

P63

Diploma in Insurance

Unit P63 – Long-term insurance business

October 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. Explain the different types of long-term insurance intermediaries. (15)

2. Describe the automatic enrolment measures introduced by the Pensions Act 2008. (12)

3. Explain briefly:
 - (a) an equitable mortgage; (6)
 - (b) a second hand policy. (6)

4. Explain how a with-profits whole of life policy operates. (12)

5. Explain briefly **five** optional covers, over and above the income benefit payable, which are available under a group income protection scheme. (10)

6. State **five** facts that the proposer has no duty to disclose to an insurance company. (5)

7. Describe **two** types of medical questionnaire that can be used as underwriting evidence. (10)

8. Outline **five** provisions that may typically be included in the trust deed, where a life policy is written under trust. (5)

9. Explain **two** methods used to provide reinsurance cover, identifying the principal features and advantages of **each**. (12)
10. Outline the circumstances for which the following policies are often used:
- (a) Joint life first death. (4)
 - (b) Joint life second death. (4)
11. (a) Explain the processes which take place when an individual makes a subject access request under the Data Protection Act 1998. (10)
- (b) Outline the action an individual can take if such a request is declined. (5)
12. Differentiate between a guaranteed annuity and a capital protected annuity. (6)
13. Explain the most commonly used definitions for disability under a total permanent disability claim. (12)
14. Outline the role of the money laundering reporting officer (MLRO). (6)

QUESTIONS CONTINUE OVER THE PAGE

PART II

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

- 15. (a)** Describe the essential requirements for a life assurance contract to be legally binding. **(14)**
- (b)** Explain the factors that should be considered if an application for a life assurance policy is received from:
- (i)** Emma Smith, aged 17, for a 10 year endowment assurance policy on her own life for a sum assured of £75,000; **(8)**
- (ii)** Charlotte Brown, for a term assurance policy on the life of Harold Brown, for a sum assured of £275,000. **(8)**
- 16.** The directors of ABC Ltd (ABC) are considering the options for providing long-term protection benefits for their employees. The firm currently pays a salary to its staff but provides no other benefits.
- Describe the long-term products available to ABC and discuss the considerations which would normally be taken into account when underwriting the employees of the company. **(30)**
- 17.** A life office intends to reject a complaint after declining to pay a critical illness claim for £185,000, on the grounds that the policyholder failed to disclose a fact which was material to the risk.
- Discuss the process the life office must follow and the steps the policyholder can take if not satisfied with the outcome of the complaint. **(30)**

