

P63

Diploma in Insurance

Unit P63 – Long-term insurance business

April 2016 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. State **six** items of information which must be shown on a chargeable event certificate. (6)
2. Outline the main features of the Association of British Insurers's mandatory code regarding genetic testing in relation to medical underwriting. (11)
3. Explain briefly why a limitation of benefit condition normally exists under an income protection policy. (6)
4. Explain **three** methods available to a claims assessor to better understand a claimant's functional or mental capacity, in relation to total permanent disability policies. (15)
5. (a) When creating a trust, 'three certainties' must be present if the trust is to be valid (*Knight v Knight* (1840)).
Outline what these certainties are. (7)
- (b) State how a trust would be created involuntarily and the circumstances involved. (2)
6. Describe how a life office should deal with a request to reinstate a lapsed policy. (8)
7. Describe the additional support a reinsurer might provide to a ceding life office, apart from the reinsurance of risk. (15)

8. Explain the duration of the duty of disclosure, citing relevant case law and statute to support your answer. (12)
9. Explain the commutation process which may be offered in respect of an income protection claim. (8)
10. Describe how the long-term insurance market has been affected by the trends in improving health and increasing longevity. (10)
11. Describe briefly **three** 'bolt-on options' that can be added to a standard critical illness policy. (6)
12. Describe the main requirements of the Data Protection Act 1998, in relation to long-term insurance. (14)
13. Explain the requirement for a long-term care annuity on an immediate needs basis, and how such a policy operates. (8)
14. Outline **six** of the Financial Conduct Authority's Principles for Businesses. (12)

QUESTIONS CONTINUE OVER THE PAGE

PART II

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

- 15.** Describe the long-term insurance products available to protect businesses against the financial consequences arising from a loss of a:
- (a)** partner in a partnership; **(15)**
 - (b)** significant shareholder in a private business. **(15)**
- 16.** Explain in the context of a life assurance policy, citing any appropriate case law to support your answer, the principles of:
- (a)** an absolute assignment; **(15)**
 - (b)** a trust under the Married Women's Property Act 1882. **(15)**
- 17.** Mr Jones is concerned about his potential tax liability when he inherits his mother's substantial estate. His mother has a whole of life policy with a value of £1.5 million in addition to other assets.
- (a)** Explain how such a liability might arise. **(15)**
 - (b)** Explain to Mr Jones how he might mitigate the amount of tax due. **(15)**

