

**This is a CLOSED BOOK exam.**

**Time allowed: 3 hours**

**Max marks: 100 marks**

**Additional requirements: Calculator**

## **Life Claims Summative Assessment 1 Marking memo**

### **Question 1**

- a. Refer to the maturity application in the case study received from James Swarts and explain the process which the claims assessor will follow upon receipt of this form in the process stating all the documentation required.

[ 6 marks]

- Register claim on the company computer system ✓
- Confirm receipt of the maturity application form by communicating reference number of the claim to the claimant ✓
- Confirm that the applicant is the rightful claimant ✓
- Check policy status ✓
- Request original policy document ✓
- Request claimant ID ✓
- Request completed claim form ✓
- Request banking details (signed, dated and stamped bank statement not older than three months) ✓

- b. Explain why each of the documents identified in question (a) above is required.

[ 4 marks]

- Claim form – to gather pertinent information to enable processing of the claim ✓
- ID – to confirm that the applicant is the rightful claimant ✓
- Original policy document – to confirm that policy is not ceded ✓
- Latest bank statement – As per FICA – the insurance company must verify the client (KYC) as well as that the funds being paid are paid into the correct banking account and that it is in fact the claimants banking account. ✓

## **Question 2**

- a) With reference to the beneficiary nomination and cession forms in the case study, assuming that the death claim proceeds payable on Holland Scott's policy is R2m, determine how the death claim proceeds will be paid on this policy.

[5 marks ]

- Cession overrides beneficiary appointment✓
- So cessionary is paid first R500 000✓
- The balance of R1.5 m is shared between Mercy and James at the ratios shown✓
- Mercy will get R1 200 000✓
- James will get R 300 000✓

- b) As a claims assessor, you received the attached surrender application form from your client Jacobus Alexandra on his endowment policy. Explain the steps you will follow in processing this claim. [5 marks ]

- Register the claim on the company's computer system✓
- Confirm receipt of the surrender application form by communicating reference number of the claim to the policyholder✓
- Confirm that the applicant is the rightful claimant✓
- Check policy status i.e. whether in force or not✓
- Check that policy has acquired the surrender value✓
- Request original policy document✓
- Request claimant ID✓
- Request banking details (signed, dated and stamped bank statement not older than three months) ✓

## **Question 3**

- a) Refer to the disability claim form in the case study received from your client Hendrik Alexandra. Discuss the process you will follow to register the claim and explain all the factors you have considered in processing this claim. [ 6 marks ]

- Register claim on company computer system ✓

- Confirm receipt of the disability application form by communicating reference number of the claim to the policyholder✓
- Confirm that the applicant is the rightful claimant✓
- Check policy status ✓
- Request original policy document✓
- Request claimant ID✓
- Request claimants job description from claimants' employer✓
- Request employer's incident report✓
- Request doctor's report as well as all relevant medical reports confirming the injury i.e. x-rays✓
- Proof of banking details (signed, dated and stamped bank✓
- statement not older than three months) - to ensure correct bank account details when payment is made – normally request all documents upfront for all claims so the process remains fair and transparent for all clients irrespective of the details of the claim✓

b) In a disability claim, occupation of a claimant is an important consideration. Explain the difference between occupational disability and own occupation disability and mention how the premiums would differ. [ 4 marks]

- Occupational disability – disability from own occupation or any other that policy holder is qualified i.e. own or similar or reasonable ✓
- Own occupation – disability from own occupation ✓
- Own occupation – more expensive✓
- Occupational disability – less expensive (own or similar) ✓

#### **Question 4**

Differentiate processing a death claim where death was as a result of natural causes and where death was as a result of unnatural causes. State all the documentation required in both situations and why each document is required.

[15 marks]

- Natural causes - is death due to illness or internal malfunctioning of the body and therefore rules out external forces. ✓
- Unnatural causes - death directly influenced by external forces✓

In both situations:

- Check policy status – death claim cannot be entertained on a lapsed policy ✓
- Confirm that applicant is the rightful claimant (KYC) – to avoid paying the wrong person ✓
- Proof of banking details (signed, dated and stamped bank ✓
- statement not older than three months) - to ensure correct bank account details when payment is made ✓
- Request death certificate – to confirm that death actually occurred to the insured ✓
- Notification of death form DHA 1663, (formerly BI 1663) – confirms authenticity of a death certificate and also gathers more information on doctors who attended the deceased, reason of death, undertakers etc ✓
- Deceased's ID – to confirm the deceased (KYC) ✓
- Claimant's ID – to identify the claimant (KYC) ✓

Extra documentation for death due to unnatural causes:

- A post-mortem report – to establish the cause of death ✓
- A full inquest report – to establish the cause of the death and the circumstances surrounding cause of death ✓
- A police report – to establish the circumstances surrounding the cause death ✓

### **Question 5**

- a) The sum insured on James Swarts's life policy is R2m. Total bonuses earned on the policy up to maturity amount to R200 000. The disability and accident benefit sum insured attached to this policy are R320 000 and R150 000 respectively. Calculate the amount payable on maturity of James's policy.

