client advice record contain? **[2 marks]**
- b. Why is it important for a long-term insurance advisor to keep a client advice record? **[5 marks]**

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Question 4

- a. Thabo contacts you as his long-term insurance advisor and tells you that he just remembered that he has an income protector insurance policy with XYZ Life and would like it to replace this with the one your insurance company offers.
What disclosures do you need to make to him before replacing his current income protection insurance? **[3 marks]**
- b. Name TWO other circumstances where insurance replacements might be recommended. **[2 marks]**

FA2024/04/25-Q5

Question 5

You realise that if you tell Peter, who intends to buy a policy with you, about the exclusions in a universal life policy, he might decide to not buy the cover. What consequences might you face for not disclosing all material information about a product to a client? **[3 marks]**

Case study 1 & 2 : Total Marks = 40