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**for Module
Principles of Life Insurance**

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as reading material for Module
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This material was previously developed as the study material for subject PPAP03Y - Principles of Life Insurance while that subject was part of the Programmes in Insurance, consisting of five separate short courses, offered by UNISA, CBM since 2005. These programmes were previously available through the Insurance Institute of South Africa and the College of Insurance, but due to changed circumstances and statutory requirements could not continue there. Agreement was reached between the IISA and UNISA that the programmes were transferred to UNISA, CBM and that after 2006 they would only be available through that arrangement.

This means that students can derive the best possible benefit of the combined expertise, knowledge and unique abilities of these two highly respected institutions. The Insurance Institute of South Africa (IISA) and its predecessors have been offering insurance training and education for more than 100 years (since 1898), while the University of South Africa (UNISA) was originally founded in 1873 and has been offering tertiary education since, but specifically distance learning since 1946 and is the largest institution of its kind in Africa.

The original five Programmes have, however, been phased out from 2009 and were replaced with semesterised (half-yearly) Programmes and two-hour examinations.

This material will, accordingly also be replaced with a consolidated publication after the 2011 academic year.

INTRODUCTION

It is a great pleasure to welcome you to RSK3701 LI - Principles of Life Insurance. To make sure that you share our enthusiasm about this field of study, we urge you to read this overview thoroughly. Refer back to it as often as you need to since it will certainly make studying this module a lot easier.

The field of insurance is extremely dynamic and challenging; while a sound knowledge of the different sectors of the industry is essential for all working therein. The learning content in this learning guide will therefore provide you with opportunities to learn more of the approach and application of life insurance and to explore the specifics of this part of the insurance market. We are sure that you will enjoy the module and find the studying thereof both instructive and beneficial.

As you know, this module does not stand alone. It is an integral and fundamental part of the Risk Financing and Insurance course. The purpose and learning outcomes of this module are to equip students who are not normally involved in the life insurance field, with the necessary competencies (knowledge, values and skills) to apply the fundamental concepts, principles and processes in providing life insurance products and services.

The life insurance sector in South Africa has for many years been a leader on the international life insurance stage and represents a very dynamic and important component in the insurance and financial services industry and the active student should keep up-to-date with the actual changes to processes and practices, even if the examination is usually restricted to the regulations, procedures and practices actually in force some six or more months before the examination. The learning material is updated annually, but UNISA will generate and distribute a special tutorial letter (501) if practice or statutory regulations and/or requirements change to the extent that the material needs to be updated and/or replaced ahead of the scheduled date and made applicable to the next forthcoming examination. Also see the item dealing with Tutorial Letters, overleaf.

When you have worked through this module you will be able to:

- assess the long term industry bodies affecting the life intermediary in terms of their role and purposes, structures, goals and influences on the market;
- structure an investment strategy for a life insurer with due consideration of;
 - the investment environment;
 - factors affecting investment strategy;
 - types of investments;
 - investment performance;
 - taxation implications;
 - life insurance returns;
- apply the legal and tax principles governing life insurance business in terms of provisions, restrictions and prohibitions of legislation governing the life insurance business. Including all relevant legislation that impacts directly on life insurance business:
 - life insurance business includes activities such as underwriting, policy maintenance and claims handling and the management of the life insurer's office;
 - Income Tax Act stipulations and other general taxation guidelines;
- compile a report on life insurance products in terms of cover, cost and benefits;
- apply the principles of underwriting, policy servicing and claims settlement consistent with standardised guidelines, processes and procedures;
- explain retirement funds, insurance in a business environment and estate planning in terms of its purpose, nature and governing principles.

Each chapter has its own set of learning outcomes and you should check that you have reached each of these before you move on to the next chapter.

Each chapter also has a number of questions at the end. These are divided into mental revision questions and written questions. The mental revision questions are there to test your own grasp of the material that you have studied in the chapter. If you cannot answer these quickly and without effort, or without reference to the learning material, it is perhaps wise to do further revision on the particular chapter.

