

## P63

### Diploma in Insurance

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

April 2017 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 **seven** medical conditions which are defined by the Association of British Insurers' Statement of Best Practice for Critical Illness Cover. (7)
  
2. Describe **three** methods available to increase the policy benefit under an income protection policy, without the need for further evidence of medical underwriting. (9)
  
3. Describe briefly the restrictions, under English law, on the capacity to contract for the following:
  - (a) Minors. (5)
  - (b) Persons lacking mental capacity. (5)
  - (c) Companies. (5)
  
4. Explain how group critical illness policies are usually underwritten and any restrictions on future claims which may apply. (8)
  
5. Explain briefly 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)
  
6. Outline **four** social changes that have affected attitudes towards long-term insurance. (8)

7. Describe how the numerical rating system is used as an underwriting tool. (12)
8. Explain what happens to a life policy when a policyholder is declared bankrupt. (10)
9. Explain how a with-profits whole of life policy operates. (12)
10. Outline the role and aims of the Competition and Markets Authority. (10)
11. List **six** items that are normally exempt from Capital Gains Tax. (6)
12. Outline the **four** main asset classes available to investors. (12)
13. (a) Explain briefly the differences between facultative and treaty reinsurance. (6)  
(b) Describe **four** parties that could be involved in a reinsurance arrangement. (8)
14. Describe briefly **three** different types of purchased life annuity which offer protection from early death. (9)

QUESTIONS CONTINUE OVER THE PAGE

## PART II

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

15. Explain the procedure that a life office should follow when it is notified of a death claim where the:
- (a) life assured has died in suspicious circumstances; (10)
  - (b) life assured has died outside the UK; (10)
  - (c) cause of death is stated to be suicide. (10)
16. (a) Outline the main features of the Care Act 2014. (6)
- (b) Discuss the insurance products available to a person considering their long-term care needs. (18)
- (c) State **six** alternative methods which may be available for a person concerned about paying for care. (6)
17. Mrs Smith has recently married and is looking to start a family in the next few years. Given that her circumstances could change, she is reluctant to effect a term insurance policy as she is concerned about the lack of flexibility.
- Discuss how term insurance policies can provide Mrs Smith with the flexibility she may require. (30)



