Long term care insurance

At the end of this unit, candidates should be able to understand the:

- definition, purpose and scope of long term care contracts and how they interact with State benefits and State-funded long term care;
- main features and functions of the different types of contract that can be used to fund long term care and how they can be arranged to meet an individual’s needs;
- principal legal, taxation and regulatory issues that are relevant to advice on long term care insurance;
- importance of regular reviews to ensure that long term care insurance cover remains appropriate.

### Summary of learning outcomes

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**Plus 25 case study-related questions from learning outcomes 1 to 14**

*The test specification has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.

### Important notes

- Method of assessment: 50 multiple choice questions (MCQs) and 5 case studies, each comprising 5 MCQs. 2 hours are allowed for this examination.
- This syllabus will be examined from 1 September 2010 until 31 August 2011.
- Candidates will be examined on the basis of English law and practice in the tax year 2010/2011 unless otherwise stated.
- Candidates should refer to the CII update website [www.cii.co.uk/updated](http://www.cii.co.uk/updated) for the latest information on changes to law and practice and when they will be examined.
1. **Understand the FSA definition of a long term care insurance contract and the background to long term care provision in the UK**

1.1 Financial Services Authority (FSA) definition of a long term care insurance contract;

1.2 The differences between pre-funded insurance and immediate needs plans;

1.3 The background to the current provision of long term care in the UK, including informal public, private and voluntary sector care;

1.4 How care is delivered and the cost implications to the client;

1.5 The Care Quality Commission.

2. **Understand the different types of long term care that are available**

2.1 The various types of care and the level of dependency associated with:

2.1.1 residential care;

2.1.2 sheltered accommodation;

2.1.3 domiciliary care;

2.1.4 intermediate care;

2.1.5 respite care;

2.1.6 nursing care;

2.1.7 hospital care;

2.1.8 EMI care.

3. **Understand the responsibilities of a health authority in the provision of continuing care and any resulting funding implications for the individual**

3.1 Statutory responsibilities and organisation at local level relevant to the provision and delivery of care;

3.2 How Department of Health guidelines are updated and implemented;

3.3 How an individual becomes eligible for continuing care and benefits from health care and/or social care;

3.4 How funding levels for nursing care are determined:

3.4.1 registered nursing care contribution (RNCC):

- assessment of need;
- payment procedures;

3.4.2 understanding there are national variations.

3.5 How National Health Service policy in respect of long term care related needs is implemented by the Strategic Health Authority and Primary Care Trusts;

3.6 Discharge and delayed discharge from hospital.

4. **Understand how current legislation affects the provision of advice on long term care insurance, particularly with reference to the responsibilities of a local authority in enabling access to long term care and procedures for care assessment**

4.1 How a local authority would assess an individual’s need for long term care, either domiciliary or residential;

4.2 The impact of legislation and case law relevant to long term care in shaping the provision of care in England, Wales, Scotland and Northern Ireland, with particular reference to:

4.2.1 National Assistance Act 1948 s21, s22, s42;

4.2.2 NHS and Community Care Act 1990 s47;

4.2.3 Health and Social Care Act 2001 s47, s49(1), s49(2);

4.2.4 Care Standards Act 2000 part 1: s3, s6, s7;

4.2.5 Mental Health Act 1983 s117 and where relevant:

4.2.6 Regulation of Care (Scotland) Act 2001;

4.2.7 Community Care and Health (Scotland) Act 2002;

4.2.8 Local Authority circulars (related to implementation guidance).

5. **Understand how local authorities make financial care and needs assessments for those requiring long term care and the role of social services**

5.1 Residential care;

5.2 Charging for Residential Accommodation Guide (CRAG):

5.2.1 National Assistance (assessment of resources) Regulations 1992;

5.2.2 local authority capital limits – lower and upper;

5.2.3 national variations;

5.2.4 assessment of jointly-owned assets;

5.2.5 deprivation of assets – lifetime giving;

5.2.6 capital.

