

Title	Demonstrate understanding of insurance concepts and principles and apply to life and health insurance situations		
Level	5	Credits	5

Purpose	<p>This unit standard is intended for people working, or intending to work, in roles in the life and health insurance industry.</p> <p>People credited with this unit standard are able to demonstrate, in a life and health insurance situation, understanding of:</p> <ul style="list-style-type: none"> – types of risk and concepts of insurance, and – the evaluation and management of risk.
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Classification	Financial Services > Financial Services - Professional Practice
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Available grade	Achieved
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Guidance Information

- 1 **References**
 Consumer Guarantees Act 1993;
 Fair Trading Act 1986;
 Financial Advisers Act 2008;
 Financial Service Providers (Registration and Dispute Resolution) Act 2008;
 Health and Safety in Employment Act 1992;
 Insurance Law Reform Act 1977;
 Insurance Law Reform Act 1985;
 Privacy Act 1993;
 relevant industry codes of practice;
 and all subsequent amendments and replacements.

- 2 **Range**
 Assessments requiring application or demonstration of skills and knowledge may be performed using workplace evidence or evidence derived from simulation or scenario based activities.

 All activities must comply with legislation, regulations, and best practice, including any guidance notes published by the agency responsible for the relevant enactment or code.

Outcomes and performance criteria

Outcome 1

Explain risk types and life and health insurance concepts.

Performance criteria

- 1.1 Describe types of risk in terms of their relevance to insurance products.
- Range risk includes but is not limited to – pure risks such as personal, property liability and non-performance; and speculative risks such as investment risks associated with some insurance products and companies.
- 1.2 Explain client aversion to or tolerance for risk in terms of attitude to risk and capacity to cope with risk.
- 1.3 Explain key insurance concepts in terms of the attributes and applicability.
- Range insurance as a vehicle to transfer risk, what risks are insurable, utmost good faith, compensation not enrichment, reinsurance, significance of correct policy ownership from a claims and a taxation point of view; tax includes – income tax, FBT, GST, company tax.

Outcome 2

Explain risk exposure and risk management processes applying to life and health insurance situations.

Performance criteria

- 2.1 Evaluate exposures to risk in terms of probability of risk, potential severity and/or impact of risk consequences.
- Range costs, financial benefits, non-financial benefits, direct losses, consequential losses, hidden losses.
- 2.2 Explain methods of handling risk in reference to the result achieved and the relationship with insurance.
- Range methods of managing risk include – identification, avoidance, mitigation, financing, acceptance, transfer.
- 2.3 Using workplace, scenario or case study based evidence identify and evaluate exposures to risk, explain which types of risk are insurable and which are not, demonstrate methods of dealing with each, and determine an appropriate response based on risk management process.
- 2.4 Demonstrate an understanding of what differentiates a standard client situation from a non-standard client situation.
- Range standard client situation – single need, ordinary premium rates; within the guide;
non-standard client situation – multiple needs, outside the guide. For example, extreme Body Mass Index, hazardous pursuits or occupations.

This unit standard is expiring. Assessment against the standard must take place by the last date for assessment set out below.

Status information and last date for assessment for superseded versions

Process	Version	Date	Last Date for Assessment
Registration	1	19 February 2015	31 December 2022
Review	2	23 January 2020	31 December 2022

Consent and Moderation Requirements (CMR) reference

0003

This CMR can be accessed at <http://www.nzqa.govt.nz/framework/search/index.do>.