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INSURANCE SECTOR EDUCATION
AND TRAINING AUTHORITY

Learner Name	
ID Number	
Organisation	

FORMATIVE ASSESSMENT: LEARNER WORK FILE VERSION 1

Unit Standard Title: **Apply knowledge and skill to explain the application of structured long term insurance portfolios**

Unit Standard No: **242590**

Unit Standard Credits: **6**

NQF Level: **5**

Mark information:

Specific Outcome/Section	1	2	3	4	5	Total	%	C / NYC
Maximum marks	22	20	6	12		60	100	

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Formative Activities

Section 1: 22 marks

Activity 1

In this activity, you have to explain the features of structured long term insurance portfolios.

1.1 Source one of your client's structured long term insurance portfolio documents. Analyse this investment portfolio and summarise it in terms of the guarantees and market exposure. (3)

1.2 Complete the following table with regards to the term and liquidity constraints of a structured long term insurance portfolio. (5)

	Equity Unit Trust	Endowment Policy
Term		
Liquidity		

1.3 Analyse the fee structure of the structured long term insurance portfolio that you have used for Activity 1.1. Give a brief outline of the fee structure and mention what the impact of this fee is on the performance of the particular portfolio. (3)

1.4 Give a brief description, in your own words, of your understanding of a “tranche based product”. (2)

1.5 Complete the following table with reference to the risk as well as returns in the mentioned insurance portfolios. (5)

	Equity Unit Trust	Endowment Policy
Potential Return		
Risk		

	Equity Unit Trust	Endowment Policy

1.6 Explain the difference between surrender value and intrinsic value of an investment. (4)

Section 2: 20 marks

Activity 2

In this activity, you have to explain how insurers construct and manage structured long term insurance portfolios.

2.1 You are required to explain how insurers construct and manage structured long term insurance portfolios. Use information from one of your clients and the following guidelines:

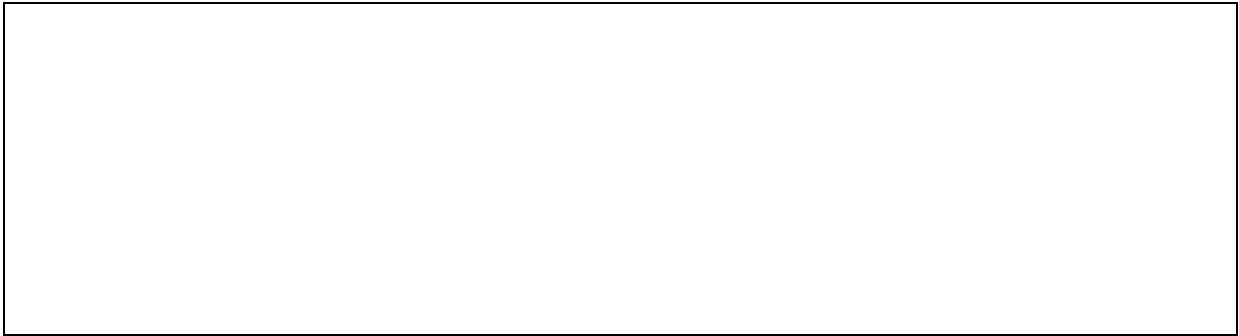
- a) Analyse an investment to determine whether it is managed actively or passively.
- b) Indicate how value is created within the investment in (a) above. (5)
- c) Analyse the market exposure in a client's portfolio in terms the potential risk and return of the investment. Clearly attach all evidence in your Work Learner File. (5)



2.2 Briefly discuss the difference between active and passive management of an investment in terms of creating value within the investment. (4)

2.3 List and explain at least 3 (three) economic conditions that will have an impact on the ongoing and final performance of a structured long term insurance portfolio.

(3 x 2 = 6)

**Section 3: 6 marks****Activity 3**

In this activity, you have to assess the suitability of a structured long term insurance portfolio investment for a specific client.

3.1 Refer back to the insurance portfolio that you have used for Activity 1.1. Mention the risks associated with this specific portfolio . (4)