5.3 Capital disregard;

5.4 Notional capital;

5.5 Beneficial ownership of capital:

5.5.1 income disregard;

5.5.2 use of trusts;

5.5.3 treatment of the family home (including third party ownership);

5.5.4 liability of relatives;

5.5.5 National Assistance (assessment of resources) Regulations 1992.

5.6 Domiciliary care:

5.6.1 care and financial assessments;

5.6.2 differences in England, Scotland, Northern Ireland, Wales.

5.7 Charging procedures:

5.7.1 differences in England, Scotland, Northern Ireland, Wales;

5.7.2 means testing.
6. Understand the availability of alternative sources of assistance relevant in the provision of long term care and possible limitations on their use

6.1 Other sources of assistance, including informal care;
6.2 How existing policies can support funding for long term care needs;
6.3 The assistance that can be provided by health cash plans and private medical insurance;
6.4 Limits of assistance.

7. Understand the complexities and implications of the relationship between the adviser, the client and third parties when advising on long term care insurance

7.1 How to identify from whom to take and receive instructions where the legal capacity of the client is in doubt;
7.2 How to define capacity under the Mental Capacity Act 2005 and why it is important within the context of providing financial advice:
  7.2.1 the five key principles;
  7.2.2 best interest;
  7.2.3 lasting Power of Attorney – financial, health and welfare issues;
  7.2.4 impacts on Enduring Power of Attorney;
  7.2.5 Office of the Public Guardian;
  7.2.6 Court Appointed Deputies;
  7.2.7 Independent Mental Capacity Advocates;
  7.2.8 single orders in court.
7.3 The important features of substituted decision making including dealing with:
  7.3.1 Power of Attorney;
  7.3.2 Lasting Power of Attorney;
  7.3.3 the Court of Protection;
  7.3.4 Office of the Public Guardian:
    • receivership;
    • national variations.
7.4 The importance of client confidentiality and how that is maintained where:
  7.4.1 the client’s family is involved;
  7.4.2 potential conflicts may arise;
  7.4.3 access to medical records is involved.
7.5 Awareness of financial abuse and how to address situations where it is suspected.

8. Understand the taxation issues related to long term care insurance plans

8.1 Tax position on premiums;
8.2 Tax treatment of benefits (pre-funded plans);
8.3 Impact of payment of benefits on client’s tax position;
8.4 Payments to client to pay care;
8.5 Payments direct to care provider;
8.6 Tax position of immediate needs care plans;
8.7 Inheritance Tax mitigation:
  8.7.1 lump-sum contracts;
  8.7.2 the application of trusts;
  8.7.3 Court of Protection attitude to IHT planning.
8.8 Impact of changes in a client’s tax position.

9. Understand the legal considerations that need to be taken into account when giving long term care advice to an individual or their representatives

9.1 The legal considerations which must be addressed when attempting pre and/or post death estate planning:
  9.1.1 estate planning;
  9.1.2 requirements and application of a valid will;
  9.1.3 requirements and application of the laws of intestacy;
  9.1.4 deeds of variation;
  9.1.5 application of a statutory will;
  9.1.6 treatment of the family home;
  9.1.7 addressing issues arising from the client’s mental incapacity;
  9.1.8 dealing with office holders responsible for safeguarding the interests of a mentally disordered client.

10. Understand eligibility to claim under a long term care insurance contract

10.1 The identification of Activities of Daily Living (ADLs);
10.2 The coverage of the ABI core ADL definitions;
10.3 The typical provider enhancements that apply to the definition of ADLs;
10.4 Identifying cognitive impairment;
10.5 How ADL failure is assessed;
10.6 The possible use of assistive devices in supporting an individual’s long term care needs;
10.7 The process involved in making a valid claim for payment under a long term care insurance contract.
11. Understand the different costs associated with long term care provision and the factors that create variations in them

11.1 The provision of long term care related services in the clients own home by:

11.1.1 social services;
11.1.2 the private sector (personal and nursing care) and how home modification and/or the use of assistive devices complements the care package;
11.1.3 home improvement agencies.

