

# Life assurance

## Objective

To develop in the candidate:

- a knowledge and understanding of the scope of life assurance;
- an understanding of its appropriate uses and administration;
- a knowledge of the legal and regulatory influences on the conduct of this type of business;
- the ability to apply knowledge and skills to practical situations;
- the ability to synthesise different aspects of the syllabus and apply them to given scenarios.

## Assumed knowledge and application skills

Assumed knowledge may not appear in detail within the learning outcomes but forms part of the syllabus and thus may be examined. It is assumed that the candidate already knows the fundamental principles of insurance and the main provisions and principles of the Data Protection Act 1998 and current Money Laundering Regulations. This syllabus is concerned solely with their application to life assurance.

### Summary of learning outcomes

1. Development of the life assurance market
2. Life assurance contracts
3. Risk assessment and control
4. Reassurance
5. Claims administration
6. Consumer protection
7. Taxation considerations

## Important notes

- The syllabus will be based on English law and practice.
- The April session will test the legal position as of 31st August of the preceding year.
- The October session will test the legal position as of 28th February of the same year.

## 1. Development of the life assurance market

### 1.1 Early life assurance policies

Candidates should be able to:

- *outline* the underwriting of early life assurance policies, including:
  - the development of basic term assurance.

### 1.2 Mortality tables

Candidates should be able to:

- *describe* the principles of mortality tables and their impact on life assurance business.

### 1.3 Purchased life annuities

Candidates should be able to:

- *outline* the nature and development of purchased life annuities.

### 1.4 Structure of the life assurance market

Candidates should be able to:

- *outline* the structure of the life assurance market;
- *describe* the various types of insurance intermediary involved in the sale of life assurance products, and the differences between them;
- *outline* the growth of direct marketing in the life assurance industry;
- *discuss* the issues raised by the technology used in the different sales channels.

## 2. Life assurance contracts

### 2.1 Structure of the policy

Candidates should be able to:

- *explain* the structure of the policy, including the content and significance of:
  - the preamble;
  - conditions;
  - the policy schedule;
  - the signature.

### 2.2 Endorsements

Candidates should be able to:

- *outline* the nature and use of policy endorsements.

### 2.3 Scope of cover

Candidates should be able to:

- *discuss* the scope of cover provided in the event of death, disability, critical illness;
- *explain* the nature and use of additional benefits;
- *explain* the sums payable on death, disability, critical illness and maturity.

### 2.4 Single and joint life policies

Candidates should be able to:

- *discuss* the features and usage of single and joint life policies.

### 2.5 Life assurance contracts

Candidates should be able to:

- *discuss* the types of term assurance policies and their use;
- *discuss* the types of whole of life assurance, including limited payment policies and their use;

- *discuss* the types of endowment assurance and their use;
- *apply* knowledge of life assurance products to meet client needs.

### 2.6 Investment choice

Candidates should be able to:

- *discuss* the options for investment choice, including:
  - unit-linked;
  - with-profit policies.

### 2.7 Insurable interest

Candidates should be able to:

- *discuss* the principle of insurable interest as it applies to life assurance contracts.

### 2.8 Ownership of policies

Candidates should be able to:

- *discuss* the issues raised by ownership of policies;
- *state* the principles of assignment and reassignment of life policies;
- *outline* the treatment of assigned policies;
- *explain* the effect of the Policies of Assurance Act 1867.

### 2.9 Conversion and renewal options

Candidates should be able to:

- *discuss* the conversion, renewal and guaranteed insurability options available for life policies and their administration.

### 2.10 Paid-up policies

Candidates should be able to:

- *explain* the treatment of paid-up policies.

### 2.11 Sale and surrender of policies

Candidates should be able to:

- *explain* the options available for the sale and surrender of life policies and the implications thereof;
- *explain* the criteria for and implications of Life Assurance Premium Relief.

### 2.12 Nature and types of trust

Candidates should be able to:

- *discuss* the nature and types of trust and their use;
- *explain* the effects of the Married Women's Property Act 1882.

### 2.13 Group life assurance

Candidates should be able to:

- *discuss* the purpose and benefits of group life assurance, including the cover and advantages provided by flexible benefit packages;
- *discuss* the purpose and benefits of group critical illness and income protection benefit policies.

