

#### **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:

UPHELD OVERTURN





<b>(</b>
$\overline{}$

Activity 1 (4)

(US120120;S01;AC1)

Activity 2	(6)
need this type of cover.	
Explain what cover is afforded under the Business Interruption section. Give two example	es of when a client would

(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)

Ir X wants to know how we go about in determining the gross profit (sum insured) for Business Interruption. lustrate and explain the two methods briefly.



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)
4.1	
4.2	
Δα	ctivity 5 (2)
	-
(US1	20120;S04;AC3)
the b	informs you that his rent amounts to R30 000 per month for the two premises. He is worried that the owner of wilding may hold him responsible for the rent of the whole premises if for instance a fire hampers production. er which sections can he insure rent?



**(5) Activity 6** 

(US120120;S04;AC3)

The Insured would like to know if he is covered in terms of Fire section for the wages of his labourers shou make use of their services for a specific time after a loss. He would prefer not to dismiss them, but rather expertise. Is he covered for the wages? Explain your answer.	
Activity 7	(4)
(US120120;S04;AC3)	
The Insured once again confirms that he is contractually bound to provide his clients with products. Suppose	ver for
erupts in the workshops which lead to them not being able to continue normal production. Will he enjoy continue the increased operational costs should he scale his business down and temporarily continue with it from a premises? This will be for the sole purpose of retaining his client-base. Explain your answer.	nother
the increased operational costs should he scale his business down and temporarily continue with it from a premises? This will be for the sole purpose of retaining his client-base. Explain your answer.	
the increased operational costs should he scale his business down and temporarily continue with it from a premises? This will be for the sole purpose of retaining his client-base. Explain your answer.	
the increased operational costs should he scale his business down and temporarily continue with it from a premises? This will be for the sole purpose of retaining his client-base. Explain your answer.	
the increased operational costs should he scale his business down and temporarily continue with it from a premises? This will be for the sole purpose of retaining his client-base. Explain your answer.	
the increased operational costs should he scale his business down and temporarily continue with it from a premises? This will be for the sole purpose of retaining his client-base. Explain your answer.	
the increased operational costs should he scale his business down and temporarily continue with it from a premises? This will be for the sole purpose of retaining his client-base. Explain your answer.	
the increased operational costs should he scale his business down and temporarily continue with it from a premises? This will be for the sole purpose of retaining his client-base. Explain your answer.	
the increased operational costs should he scale his business down and temporarily continue with it from a premises? This will be for the sole purpose of retaining his client-base. Explain your answer.	







Activity 8 (4)

(US120120;S04;AC3)

The Insured informs you that he receives 90 % of his timber (raw material) from a supplier's business burns down or is destroyed by a storm. The Insured is worried with finding another timber supplier in time to continue with normal production. Wagainst possible losses in such an event? Explain your answer.	that he could experience problems ill he be able to acquire insurance
Activity 9 (US120120;S04;AC3)	(4)
The Insured is also worried because 70% of all his ready-made products are purch client. Suppose this client's premises burns down or is damaged by a storm to the possible to acquire insurance for it? Explain your answer.	extent that his turnover suffers. Is it
Activity 10	(6)
(US120120;S04;AC3)  From time to time power failures occur in the area where his workshop is located. It could have a great impact on his turnover. Do we provide cover for such an event comprehensively.	

CL-SCP123: Formative assessment 2

CL-SCP123 Formative assessment2.indd 7





#### Activity 11 (2)

(US120120;S04;AC3)

The Insured is, regardless of the answers you have provided, still not sure about the above-mentione vants to know if he could take out cover for possible penalties due to a breach of contract. <i>Explain you</i>	ur answer.

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		СТ		
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	



TRADE ACCOUNT			
Opening stock	R 3 000 000	Turnover	R10 000 000
		Closing stock	R 2000000
Purchases	R 3 298 000		
Discount	R 100 000		
Gross profit	R 5 602 000		
TOTAL	R12 000 000	TOTAL	R12 000 000
Activity 1	3		(11)
(US120120;S03;AC1)			
(US120120;S03;AC2)			

13(a) Explain to the client what perils are covered under the Business Interruption section. (8)

And give a scenario of what could happen if the client did not have Business Interruption insurance. (3)



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			
	In company of the control of the con	La el este d		
	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	N0		
	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 regarestrictions, extensions, conditions, guarantee replaced by other.	rding insured properts or excesses. The pr	ty. This information is not revious statement may no	relevant to any it be revoked and
	NONE			
	Additional Claims Preparation Cost		0	

CL-SCP123: Formative assessment 2







09/09/2019 15:25:34



14(a)	
14 (b)	

CL-SCP123: Formative assessment 2



**(** 



(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......

Total marks: 91

12



## **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







# **ASSESSOR DETAIL**

Assessor name and surname:	
Assessor signature:	
Date:	
Comments:	
MODERATOR DE	TAIL
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)









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