11.2 Provision of long term care services in a residential setting;

11.3 How local authority funding levels are set and how they can differ from region to region;

11.4 The consequences of “topping up” a local authority contribution to care;

11.5 The variations in funding levels in England, Wales, Scotland and Northern Ireland;

11.6 The factors which contribute to the setting of the market rate for care in the private sector;

11.7 The provision of care services by the voluntary sector;

11.8 How costs impact on the availability of care, the levels of care generally available and the importance of contracts involving the patient, the care provider, the local authority, and the insurer;

11.9 How the cost of care over the long term impacts on an individual and how funding strategies can address increasing costs.

12. Analyse the interaction between the eligibility for means-tested and non means-tested benefits in the provision of advice on long term care insurance

12.1 The assessment and application process associated with the more significant State benefits and how they interact with the provision of care in providing support for an individual’s needs:

12.1.1 means-tested and non-means-tested benefits;
12.1.2 State Pension Credit;
12.1.3 Employment and Support Allowance;
12.1.4 Carer’s Allowance;
12.1.5 Attendance Allowance;
12.1.6 Disability Living Allowance;
12.1.7 State Pension.

13. Assess the suitability of arrangements available to fund and maintain an individual’s long term care needs and whether the level of risk they present to the client is appropriate and acceptable

13.1 The features and use of pre-funded long term care insurance and long term care bonds, both single and regular premiums;

13.2 Immediate needs plans;

13.3 The features of lifetime mortgages and home reversion plans of most significance to the support of long term care needs;

13.4 How convertible policies can support an individual’s long term care needs;

13.5 The pre-contract underwriting considerations which apply to pre-funded long term care policies, immediate needs annuities, healthcare annuities and convertible policies;

13.6 The potential consequences of innocent non disclosure in the application process for a long term care contract;

13.7 The relevance of mortality and morbidity experience when considering long term care provision;

13.8 The testing for cognitive impairment and the relevance of the mini mental state examination;

13.9 The options available to an individual if a policy review identifies a shortfall in care benefits;

13.10 Investment planning with the older client and long term care provision in mind;

13.11 The significant features and workings of deferred care plans.

14. Analyse situations that might indicate to an adviser that a client’s long term care provision needs to be reviewed and identify the consequences of that review

14.1 The most common events which will generate the need for a review of long term care provision are likely to be:

14.1.1 change in the client’s marital relationship status;
14.1.2 death of a partner;
14.1.3 change in identified long term care need;
14.1.4 partial claim involving minor ADL failure;
14.1.5 changes in the client’s mental capacity;
14.1.6 changes in legislation and local authority practice;
14.1.7 a client’s move to another country;
14.1.8 changes in taxation;
14.1.9 changes in investment conditions including the prevailing rate of inflation.
**Reading List**

The following list provides details of various publications which may assist with your studies. Periodicals and publications will 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/PFS members can borrow most of the study materials from CII Knowledge Services and may be able to purchase some at a special discount. For further information on lending and discounts go to [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge).


**Reference works and additional reading**


Taxation. London: CII Knowledge Services. Tax tables and other data, updated as necessary. Available online at [www.cii.co.uk/knowledge/marketdata](http://www.cii.co.uk/knowledge/marketdata) (CII/PFS members only).


**Periodicals**


Financial Solutions. London: Personal Finance Society. Six issues a year. Also available online at [www.cii.co.uk/knowledge/financialsolutions](http://www.cii.co.uk/knowledge/financialsolutions) (CII/PFS members only).


**Websites**

Age Concern – [www.ageconcern.org.uk](http://www.ageconcern.org.uk)

**Examination guides**

You are strongly advised to study these before the examination. Please visit [www.cii.co.uk](http://www.cii.co.uk) to buy online or contact CII Customer Service for further information on +44 (0)20 8989 8464.

**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.cii.co.uk/knowledge/careersupport](http://www.cii.co.uk/knowledge/careersupport) (CII/PFS members only).

For a more interactive approach, you should consider: Winning the brain game. London: CII, 2006. CD-ROM.