

P63

Diploma in Insurance

Unit P63 – Long-term insurance business

April 2015 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 three 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. Identify the **five** main types of provider of long-term insurance policies and provide a brief description of **each**. (10)

2. (a) State **six** common policy exclusions in relation to individual income protection policies. (6)
- (b) Describe how income protection benefits paid under a group policy are taxed. (6)

3. Describe briefly the key differences between a trust-based pension scheme, and a contract-based pension scheme that has been arranged by an employer. (10)

4. In relation to critical illness policies:
 - (a) outline **four** considerations to determine the validity of a critical illness claim; (4)
 - (b) explain the main characteristics of children's critical illness. (8)

5. List the **five** essential requirements of a valid life insurance contract. (5)

6. Explain the **three** different ways an underwriter can offer immediate terms to an under-average life. (15)

7. Explain the **two** basic types of joint ownership in English law. (10)

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8. Explain briefly:
- (a) discretionary trust; (3)
 - (b) employee benefit trust; (3)
 - (c) interest in possession trust. (3)
9. Explain briefly how the test case *Association Belge des Consommateurs Test-Achats ASBL and others* (2012) impacted the calculation of life assurance and annuity premiums in the UK. (6)
10. Explain briefly the use of life assurance to mitigate inheritance tax. (6)
11. (a) Explain why a life office would normally document its philosophy to claims handling. (4)
- (b) Outline the topics that would usually be included in a philosophy document. (4)
12. Explain how a unit-linked policy operates. (15)
13. Outline, in relation to reinsurance, the key characteristics of the following:
- (a) Death strain. (2)
 - (b) Retention. (4)
 - (c) Quota share reinsurance. (4)
14. State the **three** main aims of the Retail Distribution Review (RDR) and explain how it has impacted the relationships between advisors and customers. (12)

QUESTIONS CONTINUE OVER THE PAGE

PART II

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

- 15. (a)** A notification of the death of a life assured has been received into the office.

Discuss the process and the evidence that a claims assessor would need to consider to determine the validity of the claim. **(20)**
- (b)** Explain the additional considerations that would need to be taken into account if the death occurred outside of the UK. **(10)**
- 16. (a)** Discuss the role and scope of the Financial Ombudsman Service in dealing with consumer complaints. **(15)**
- (b)** Explain the circumstances in which payments under the Financial Services Compensation Scheme are made. **(15)**
- 17.** Discuss the factors an underwriter might consider on an application for a life assurance policy for £10million, and a single premium investment bond for £20million, assuming the life proposed has been accepted medically. **(30)**

