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# FSC524 Life, Disability and Health Insurance

## Assignment 1- Case study 1

### Assessment overview

This assessment assesses learning outcomes 2 and 3:

LO2: Evaluate the suitability of life, disability, and health insurance products, structures and options in terms of their benefits, risks, limitations, and potential non-insurance solutions.

LO3: Apply environmental, technical, procedural and risk management factors in a life, disability, and health insurance context.

### Student Instruction

1. This assessment covers a hypothetical case study of clients Donna and Greg, who approach you to discuss their personal insurance needs. For this case study, assume you are a non-aligned financial adviser.
2. You are required to answer all eight tasks.
3. The topics covered in this assessment are:

	Topic
Task 1	Risk assessment
Task 2	Recommending suitable life insurance products
Task 3	Comparing the cover from two providers and recommending suitable add-on benefits
Task 4	Choosing a provider
Task 5	Policy ownership
Task 6	Affordability
Task 7	Policy review
Task 8	Claims

4. Present each answer as if you were providing a written response to Donna and Greg. As such, each answer should be free of spelling and grammatical errors and be written in a way that the client will understand.
5. For each task, we have provided a suggested word count. Note that the word count is for guidance only and you will not be penalised for being under or over the suggested word count, provided you fully address the task.
6. You may use any sources you consider appropriate for completing this assessment.

### **Case Study**

Your clients, Donna and Greg, are a young couple in a de-facto relationship. They have no children.

Donna is 25 years old and works as a customer services representative for a local power company, on an annual salary of \$42,000. She has no debts. She is healthy and doesn't smoke; she would like to have children within the next 5 years and then run a home-based business. Her single mother had breast cancer a few years ago, underwent chemotherapy and radiotherapy and is now in remission. Donna would like to leave funds for her mother if she (Donna) were to die prematurely, so that her mother is financially sorted.

Greg is 27 years old and also a healthy non-smoker. He has a student loan of \$22,000 and is working as a junior vet. His annual income is \$38,000 p.a., but this will increase considerably once he has completed his internship at the end of the year. He is trying to pay off as much of his student debt as possible. His parents are successful and earn good incomes and will not need to rely on Greg when they retire.

Saving towards a deposit for a first home is a priority for Donna and Greg; they then intend to start a family.

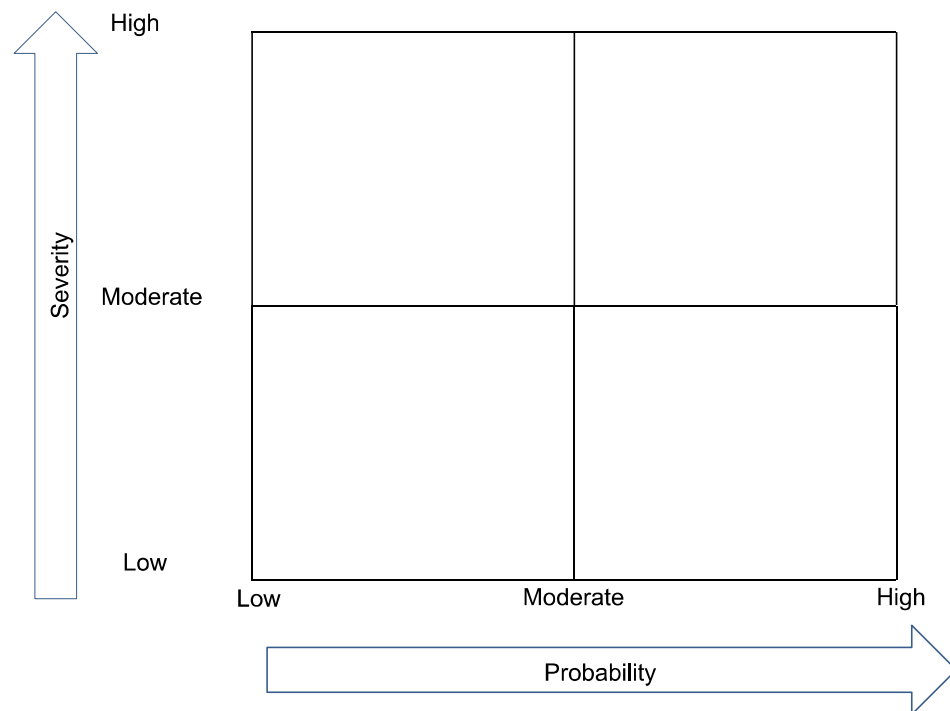
They approach you to discuss personal insurance. It's not something that they have given much thought to. They tell you that they do not believe it is necessary for them to take out private health insurance at this time. They know the funds available for insurance premiums are limited but they are prepared to accept the risk in exchange for the savings on premiums.