[5 marks ]

- When policy matures, the benefits attached to it fall away. ✓
- Accident benefit of R150 000 falls away ✓
- Disability benefit of R230 000 falls away ✓
- Sum insured of R2m becomes payable ✓
- Bonuses of R200 000 become payable ✓
- So, maturity proceeds payable R2 200 000

- b) When Alfonzo Arimando took out an endowment policy, he immediately ceded it to the local bank because he had taken out a loan of R400 000. At the time of his death the loan with the bank had reduced to R350 000. Assuming that the death claim amount payable on Alfonzo's policy is R2m, state everyone who is going to be paid on this policy and calculate the amounts payable to each.

[5 marks]

- Total death claim proceeds payable is R2m ✓
- Cessionary has precedence over other claimants ✓
- Cessionary will receive R350 000 first ✓✓
- The balance of R 1 650 000 is paid to the beneficiaries ✓

### **Question 6**

- a) With reference to the life cover death claim form received from Dion Warren in the case study, explain the importance of the following sections,

- Undertaker details
- Declaration by the claimant.

[5 marks]

- Undertaker details - to confirm death ✓
- Undertakers confirm ID of deceased ✓
- Claims assessor to confirm with the undertaker that death in fact happened ✓
- Declaration by claimant - allows insurer to share insured information with other insurers and interested parties. ✓
- Declaration by claimant – For insurer to protect themselves in case an issue of confidentiality is raised. ✓

- b) Refer to the same death claim application form received from Dion Warren and explain the whole process you are going to take in the validation of this claim. Indicate all the documents required and why you need each of the documents.

[25 marks]

Validation of a claim involves the following:

- Death certificate - Insured died of natural causes according to the death certificate due to pneumonia ✓

- Request for a completed claim form – gathers pertinent information which is required in processing a claim√
- Check policy status – death claim cannot be entertained on a lapsed policy√
- Check that cause of death is an insured event√
- Confirm that person claiming is the rightful claimant – avoid paying a wrong person√
- Request a death certificate – to confirm that death actually occurred to the insured√
- Notification of death form DHA 1663, (formerly BI 1663) – confirms authenticity of a death certificate and also gathers more information on doctors who attended the deceased, undertakers etc√
- Deceased's ID – to confirm the deceased√
- Claimant's ID – to identify the claimant√
- Proof of banking details (signed, dated and stamped bank√ statement not older than three months) - to ensure correct bank account details for paying of claim√

Learner to explain these points enough to justify 25 marks.

### **Question 7**

Part of the claims validation process involves checking the following

- Premium position
- Beneficiary nominations
- Cessions on the policy
- Reinsurance on the policy
- Insured event

Explain how or where this information is checked and the reason why this information is necessary in a claims validation process.

[10 marks]

**Premium position:**

- Verify that all premiums have been paid to date – confirm on system √and checking with credit control department √
- Purpose is to confirm that policy is in force√

**Beneficiary nomination:**

- Verify claimant is the nominated beneficiary on the policy ✓ – check on computer system if any other updated beneficiary nominations were received – need to know who the correct beneficiary is on the policy. ✓

Cession on policy:

- Verify whether any cessions have been registered on this policy ✓ – Need to know who to pay in case of a claim ✓

Reinsurance on the policy:

- Check insurer operating system as to whether the policy was reinsured. ✓
- Which reinsurer was used in this policy? ✓
- Check which type of reinsurance was used in this policy ✓ – purpose is to confirm how much to recover from reinsurers ✓

Insured event:

- Check incident report and policy wording ✓ – To check that the cause of claim is an insured event ✓

### **Question 8**

Referring to the life maturity application form from the policyholder being James Swarts and assuming that an amount of R2m is payable as maturity proceeds, with reference to the reinsurance agreement form in the case study, explain why insurers reinsure. Calculate the amount recoverable from the reinsurer. [5 marks]

- If sum insured exceeds limit of retention of the insurer ✓
- Also, to limit loss ✓
- To avoid catastrophic events wiping out insurer's fund ✓
- To share the loss ✓
- Policy matured so nothing is recoverable from the reinsurer. ✓

100 marks