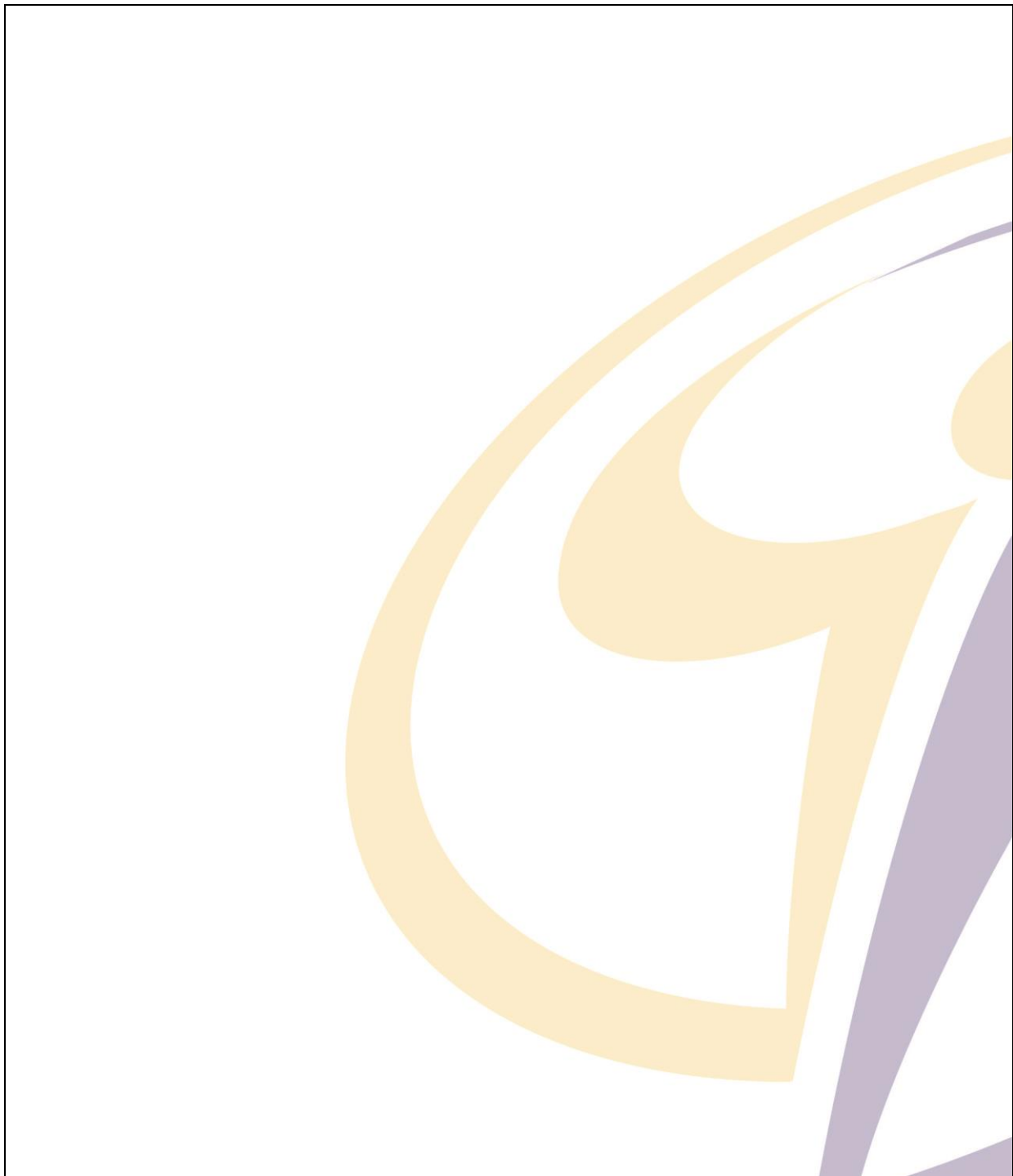
3.2 Write notes on one situation where you might have to recommend a structured long term insurance portfolio to a client with reference to the client's total portfolio and investment objectives. (2)



Section 4: 12 marks**Activity 4**

In this activity, you have to interpret the performance of a structured long term insurance portfolio investment in relation to other classes.

4.1 Identify competitive structured long term insurance portfolio competitive products. Compare and evaluate them in terms of features, risk and potential return. (8)



4.2 Briefly compare a structured long term insurance portfolio investment with an alternative traditional investment product. Complete your answer in the table below:

(4)

Structured Long Term Insurance Portfolio	Traditional Investment Product



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SOUTH AFRICAN QUALIFICATIONS AUTHORITY

REGISTERED UNIT STANDARD:

Apply knowledge and skill to explain the application of structured long term insurance portfolios

SAQA US ID	UNIT STANDARD TITLE			
242590	Apply knowledge and skill to explain the application of structured long term insurance portfolios			
ORIGINATOR		ORIGINATING PROVIDER		
SGB Insurance and Investment				
QUALITY ASSURING BODY				
-				
FIELD			SUBFIELD	
Field 03 - Business, Commerce and Management Studies			Finance, Economics and Accounting	
ABET BAND	UNIT STANDARD TYPE	OLD NQF LEVEL	NEW NQF LEVEL	CREDITS
Undefined	Regular	Level 5	New Level Assignment Pend.	6
REGISTRATION STATUS		REGISTRATION START DATE	REGISTRATION END DATE	SAQA DECISION NUMBER
Reregistered		2009-11-03	2012-06-30	SAQA 0160/05
LAST DATE FOR ENROLMENT		LAST DATE FOR ACHIEVEMENT		
2013-06-30		2016-06-30		

In all of the tables in this document, both the old and the new NQF Levels are shown. In the text (purpose statements, qualification rules, etc), any reference to NQF Levels are to the old levels unless specifically stated otherwise.

