



NZQA Assessment Support Material

Unit standard		28096			
Title	Demonstrate understanding of insurance products for personal financial capability				
Level	2	Credits	3	Version	3

Note

The following guidelines are supplied to enable assessors to carry out valid and consistent assessment using this internal assessment resource.

Assessors must manage authenticity for any assessment from a public source, because learners may have access to the assessment schedule or student exemplar material. Use of this assessment resource without modification may mean that learners' work is not authentic. The assessor will need to change figures, measurements or data sources or set a different context or topic.

While this ASM lends itself to written assessments, there are other activities and approaches that could be taken.

See Generic Resources and Guidelines at <https://www.nzqa.govt.nz/providers-partners/assessment-and-moderation-of-standards/assessment-of-standards/generic-resources/>

Assessor guidelines

Assessors need to be very familiar with the outcome being assessed by the unit standard. The evidence requirements and the explanatory notes contain information, definitions and requirements that are crucial when interpreting the standard and assessing learners against it.

Over the weeks prior to this assessment, learners should have had sufficient learning opportunities to be familiar with the following:

- Insurance product types: income protection, travel, house, motor, contents, health, life.
- Components of insurance policies: replacement versus indemnity, excess, premium, claims process, risks covered, exclusions.
- The requirement for full disclosure and the consequences of non-disclosure.

AWARD OF GRADES



- For award with **Achieved**, learners must demonstrate understanding of insurance product types, components of insurance policies, the requirements for full disclosure and the consequences of non-disclosure.
- For award with **Merit**, learners must provide a description, including examples that illustrate how components of insurance policies impact on personal finances.
- For award with **Excellence**, learners must provide a description that includes examples of how disclosure and its related consequences impact personal finances in the short and long term.

CONDITIONS OF ASSESSMENT



This assessment is an **open book** activity that will take place over a timeframe set by the assessor. Learners can use any information to help them complete the tasks. Answers must be in their own words.

Assessment activity

This assessment activity has one task.

The task requires the learner to:

- Describe insurance product types in terms of their purpose, features and suitability to personal circumstances.
- Describe components of insurance policies in terms of their impact on personal finances.
- Provide examples to illustrate how components of insurance policies impact on personal finances.
- Describe the requirement for full disclosure and the consequences of non-disclosure in terms of their impact on policy coverage claims and personal finances.
- Use examples to demonstrate how disclosure and its related consequences impact personal finances in the short and long term.

Resources

Resources that may help with this are:

- Sorted Your independent money guide <https://www.sorted.org.nz/>;
- Insurance Council <http://www.icnz.org.nz/>;
- Insurance Ombudsman <http://www.iombudsman.org.nz/>;
- Financial Services Complaints Ltd (FSCL) <http://www.fscl.org.nz/aboutfscl.php>;
- Financial Disputes Resolution (FDR) <http://www.fdr.org.nz/>;
- Bamzonia Personal Financial Education, <http://www.bamzonia.co.nz>.

Assessment Schedule

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Task	Evidence/Judgements for achievement	Evidence/Judgements for achievement with merit	Evidence/Judgements for achievement with excellence
Outcome 1 ER 1.1 Question 1	Seven insurance product types are described in terms of their purpose, features and suitability to personal circumstances. Must be described accurately. See partial sample answers for question 1.	Seven insurance product types are described in terms of their purpose, features and suitability to personal circumstances. Must be described accurately. See partial sample answers for question 1.	Seven insurance product types are described in terms of their purpose, features and suitability to personal circumstances. Must be described accurately. See partial sample answers for question 1.
Outcome 1 ER 1.2 Question 2	Six components of insurance policies are described in terms of their impact on personal finances. See partial sample answer for question 2.	Six components of insurance policies are described in terms of their impact on personal finances, including examples that illustrate the impact of each component. See partial sample answer for question 2.	Six components of insurance policies are described in terms of their impact on personal finances, including examples that illustrate the impact of each component. See partial sample answer for question 2.

Outcome 1 ER 1.3 Question 3	The requirement for full disclosure when taking out an insurance policy and making a claim is described. See sample answer for question 3.	The requirement for full disclosure when taking out an insurance policy and making a claim is described. See sample answer for question 3.	The requirement for full disclosure when taking out an insurance policy and making a claim is described. See sample answer for question 3.
Outcome 1 ER 1.3 Question 4	Two consequences of non-disclosure and how they impact on policy coverage and claims are described. See sample answer for question 4	Two consequences of non-disclosure and how they impact on policy coverage and claims are described. See sample answer for question 4	Two consequences of non-disclosure and how they impact on policy coverage and claims are described. See sample answer for question 4
Outcome 1 ER 1.3 Question 5			Examples of how disclosure and its related consequences impact on personal finances in the short and long term are described See sample answer for question 5

Final grades will be decided using professional judgement based on a holistic examination of the evidence provided against the criteria in the unit standard.



Task

1. Describe each of the following seven insurance product types in terms of their purpose, features and suitability to personal circumstances (when and why you may or may not choose a type of insurance).

