

## P63

### Diploma in Insurance

#### Unit P63 – Long-term insurance business

October 2014 examination

#### Instructions

- Three hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide the information requested on the answer book and form B.
- You are allowed to write on the inside pages of this question paper, but you must NOT write your name, candidate number, PIN or any other identification anywhere on this question paper.
- The answer book and this question paper **must both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**



## Unit P63 – Long-term insurance business

### Instructions to candidates

Read the instructions below before answering any questions

- **Three hours** are allowed for this paper which carries a total of 200 marks, as follows:

Part I	14 compulsory questions	140 marks
Part II	2 questions selected from 3	60 marks

- You should answer **all** questions in Part I and two out of the four questions in Part II.
- You are advised to spend no more than two hours on Part I.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.
- It is important to show each step in any calculation, even if you have used a calculator.
- If you bring a calculator into the examination room, it must be a silent, battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.
- Answer each question on a new page. If a question has more than one part, leave six lines blank after each part.

**PART I**

**Answer ALL questions in Part I**

**Note form is acceptable where this conveys all the necessary information**

1. Explain the difference between restricted advisers and independent financial advisers. **(12)**
  
2. List **ten** medical conditions which are defined by the Association of British Insurers Statement of Best Practice for Critical Illness. **(10)**
  
3. Explain the offer price and the bid price under a unit-linked policy. **(8)**
  
4.
  - (a) Explain how trustees are normally appointed under a life policy. **(8)**
  
  - (b) Outline the options when a trustee dies. **(4)**
  
5. Explain how a pre-existing condition exclusion operates under a group critical illness policy. **(10)**
  
6. State the key elements of the Life Assurance Act 1774. **(6)**
  
7. Describe the numerical rating system and explain how it can be used to underwrite people for life insurance. **(15)**

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8. Explain briefly the rights of a mortgagee and the rights of a mortgagor in relation to assignment of a life policy. (15)
9. (a) Explain the role of a coroner in relation to a death claim under a life assurance policy. (4)
- (b) Describe how the findings of a coroner might affect the process when assessing a death claim. (8)
10. Outline the main features of:
- (a) facultative reinsurance; (5)
- (b) treaty reinsurance. (5)
11. Explain briefly the features of the Financial Conduct Authority's Dispute Resolution: Complaints (DISP) sourcebook. (10)
12. Outline the circumstances when a chargeable event may occur under a life assurance policy. (6)
13. Explain the relevance of the following cases to the law concerning assignment:
- (a) *Howes v Prudential Assurance Co.* (1883). (4)
- (b) *Scott v Coulson* (1903). (4)
14. State what commutation is and explain briefly why a claims assessor may commute an income protection claim. (6)

QUESTIONS CONTINUE OVER THE PAGE

**PART II****Answer TWO of the following THREE questions****Each question is worth 30 marks**

- 15. (a)** Explain what determines the amount an individual would normally be expected to contribute towards long-term care. **(12)**
- (b)** Explain the different options available to an individual in providing for their long-term care needs. **(18)**
- 16. (a) (i)** Describe briefly mortality tables. **(5)**
- (ii)** Explain how mortality tables are used to calculate premiums for decreasing term assurances, regular premium unit-linked whole life policies and risk premium reinsurance. **(15)**
- (b)** Describe the options available to a life office when it discovers that a life assured has mis-stated their age. **(10)**
- 17.** XYZ Insurance (XYZ) has a clause in its mortgage protection policies excluding death by suicide within the first 12 months of the policy. XYZ is considering whether to remove this clause.
- Discuss the implications of this action, stating the appropriate case law. **(30)**

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