This unit standard replaces:

US ID	Unit Standard Title	Old NQF Level	New NQF Level	Credits	Replacement Status
14531	Apply technical knowledge and insight to explain the application of structured long term insurance portfolios	Level 5	New Level Assignment Pend.	3	Complete

PURPOSE OF THE UNIT STANDARD

This Unit Standard is intended learners who are Product Developers, Wealth Managers, Personal Financial Planners and Intermediaries.

The qualifying learner is capable of:

- Explaining the features of structured long term insurance portfolios.
- Explaining how insurers construct and manage structured long term insurance portfolios.
- Assessing the suitability of a structured long term insurance portfolio for a specific client.
- Interpreting the performance of a structured long term insurance portfolio investment in relation to other asset classes.

LEARNING ASSUMED TO BE IN PLACE AND RECOGNITION OF PRIOR LEARNING

It is assumed that learners are competent in Communication and Mathematical Literacy at NQF Level 4.

UNIT STANDARD RANGE

The typical scope of this Unit Standard is:

- Impact of different market conditions includes, but is not limited to, interest rates, bull/bear market, inflation and currency movements.
- Possible risks associated with structured long term investment portfolios include, but are not limited to, liquidity, tax, performance, and underlying instruments or components.
- Traditional investment products include, but are not limited to, collective investments, offshore portfolios, fixed deposits and traditional smoothed bonus portfolios.

Specific Outcomes and Assessment Criteria:

SPECIFIC OUTCOME 1

Explain the features of structured long term insurance portfolios.

ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

The components of a structured long term insurance portfolio is analysed with

reference to guarantees and market exposure.

ASSESSMENT CRITERION 2

The term and liquidity constraints of a structured long term insurance portfolio are explained with reference to a particular product.

ASSESSMENT CRITERION 3

The fee structure of a structured long term insurance portfolio product is analysed and an indication is given of the impact of the fee on the performance of the product.

ASSESSMENT CRITERION 4

The use of tranche based products is explained with reference to pricing, benefits and features of selected products.

ASSESSMENT CRITERION 5

The relationship between the returns in a structured long term insurance portfolio and the returns in the market are explained and an indication is given of why there is a difference.

ASSESSMENT CRITERION 6

The difference between surrender value and intrinsic value of an investment is explained with reference to conditions under which it is reasonable to exit a structured long term insurance portfolio.

SPECIFIC OUTCOME 2

Explain how insurers construct and manage structured long term insurance portfolios.

ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

An investment is analysed to determine whether it is managed actively or passively and an indication is given of how value is created within the investment.

ASSESSMENT CRITERION 2

The market exposure in a specific portfolio is analysed in terms the potential risk and return of the investment.

ASSESSMENT CRITERION 3

The effect of different economic conditions on the ongoing and final performance of a structured long term insurance portfolio is explained with examples.

SPECIFIC OUTCOME 3

Assess the suitability of a structured long term insurance portfolio investment for a specific client.

ASSESSMENT CRITERIA**ASSESSMENT CRITERION 1**

The risks associated with structured long term insurance portfolios are explained with reference to a specific portfolio.

ASSESSMENT CRITERION 2

Situations where it is appropriate to recommend a structured long term insurance portfolio to a client are explained with reference to the client's total portfolio and investment objectives.

SPECIFIC OUTCOME 4

Interpret the performance of a structured long term insurance portfolio investment in relation to other classes.

ASSESSMENT CRITERIA**ASSESSMENT CRITERION 1**

Competitive structured long term insurance portfolio competitive products are compared and evaluated in terms of features, risk and potential return.

ASSESSMENT CRITERION 2

A structured long term insurance portfolio investment is evaluated against an alternative traditional investment product.

UNIT STANDARD ACCREDITATION AND MODERATION OPTIONS

- Anyone assessing a candidate against this Unit Standard must be registered as an assessor with the relevant ETQA or ETQA where a Memorandum of Understanding (MOU) exists with the relevant ETQA.
- Any institution offering learning that will enable achievement of this Unit Standard must be accredited as a provider through the relevant ETQA or ETQA where a Memorandum of Understanding (MOU) exists with the relevant ETQA.
- Moderation of assessment will be overseen by the relevant ETQA according to the moderation guidelines and the agreed ETQA procedures.

UNIT STANDARD ESSENTIAL EMBEDDED KNOWLEDGE

N/A

UNIT STANDARD DEVELOPMENTAL OUTCOME

N/A

UNIT STANDARD LINKAGES

N/A

Critical Cross-field Outcomes (CCFO):

UNIT STANDARD CCFO IDENTIFYING

The learner is able to identify and solve problems in which responses show that responsible decisions using critical thinking have been made in indicating conditions under which it is reasonable to exit a structured long term insurance portfolio investment.

UNIT STANDARD CCFO COMMUNICATING

The learner is able to communicate effectively in explaining structured long term insurance portfolios to a client.

UNIT STANDARD CCFO DEMONSTRATING

The learner is able to demonstrate an understanding of the world as a set of related systems in explaining the risk return relationship of structured long term insurance portfolios and the appropriateness for a selected client.

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