### Task 1: Risk assessment

a. Identify and evaluate the personal risks that Donna and Gregface.

You are required to:

- complete a risk matrix (below):



- Briefly justify your placings in the matrix. (75 words)

b. Identify at least one alternative way of managing the risks that would be covered by private health insurance. Discuss the

implications of following a non-insurance strategy in terms of their risk tolerance and risk capacity.

(100 words)

## **Task 2: Recommending suitable life and disability insurance products**

Recommend, with justification, the life and disability insurance products that meet Donna and Greg's needs.

You are required to:

- clearly state the types of life insurance product that meet Donna's needs.
- clearly state the types of life insurance product that meet Greg's needs.
- give reasons for each of your recommendations.

(350 words)

## **Task 3: Comparing cover and recommending suitable add-on benefits**

- a. Choose two life and disability insurance providers that offer these products - ensure their products are underwritten by different insurers. For each of the products you recommended in Task 2, identify and explain the key differences between the cover offered by the two providers.

You are required to:

- clearly state the name of each provider's product and include a URL link to the policy document
- for each product, identify and explain two key differences in cover between each provider's policies
- select differences that are relevant to Donna and Greg.
- select each of the following areas of difference at least once across your range of products:
  - built-in cover

- add-on benefits
- scope/flexibility of cover (as determined by the policy definitions or conditions)
- policy exclusions.

(500 words)

- b. Choose **one** of the life and disability insurance providers from (a). For each of the products you recommended in Task 2, recommend, with justification, **one** add-on benefit that would be suitable for Donna and Greg

You are required to:

- recommend a different add-on benefit for each product.
- explain why the add-on benefit is suitable for Donna and Greg.

(150 words)

#### **Task 4: Choosing a provider**

Recommend, with justification, which of the two providers' products you discussed in Task 3 is the most suitable for Donna and Greg.

You are required to:

- Justify your choice in terms of the features and benefits you discussed in Task 3, and **at least two** other relevant factors.

(100 words)

#### **Task 5: Policy ownership**

For each of the products you recommended in Question 2, recommend, with justification, the most suitable policy ownership structure for Donna and Greg.

You are required to:

- explain your recommended ownership structure for Donna and Greg and explain why you are recommending that structure
- explain how the proceeds will be paid out for a death or disability claim.

(200 words)

**Task 6: Affordability**

Assume the premiums are more than Donna and Greg can afford and suggest ways to reduce the cost.

You are required to:

- provide a variety of suggestions across all your recommended products.
- provide at least **two** suggestions for each product. At least **one** suggestion should not be repeated for any other product.
- clearly show which suggestions relate to each product.

(200 words)

**Task 7: Policy review**

Identify three changes in Donna and Greg's circumstances that would trigger a review, and determine the potential action to be taken in each case regarding their insurance cover.

(100 words)

**Task 8: Claims**

Three years after taking out the policies you recommended, Donna and Greg are involved in a serious car accident. Greg is killed and Donna is seriously injured and will be unable to return to work for about 12 months. She seeks advice on the process for claiming on her policies.

You are required to complete the following steps:

- a. Outline the steps in the claims process and explain the role of the claims assessor.

(100 words)

- b. Advise Donna on the documentation she will need to provide to the claims assessor for each policy on which she can make a claim in this situation. Explain why each document is required. If you are explaining the requirements of a particular insurer, you must state the name of the insurer and provide a link to the source of your information.

(100 words)

- c. Medical records show that Greg suffered from mild asthma until he was aged 21, but on his application for insurance he stated until age

18. Will the claims assessor settle or reject the claim? Support your decision with reference to the Insurance Law Reform Act 1977.

(100 words)