

INSETA - ASSESSMENT QUALITY PARTNER

External Integrated Summative Assessment

EXEMPLAR

FINANCIAL ADVISOR: QUESTION PAPER

Occupational Certificate - Financial Advisor		
SAQA ID: 105026	NQF LEVEL: 6	CREDITS: 515

DATE:		TIME:	09h00-12h00
DURATION:	3 hours (180 minutes)	MARKS:	146
EXAMINER:		MODERATOR:	
INSETA PAPER SERIAL Number		FA2024/04/25FQ	

INSTRUCTIONS TO CANDIDATES:

1. Answer all questions in Section A (40 marks)
2. Answer all questions in Section B (33 marks)
3. Answer all questions in Section C (33 marks)
4. Answer all questions in Section D (40 marks)
5. This is a closed book examination.
6. No written material may be brought into the examination room.
7. ONLY reference materials supplied with the examination paper may be utilised to answer the questions.
8. The use of a calculator is permitted.
9. Write legibly and neatly.
10. Do not turn over this page until permitted by the invigilator.



SECTION A

FA2024/04/25FQ – Case Study 1: Long - Term Insurance Advisor

Candidates Are Required to answer **ALL** questions in this section.

2024/04/25-(CS1)

You are an Independent Financial Advisor in the Financial Services Industry with a healthy portfolio of high-net-worth clients. You are required to read through the below scenario and assist your new client Mrs. Ngwenya.

Case Study.

Mrs. Ngwenya, 52 years old, is a single mother to two adult children aged 31 and 27. She has her own Life insurance policy and is a member of the employers' provident fund, Manana Holdings Provident Fund and Employers medical aid scheme. Mrs. Ngwenya has a personal Retirement Annuity with Whole Life Insurance company.

Mrs. Ngwenya has recently been diagnosed with cancer and the Employer; Manana Holdings has advised her to go on disability. She will be paid 75% of her salary during the time she is on disability until such time that she can come back to work. Mrs. Ngwenya has a few questions that she needs to clear with you before she can take up the employer recommendation and about her other covers in general.

1.1 Review Mrs. Ngwenya's financial situation, and using the six-step financial planning process, assess her financial needs and recommending the necessary financial products. [10 marks]

1.2 Define the following terms in disability insurance. [10 marks]

Active, full-time employee:	
Benefit percentage:	
Benefit Period	
Own occupation	
Any occupation:	
Exclusions:	
Limitations:	
Maximum benefit period	
Partial disability:	
Total disability:	

1.3 In your review above, you noted that Mrs. Ngwenya has her own income disability cover which is attached to her life cover over and the income disability cover offered by the employer. How will this impact the amount of benefit she will receive from the two policies during the period she is being treated of her cancer. [5 Marks]

1.4 The Long-Term Insurance Act 1998 classifies policies into six different categories. Identify five of the categories and give an example of each class of policies. [5 Marks]

1.5 Whole Life Insurance company is grappling with various fraudulent claims, the insurer has requested Mrs. Ngwenya to go for various tests to satisfy themselves of the authenticity of the claim. Prepare a presentation for Whole Life Insurance company employees, advising them of what indicators to look out

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for, for potential fraud and how these indicators can be substantiated in the investigation process?

[10 marks]

Section A: Total Marks = 40



SECTION B

FA2024/04/25FQ – Employee Benefits and Retirement Fund Advisor

Candidates Are Required to **answer ALL questions** in this section.

2024/04/25-(CS2)

2.1 Mrs. Ngwenya divorced 3 years ago. In terms of the decree of divorce, she is entitled to 40% (R1,500,000) of her ex-husband's pension interest as at divorce date from His Provident Fund. Review what her options are with the benefit payable to her, and the tax implications of the options chosen? Recommend the best course of action for her considering her financial situation. **[8 Marks]**

2.2 Mrs. Ngwenya is not satisfied with the returns of the Fund's investments over the last five years. She has been told that the investment strategy has been set by the Board of Trustees. Mrs. Ngwenya would want to know the role of the Board of trustees in terms of the Pension Fund Act and what gives them the power to decide the investment strategy for everyone. **[10 Marks]**

2.3 Mrs. Ngwenya's colleague, Cathrine died whilst doing scuba diving 3 months ago and the Group Life cover policy declined to pay advising that it was excluded from cover. There has been a huge uproar at Manana Holdings. You have been invited to present to the members on why the cover was declined. In your presentation, highlight some other examples of risks that could be excluded from cover in a Group Life policy? **[5 Marks]**

2.4 Mrs. Ngwenya's has contacted you to start pre-retirement planning as she would want to review her financial situation and needs at retirement. She has heard about living annuities and life annuities. Review Mrs. Ngwenya's position, considering her needs at retirement and her current provisions. Recommend to her possible options for her to consider ensuring that when she retires in eight (8) years' time, she will have adequate retirement income. **[10 Marks]**

Section B: Total Marks = 33



SECTION C

FA2024/04/25FQ – Case Study 3: Health Care Benefit Advisor

Candidates Are Required to answer **ALL** questions in this section.

2024/04/25-(CS3)

Question 3

3.1 Mrs. Ngwenya has been advised that medical schemes are governed by the Medical Schemes Act. She is unsure why the need for the act when the laws of competition could dictate how business is done.

Briefly discuss what is covered in the Act by each of the components is below: **[12 Marks]**

- 3.1.1 Open enrolment
- 3.1.2 Community rating
- 3.1.3 Prescribed minimum benefits.
- 3.1.4 Reserve requirements
- 3.1.5 Proration of benefits
- 3.1.6 Late joiner penalty fee

3.2 Mrs. Ngwenya is aware that payment of claims is different between medical schemes and medical insurance. Compare in the table below how benefits are paid. **[6 Marks]**

Medical scheme	Medical insurance

3.3 The Medical Schemes Act provides for Prescribed minimum benefits for all scheme and are therefore a key feature of all medical schemes. Kindly provide five examples of chronic conditions that could be covered under PMB's. **[5 Marks]**

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3.4 Mrs. Ngwenya has been advised that she will be under managed care during her disability.

Define the concept of managed care and the five key elements of a managed care arrangement.

In your opinion, has managed helped in the medical schemes management in South Africa [10 Marks]

Section C: Total Marks = 33





SECTION D

FA2024/04/25FQ - Case Study 4: Investment Advisor

Candidates Are Required to answer **ALL** questions in this section.

2024/04/25-(CS4)

Question 4:

4.1 Explain the following terms and how they impact fund investments. (15 Marks)

- Asset Allocation (3 Marks)
- Diversification (3 Marks)
- Conservative investor (3 Marks)
- Active Asset Management (3 Marks)
- Passive Asset Management (3 Marks)

4.2 You are an advisor to the BCD Corporation Pension Fund. Present to the Board, the key factors that need to be considered when designing the investment strategy of a defined contribution pension fund. (6 Marks)

4.3 Members of the BCD Corporation Pension Fund heard at their last meeting that their assets were invested on the capital markets. You have been requested to briefly explain to the members what the capital market is and how does the fund and the economy benefit by investing on the capital markets. (4 Marks)

4.4 You are an advisor to the BCD Corporation Board of Trustees who are currently evaluating their new investment strategy. They are debating the multi-manager approach compared to the single manager approach. Define the terms for them and outline the advantages and disadvantages of going with each of the options. (13 Marks)

Section D: Total Marks = 40

Overall Question Paper Total = 146

Question 1: Case Study 1 = 40

Question 2: Case Study 2 = 33

Question 3: Case Study 3 = 33

Question 4: Case Study 4 = 40

