

## P63

### Diploma in Insurance

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

October 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. List **five** occupations with above average risk of death by accident. (5)
  
2. Describe and compare natural premiums and level premiums in relation to the calculation of the cost of life assurance. (12)
  
3. (a) Explain briefly why a consent form is obtained from a claimant under a critical illness policy and the information that can be obtained by the insurer using this form. (6)  
(b) Summarise the main provisions of the Access to Medical Reports Act 1988. (8)
  
4. State **three** examples given in the Insurance: Conduct of Business Sourcebook (ICOBS) section 8, where it is unreasonable to reject a claim. (9)
  
5. Describe briefly the **four** main participants in the UK life insurance industry. (8)
  
6. Explain the features and benefits of a terminal illness policy. (10)
  
7. Describe briefly the following:
  - (a) Level term assurance. (2)
  - (b) Decreasing term assurance. (2)
  - (c) Family income benefit. (3)

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8. Explain the **two** main types of investment option under a single premium life assurance bond. (12)
9. Describe, in relation to group income protection, the following:
- (a) Partially integrated benefits. (6)
  - (b) Fully integrated benefits. (6)
10. (a) Explain briefly what is meant by a defined benefit pension scheme. (4)
- (b) Explain how member benefits are typically calculated under a defined benefit pension scheme. (5)
- (c) Outline how member contributions are invested. (3)
11. In relation to reinsurance:
- (a) explain what causes new business strain; (6)
  - (b) identify who can normally claim under a reinsurance contract. (4)
12. State, in relation to a life assurance policy:
- (a) **five** examples where insurable interest would exist; (5)
  - (b) **three** examples where insurable interest would not exist. (3)

QUESTIONS CONTINUE OVER THE PAGE

- 13.** Outline the circumstances when a declaration of continued good health would be required. **(8)**
- 14. (a)** Explain the income drawdown facility introduced as part of the Finance Act 1995 and the Pensions Act 1995. **(7)**
- (b)** Outline the limitations on benefits which may be taken by the individual under an income drawdown facility. **(6)**

## PART II

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

15. (a) Explain the process a claims assessor will undertake in order to demonstrate that the policy definition for a heart attack has been met under a critical illness claim. (15)
- (b) Outline the standard exclusions that a claims assessor may need to consider when assessing a critical illness policy, and any checks the assessor will need to carry out. (10)
- (c) Describe briefly how a survival period clause would impact a claim under a critical illness policy. (5)
16. (a) Mr Green is about to retire and he has accumulated non-pension assets of £250,000. He has decided to buy an annuity but he is concerned about protecting his capital should he die suddenly.
- Explain to Mr Green the provisions of an annuity and identify the types of annuity that are most suitable for him upon retirement. (15)
- (b) Mr Green would like to leave his home and life assurance policies to his children on his death.
- Explain to Mr Green the benefits in creating a trust and identify the types of trust that are most suitable to his circumstances. (15)
17. You are an underwriter in a life office.
- (a) Explain the options available to you when underwriting a policy for an under-average life. (20)
- (b) Describe the numerical rating system for assessing an under-average life. (10)

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