



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

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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

(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 4

(9)

(US120120;S02;AC2)

The Insured wants to know over which period in time we will compensate him for his loss in profit. Most of his machinery is imported and the period from placing the order to delivery could take up to 18 months. And he also foresees that it could take him a minimum of 6 months to return to normal production after a loss.

4.1 Explain in full the indemnification limits / options available. (7)

4.2 Which option will be the best for him? (2)

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Activity 5

(2)

(US120120;S04;AC3)

Mr X informs you that his rent amounts to R30 000 per month for the two premises. He is worried that the owner of the building may hold him responsible for the rent of the whole premises if for instance a fire hampers production. Under which sections can he insure rent?

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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	



14(a)

Ruled lines for writing the answer to question 14(a).

14 (b)

Ruled lines for writing the answer to question 14(b).





Activity 15

(8)

(US120120;S04;AC3)

Determine the settlement amount.

The Insured runs a large clothing store. It consists of three separate departments, namely a men’s department, a ladies’ department, and a department for children’s clothing.

A fire has occurred in the department selling women’s clothing, and the claim in regard to interruption of business amounts to R60 000.

The insured amount is shown as R250 000 in the schedule. However, the departments function independently of one another, so the trading results of each can be calculated. Over the past 18 months the gross profits of the departments were as follows:

Men’s department: R125 000

Ladies’ department: R110 000

Children’s department: R 90 000

Calculate the settlement amount. Explain how you calculated the settlement and the basis for your calculation.

R

A series of horizontal dotted lines provided for writing the answer and explanation.

Total marks: 91



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	

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

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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