



FORMATIVE ASSESSMENT

SMK123: Formative Assessment 2
Unit Standard: 120120

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Santam recognises the importance of ensuring fair treatment to customers throughout the customer relationship life cycle. We believe that the principles of Treating Customers Fairly are already embedded in the Santam culture through our brand promise of "Insurance good and proper". All business decisions are made in full regard of the fair treatment of customers, and we believe that all clients must realise value in their insurance purchase. This training material is designed and developed in accordance with those TCF principles and is intended to provide the learner with sufficient knowledge and understanding in order for he/she to appropriately, effectively and fairly advise the customer.





US120120 ASSESSOR FEEDBACK

TOTAL		/95
PERCENTAGE		

OVERALL RESULTS

C	NYC
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ASSESSOR DETAIL

Assessor name and surname:

Assessor signature:

Date:

Comments:

MODERATOR DETAIL

Moderator name and surname:

Moderator signature:

Date:

Comments:

UPHELD	OVERTURN
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ACTIVITY 1

(US120120;S01;AC1)

Explain what cover is afforded under the Business Interruption section. Give two examples of when a client would need this type of cover. **(4)**

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ACTIVITY 2

(US120120;S01;AC2)

State the most appropriate basis of insurance under the Business interruption section for each of the clients below.

- Gross Profit
- Gross Rentals
- Gross Revenue

CLIENT	BASIS
Factory making plastic cups	
A doctor	
A shop owner	
An building owner – renting out his property	
A hairdresser	
An attorney	

(6)

ACTIVITY 3

(US120120;S02;AC1)

Mr X wants to know how we go about in determining the gross profit (sum insured) for Business interruption. Illustrate and explain the two methods briefly. **(6)**

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ACTIVITY 8

(US120120;S04;AC3)

The insured informs you that he receives 90 % of his timber (raw material) from a specific supplier. Suppose this supplier's business burns down or is destroyed by a storm. The insured is worried that he could experience problems with finding another timber supplier in time to continue with normal production. Will he be able to acquire insurance against possible losses in such an event? *Explain your answer.* **(4)**

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ACTIVITY 9

(US120120;S04;AC3)

The insured is also worried because 70% of all his ready-made products are purchased/distributed by one specific client. Suppose this client's premises burns down or is damaged by a storm to the extent that his turnover suffers. Is it possible to acquire insurance for it? *Explain your answer.* **(4)**

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ACTIVITY 10

(US120120;S04;AC3)

From time to time power failures occur in the area where his workshop is located. If it continues for some time, it could have a great impact on his turnover. Do we provide cover for such an event? *Discuss the various options comprehensively.* **(6)**

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ACTIVITY 11

(US120120;S04;AC3)

The insured is, regardless of the answers you have provided, still not sure about the above-mentioned aspects. He wants to know if he could take out cover for possible penalties due to a breach of contract. Explain your answer. (3)

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ACTIVITY 12

(US120120;S02;AC3)

The client gives you the following information.
Calculate the sum insured for Gross Profit, using the Difference basis.

Turnover for previous year R 10 000 000
Projected turnover for following year R 10 833 000

Trade account and profit and loss account of previous year:

PROFIT AND LOSS ACCOUNT			
DT		CT	
Rent for 2 premises	R 360 000	Interest on investments	R 12 000
Salaries	R1060 000	Profit on investments converted into money	R 2 000
Commission (representative)	R 240 000	Rent received (Store in Pretoria)	R 60 000
Electricity	R 36 000	GROSS PROFIT	R5 602 000
Vehicle costs	R 120 000		
Telephone costs	R 12 000		
Delivery costs	R 360 000		
Discount granted	R 100 000		
Advertising costs	R 24 000		
Auditor's fees	R 70 000		
Insurance	R 50 000		
Interest (overdraft bank account)	R 14 000		
Pension fund contributions	R 70 000		
Legal costs	R 30 000		
Depreciation	R 100 000		
Bad debt	R 30 000		
NET PROFIT	R3000 000		
TOTAL	R5676 000	TOTAL	R5676 000

ACTIVITY 14

(US120120;S04;AC1)

(US120120;S04;AC2)

(US120120;S04;AC3)

Refer to the schedule of the client below, as well as the policy wording.

Explain the following in your own words:

14(a) Conditions applicable to the policy section. (4)

14(b) Extensions that the client took as part of his cover. (10)

(14)

SCHEDULE: BUSINESS INTERRUPTION

Policy number: 631/123123123

Revision number: 88

Business Interruption

ITEM NO	DETAILS	SUM INSURED (R)	EFFECTIVE DATE
1	3 Kophou street 7500 PAROW		01/01/2013
	Item 1 Gross Profit (difference basis)	9 744 000	
	Item 4 Additional Increase in cost of Working	300 000	
	Uninsured costs		
	Bad debts		
	Discount allowed		
	Purchases		
	Indemnity period: a maximum of 24 months		
	Insured perils		
	As defined in policy wording	Included	YES
	Clauses and Extensions		
	Extensions to other premises		
	Suppliers/Contractors (specified)	YES	
	Suppliers/Contractors (unspecified)	YES	
	Prevention of Access – extended cover	YES	
	Customers (specified)	NO	
	Customers (unspecified)	NO	
	Public utilities – insured perils	NO	
	Public utilities – extended cover	YES	
	Public telecommunication – insured perils	NO	
	Public telecommunication – extended cover	YES	
	Accidental damage (subject to a combined Business Interruption/Accidental Damage limit as specified in the Accidental Damage section)	NO	
	Additional information and cession detail regarding insured property. This information is not relevant to any restrictions, extensions, conditions, guarantees or excesses. The previous statement may not be revoked and replaced by other.		
	NONE		
	Additional Claims Preparation Cost	0	

US120120 ASSESSOR FEEDBACK

ACTIVITY NUMBER	TOTAL
Activity 1	4
Activity 2	6
Activity 3	6
Activity 4	10
Activity 5	2
Activity 6	5
Activity 7	4
Activity 8	4
Activity 9	4
Activity 10	6
Activity 11	2
Activity 12	6
Activity 13	11
Activity 14	14
Activity 15	8
TOTAL MARKS	92

TOTAL	/92
PERCENTAGE	

C	NYC
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ASSESSOR DETAIL

Assessor name and surname:

Assessor signature:

Date:

Comments:



MODERATOR DETAIL

Moderator name and surname:

Moderator signature:

Date:

Comments:

UPHELD	OVERTURN
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DOCUMENT PROPERTIES

Designed for: Santam staff and Intermediaries

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