### 2.14 Business covers

Candidates should be able to:

- *discuss* the purpose of, structure of and cover provided by key person, director share purchase and partnership insurances.

### 3. Risk assessment and control

#### 3.1 Assessing the risk

Candidates should be able to:

- *discuss* the information required to assess the risk, the ways in which it may be obtained and evaluate its significance to rating.

#### 3.2 Principles of underwriting

Candidates should be able to:

- *discuss* the principles of medical underwriting;
- *discuss* the principles of financial underwriting.

#### 3.3 Utmost good faith

Candidates should be able to:

- *explain* the need for utmost good faith.

#### 3.4 Non-disclosure and misrepresentation

Candidates should be able to:

- *explain* the categories of non-disclosure identified by the Association of British Insurers and the Financial Ombudsman Service;
- *analyse* the options available to the assurer in the event of non-disclosure and misrepresentation.

#### 3.5 Substandard risk

Candidates should be able to:

- *explain* the options available to the underwriter when assessing substandard risk.

#### 3.6 Calculation of premium

Candidates should be able to:

- *explain* the factors taken into account in the calculation of premiums.

#### 3.7 Access to Medical Reports Act 1988

Candidates should be able to:

- *outline* the main provisions of the Act as they apply to life assurance;
- *outline* the main provisions of the Access to Health Records (Northern Ireland) Order 1993 as they apply to life assurance.

#### 3.8 Reinstatement options

Candidates should be able to:

- *describe* the reinstatement options available, including the use of:
  - declaration of continued good health;
  - days of grace.

#### 3.9 Money Laundering Regulations

Candidates should be able to:

- *explain* the main provisions and effect on the transaction of life assurance of the current money laundering regulations.

### 4. Reassurance

#### 4.1 Need for and types of reassurance

Candidates should be able to:

- *explain* the need for reassurance;
- *describe* the types of reassurance treaties and their application.

#### 4.2 Terms and bases of reassurance

Candidates should be able to:

- *explain* the original terms and risk premium bases of reassurance and their implication on the acceptance of new business.

### 5. Claims administration

#### 5.1 Types of claim

Candidates should be able to:

- *discuss* the types of claim, their characteristics and treatment.

#### 5.2 Establishing title

Candidates should be able to:

- *discuss* the means for establishing title to policies;
- *explain* the effect of the Insolvency Act 1986.

#### 5.3 Grant of representation

Candidates should be able to:

- *explain* the content and use of:
  - letters of administration;
  - grant of probate;
- *explain* the use of a waiver of grant of representation for small estates.

#### 5.4 Methods of discharge

Candidates should be able to:

- *describe* the methods of discharge and their use.

#### 5.5 Missing title documents

Candidates should be able to:

- *discuss* the methods for dealing with and implications of instances of missing title documents.

#### 5.6 Dispute resolution and the Financial Ombudsman Service

Candidates should be able to:

- *describe* the role of the Financial Ombudsman Service and the approach to dispute resolution.

### 6. Consumer protection

#### 6.1 Association of British Insurers

Candidates should be able to:

- *discuss* the main recommendations and implications of the ABI Statement of Long-Term Insurance Practice.

#### 6.2 Financial Services and Markets Act 2000

Candidates should be able to:

- *outline* the main provisions of the Financial Services and Markets Act 2000 as applicable to life assurance business;
- *describe* the implications of the Act for the transaction of life assurance business.

#### 6.3 Financial Services Authority

Candidates should be able to:

- *discuss* the scope and effect of the FSA Conduct of Business Rules on life assurance business;
- *describe* the effects of FSA regulation on UK life assurance business practice.

## 6.4 European Union legislation

Candidates should be able to:

- *describe* the effects of European Union single market legislation, and in particular the Third Life Directive, on transacting life assurance business.

## 6.5 The Data Protection Act 1998

Candidates should be able to:

- *discuss* the practical implications for life assurance business of complying with the Act.

## 6.6 The Financial Services Compensation Scheme

Candidates should be able to:

- *explain* the provisions and effect of the Financial Services Compensation Scheme as it relates to life assurance business.

# 7. Taxation considerations

## 7.1 Taxation

Candidates should be able to:

- *explain* the rules and levels of:
  - inheritance tax;
  - capital gains tax;
  - income tax;
- *discuss* their application to life assurance.

