



CL-SCP123 : FORMATIVE ASSESSMENT 2

UNIT STANDARD: 120120

Santam is an authorised financial services provider (licence number 3416)





TREATING CUSTOMERS FAIRLY

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 (TCF) 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 | /91 |
| PERCENTAGE | |

OVERALL RESULTS

| | |
|---|-----|
| C | NYC |
|---|-----|

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

(4)

(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.

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Activity 2

(6)

(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 | |

Activity 3

(6)

(US120115;S02;AC3)

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.

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Activity 6

(5)

(US120120;S04;AC3)

The Insured would like to know if he is covered in terms of Fire section for the wages of his labourers should he not make use of their services for a specific time after a loss. He would prefer not to dismiss them, but rather retain their expertise. Is he covered for the wages? *Explain your answer.*

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Activity 7

(4)

(US120120;S04;AC3)

The Insured once again confirms that he is contractually bound to provide his clients with products. Suppose a fire erupts in the workshops which lead to them not being able to continue normal production. Will he enjoy cover for the **increased operational costs** should he scale his business down and temporarily continue with it from **another premises**? This will be for the sole purpose of retaining his client-base. *Explain your answer.*

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Activity 8

(4)

(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.*

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Activity 9

(4)

(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.*

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Activity 10

(6)

(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.*

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Activity 11

(2)

(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.*

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Activity 12

(6)

(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

(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)

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 | Included | |
| | As defined in policy wording | 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 | 9 |
| 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 | 91 |

| | |
|------------|-----|
| TOTAL | /91 |
| PERCENTAGE | |

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| C | NYC |
|----------|------------|



ASSESSOR DETAIL

Assessor name and surname:

Assessor signature:

Date:

Comments:

MODERATOR DETAIL

Moderator name and surname:

Moderator signature:

Date:

Comments:

| | |
|---------------|-----------------|
| UPHELD | OVERTURN |
|---------------|-----------------|





DOCUMENT PROPERTIES

Designed for: Santam staff and intermediaries

Description: Santam Commercial Policy – Formative assessment 2

Course code: CL-SCP123

Version: Version 2.2

Last updated: 30 August 2019

Author: Learning and Development Services (CoE)





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