The written questions, on the other hand, call for detailed answers in an essay format. Suggested answers to the questions on the contents of a chapter can be found at the end of the book. However, these are guidelines rather than model answers and thus perhaps contain more detail than you would need to provide in the examinations. You should attempt these written questions under examination room conditions, ie without reference to the learning material or your own notes.

TUTORIAL LETTERS

UNISA uses a system of Tutorial Letters to communicate with students. While not every course may receive all of the different tutorial letters in any given academic year, it is beneficial to understand the system of tutorial letters and the role played by each of these.

The 100 Series

Each Programme has its own tutorial letters containing general information about the modules, the prescribed books, details of the lecturers, as well as the assignment questions and due dates.

Guidelines for the submission of assignments and the procedures involved are also contained in these letters.

The 200 Series

Each Programme has its own tutorial letters containing answers to the compulsory assignments and possible additional information that the lecturers may want to include.

These tutorial letters also contain details of the actual format of the examination, but as the examination structure is being revised, no past examination question papers will be made available this year.

The 300 Series

Tutorial letters in this series are used to send general information to all students registered for modules or subjects in our School/Centre/Department.

Tutorial Letter 501

This series is used only when sending out study guides or parts thereof that are not printed as an official study guide. These tutorial letters are also used to update, amend, or replace parts of the learning material.

This can occur where a substantial change has been affected, such as the repeal or replacement of vital legislation and this cannot wait until the next annual update of the learning material and/or the lecturer wants to be able to set questions thereon in the next examination.

LEARNING THIS COURSE

Having progressed to this stage of the studies in the insurance programmes, you are well aware of the need to plan a structured approach to your studies of this course.

The study of this specific course, possibly more than any other will prove to be taxing and complex experience. Part of the reason for this is the fact that it introduces you to some new and possibly totally foreign ideas and concepts, as you may not have had exposure to the insurance market.

You need to study this material in conjunction with the Study Guide for MNK302-T and follow the instructions therein.

Unless the context indicates a contrasting intention,

- the singular shall include the plural and vice versa;
- the masculine includes the feminine and vice versa.

(In the material the masculine form of words has been used. This has been done purely for convenience and carries no implications or connection with regard to gender whatsoever.)

ASSIGNMENTS

Three assignments are set for each module/subject. The assignment questions appear in Tutorial Letter 101 and are categorised as follows:

- **Assignment 01 contains multiple choice questions** that you must answer and submit. This assignment must be submitted before the final dates given in the Tutorial Letter. The assignments can be submitted via *myUnisa*.
NB Assignment 01 must be submitted to gain admission to the examination. Also, it is not the marks obtained that ensure examination entry, but the actual submission of the assignment.
- **Assignment 02 is also made up of multiple choice questions.** This assignment must be submitted before the final date given in the Tutorial Letter. The assignment can be submitted via *myUnisa*.
- **Assignment 03 is a self-evaluation assignment that must not be submitted.** The recommended answers are supplied in Tutorial Letter 101

The assignment questions are indicative of the type of question you may expect in the examination. Suggested answers to the assignments are made available on *myUnisa* shortly after the due date and will also be provided in Tutorial Letter 201 and 202.

Assignments make up the year mark, which in turn represents 10% of the final mark, with the examination providing the remaining 90%. Although you will be allowed admission to the examinations, you will automatically, effectively forfeit 10% of your examination marks if you fail to submit the assignments.

Assignments may be submitted electronically via the *myUnisa* system (the preferred method in the case of UNISA, CBM), or by mail. Assignments may **not** be submitted by fax or e-mail.

THE EXAMINATION

As stated above, the actual format of the examination paper, the number of questions, the marks allocated to them and similar detail is advised in Tutorial Letter 201.

Enjoy your studies. You will certainly know a lot more about the PRINCIPLES OF LIFE INSURANCE when you are finished.

Study hard and consistently and good luck with the examination.