## Reading list

The following list provides details of various publications which may assist with your studies. Periodicals and publications listed be of value in ensuring candidates keep up to date with developments and in providing a wider coverage of syllabus topics. Any reference materials cited are authoritative, detailed works which should be used selectively as and when required.

**Note: The examination will test the syllabus alone.**

The reading list is provided for guidance only and is not in itself the subject of the examination.

CII/Personal Finance Society members can borrow some of the additional study materials below from Knowledge Services. CII study texts can be consulted from within the library. For further information on the lending service, please go to [www.knowledge.cii.co.uk](http://www.knowledge.cii.co.uk).

- Life assurance. London: CII. Coursebook 735.
- Recent developments in life assurance law. Robert Surridge. London: CII Knowledge Services. Updated as necessary. Available online at [www.knowledge.cii.co.uk/category/resource-type/fact-files](http://www.knowledge.cii.co.uk/category/resource-type/fact-files) (CII/Personal Finance Society members only).
- Recent developments in life product design. Robert Surridge. London: CII Knowledge Services. Updated as necessary. Available online at [www.knowledge.cii.co.uk/category/resource-type/fact-files](http://www.knowledge.cii.co.uk/category/resource-type/fact-files) (CII/Personal Finance Society members only)
- The regulation of retail investment business. Tony Wiltshire. London: CII Knowledge Services. Updated as necessary. Available online at [www.knowledge.cii.co.uk/category/resource-type/fact-files](http://www.knowledge.cii.co.uk/category/resource-type/fact-files) (CII/Personal Finance Society members only).

## Reference materials

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004. Also available online (CII/Personal Finance Society members only) at [www.knowledge.cii.co.uk/resource/dictionary-insurance](http://www.knowledge.cii.co.uk/resource/dictionary-insurance).

Financial Services and Markets Act 2000. London: HMSO, 2000. Also available online at [www.opsi.gov.uk/acts/acts2000/20000008.htm](http://www.opsi.gov.uk/acts/acts2000/20000008.htm)

Houseman's Law of life assurance. 13th ed. Robert Surridge, Brian Murphy, Noleen John. Haywards Heath, West Sussex: Tottel, 2007.

Insurance in the single market. Paul Clarke. London: CII Knowledge Services. Updated as necessary. Available online at [www.knowledge.cii.co.uk/category/resource-type/fact-files](http://www.knowledge.cii.co.uk/category/resource-type/fact-files) (CII/Personal Finance Society members only).

Life assurance and pensions handbook. Chris Marshall. London: Taxbriefs. Annual.

Life assurance contracts. Andrew McGee. Abingdon [Oxfordshire]: Routledge-Cavendish, 2006.

Zurich tax handbook. A Foreman. G Mowles. Harlow, Essex: Pearson Education. Annual.

## Periodicals

The Journal. London: CII. Six issues a year. Also available online (CII/Personal Finance Society members only) at [www.knowledge.cii.co.uk/category/resource-type/-journal](http://www.knowledge.cii.co.uk/category/resource-type/-journal).

Money Management. London: FT Business Information. Monthly.

Money Marketing. London: Centaur Communications. Weekly Also available online at [www.moneymarketing.co.uk](http://www.moneymarketing.co.uk)

Financial Adviser. London: FT Business Information. Weekly. Also available online at [www.ftadviser.com](http://www.ftadviser.com)

Further articles and technical bulletins are available via [www.knowledge.cii.co.uk](http://www.knowledge.cii.co.uk) (CII and Personal Finance Society members only).

## Websites

- CII Knowledge Services – [www.knowledge.cii.co.uk](http://www.knowledge.cii.co.uk)

## Examination guides

Guides are produced for each sitting of written answer examinations. These include the exam questions, examiners' comments on candidates' performance and key points for inclusion in answers. You are strongly advised to study guides for the last two sittings. Please visit [www.cii.co.uk](http://www.cii.co.uk) to buy online or contact CII Customer Service for further information on 020 8989 8464. Older examination guides are available (for members only) at [www.knowledge.cii.co.uk/category/resource-type/exam-guides](http://www.knowledge.cii.co.uk/category/resource-type/exam-guides).

## Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements. You will also find advice at [www.knowledge.cii.co.uk/career-support](http://www.knowledge.cii.co.uk/career-support) (CII/Personal Finance Society members only).