Travel Insurance
Purpose:
Protects against the additional personal expenses that could be incurred when travelling, either internationally or within New Zealand (e.g. loss of personal belongings, sickness, accident, interrupted travel, cancellations).
Features:
Different travel insurance policies may apply to travel to different parts of the world and may include different features and levels of features. They may include, for example:
Medical expenses – provides cover towards the costs of emergency medical and surgical treatment while travelling.
Getting you back home (repatriation service) – cover is provided for the costs of emergency repatriation (for medical reasons) back to the New Zealand
Cancellation/curtailment – if a trip has to be cancelled or shortened, this provides cover for any unused travel and accommodation costs which cannot be claimed back.
Missed departure – covers costs of additional accommodation and travel expenses incurred by missed departure flight, boat or train due to situations outside of a person's control – such as car break-down, being involved in an accident or public transport being delayed.
Baggage cover – covers lost, stolen, damaged or destroyed baggage
Suitability to personal circumstances:

Consideration of the amount of personal financial risk an individual is prepared to cover themselves should inform their decision on when to take out travel insurance. For example, there is a big difference for most people when buying a ticket to travel domestically (possibly staying with friends), to travelling to faraway places with unknown medical cover and associated costs for disruptions to travel arrangements etc. Also, some people may already have cover with their credit card and individuals should check the coverage (and requirements to activate this) to determine what is best for their personal circumstances.

Individuals travelling overseas should definitely consider taking out travel insurance before they travel. This is mainly due to the cost of medical expenses in the case of illness or injury. The loss of a bag and all its contents can also be costly to replace while travelling. Some countries do offer reciprocal agreements with New Zealand, such as for medical issues. For travel to these countries, the type of travel insurance required will differ from travel to those countries where New Zealand does not have such agreements.

Medical expenses, baggage loss and cancellation of a trip are not generally as much of an expense or inconvenience if they occur while travelling within New Zealand.

The insurance is specific to the needs of a traveller and offers coverage of what could be quite large emergency expenses (e.g. overseas hospital fees, return of body/funeral expenses).

Protects people against any financial implications that could arise from their own behaviour (i.e. harm to others or damage to their property).

(Sample answer related to awarding Achieved, Merit and Excellence)

Sample answers are provided for one product type only. Answers for **the other six products types** will need to be developed as a basis for awarding Achievement, Merit and Excellence).

2. Describe the following components of insurance policies in terms of their impact on personal finances. Include examples that illustrate the impact of each component. For each component, provide an example to illustrate the impact it has on personal finances

Component	What it is	Impact on personal finances	Example
Excess	An excess is the amount a person is required to pay towards a claim they make on their insurance policy.	Generally, the lower the insurance premium, the higher the excess and vice-versa. Therefore, if a claim is made on an insurance policy, the amount received by the insured from their insurance company will be minus the value of the excess.	Anyone involved in a car accident with an excess of \$400 on their policy, will have to pay \$400 towards the repairs and the insurance company will pay the remainder of the repair costs if any.

(Sample answer related to awarding Achieved and Merit)

Sample answers are provided for one component of insurance policies. Answers for **the other five components** will need to be developed as a basis for awarding Achievement and Merit).

3. Describe the requirement for **full disclosure** when taking out an insurance policy and when making a claim.

Taking out an insurance policy	An insurance company relies on a person taking out an insurance policy to provide all information necessary to assess the level and cost of cover needed. Every time a policy is renewed it is important to inform the insurance company of any changes in circumstances.
Making a claim	An insurance company relies on a person making a claim on an insurance policy to provide an accurate and honest account of their loss or expense.

(Sample answer related to awarding Achieved, Merit and Excellence)

4. Describe the consequences of non-disclosure and how they impact on policy coverage and claims.

Without full disclosure when taking out an insurance policy, such as full medical history, when applying for health insurance, correct cover may not be obtained.

This may result in a smaller payout or a payout not being made following a claim. Legally, a policy can be treated as though it never existed.

If the non-disclosure is innocent but materially significant, the claim amount the insured person is eligible for may be reduced. Where the non-disclosure was intentionally misleading, the insurance provider can cancel the insurance policy with immediate effect, resulting in no claim pay-out.

(Sample answer related to awarding Achieved, Merit and Excellence,)

5. Describe how disclosure and its consequences impact on personal finances in the short and long term. Provide examples to support your answers.

	Consequences	Examples
Short-term	<p>Full disclosure may result in higher premiums but, at the same time, greater protection.</p> <p>Full disclosure may also result in the insurance provider refusing to provide insurance.</p>	<p>Health insurance: disclosing pre-existing medical conditions, such as a heart condition, prior to taking out health insurance may result in a much higher premium but will ensure that any medical issues involving the client's heart will be covered by their insurance policy.</p>
Long-term	<p>Total premium pay-out will be larger over the long-term. Premiums may be reduced if claims are not made over a certain number of years.</p> <p>If an insurance claim is required, the financial pay-out will be higher if there has been full-disclosure at the onset of the insurance policy and the correct premium paid throughout the term of the policy.</p>	<p>Contents insurance: disclosing the full value of the contents of a house, particularly valuable items, such as jewellery and paintings, will result in a higher premium but will also result in an accurate and fair pay-out by the insurance company, following a devastating fire or burglary.</p>

(Sample answer related to awarding Excellence,)