

# Life assurance

**Objective:** To develop in the candidate:

- a knowledge and understanding of the scope of life assurance;
- an understanding of its appropriate uses and administration;
- a knowledge of the legal and regulatory influences on the conduct of this type of business;
- the ability to apply knowledge and skills to practical situations;
- the ability to synthesise different aspects of the syllabus and apply them to given scenarios.

**Method of assessment:** See page 7 in the 2005 Advanced Diploma in Insurance 'Information for candidates' brochure.

**Notes:**

- The syllabus will be based on UK law and practice.
- The April session will test the legal position as of 31st August of the preceding year.
- The October session will test the legal position as of 28th February of the same year.

## 1. Development of life assurance market

### 1.1 Early life assurance policies

Candidates should be able to

- *outline* the underwriting of early life assurance policies, including:
  - the development of basic term assurance;
  - the growth of industrial insurances.

### 1.2 Mortality tables

Candidates should be able to

- *describe* the construction and nature of mortality tables and their impact on life assurance business.

### 1.3 Purchased life annuities

Candidates should be able to

- *outline* the nature and development of purchased life annuities.

### 1.4 State intervention

Candidates should be able to

- *outline* the implication of state intervention, up to and including the Friendly Societies Act 1992 and the Financial Services and Markets Act 2000, for the growth of life assurance.

### 1.5 Structure of the life assurance market

Candidates should be able to

- *outline* the structure of the life assurance market.

## 2. Cover and life assurance contracts

### 2.1 Scope of cover

Candidates should be able to

- *discuss* the scope of cover provided including cover in the event of death, disability, critical illness.

### 2.2 Single and joint life policies

Candidates should be able to

- *compare* and contrast single and joint life policies.

### 2.3 Life assurance contracts

Candidates should be able to

- *discuss* the types of term assurance policies and their use;
- *discuss* the types of whole of life assurance, including limited payment policies and their use;
- *discuss* the types of endowment assurance and their use.

### 2.4 Investment choice

Candidates should be able to

- *discuss* the options for investment choice, including:
  - unit-linked;
  - with-profit policies.

### 2.5 Insurable interest

Candidates should be able to

- *explain* the principle of insurable interest and apply it to life assurance contracts.

### 2.6 Ownership of policies

Candidates should be able to

- *discuss* the issues raised by ownership of policies.

### 2.7 Assignment and reassignment of policies

Candidates should be able to

- *state* the principles of assignment and reassignment of life policies;
- *outline* the treatment of assigned policies.

## 2.8 Conversion and renewal options

Candidates should be able to

- *discuss* the conversion and renewal options available for life policies;

## 2.9 Paid-up policies

Candidates should be able to

- *explain* the treatment of paid-up policies.

## 2.10 Sale of policies

Candidates should be able to

- *explain* the options available for the sale of life policies.

## 2.11 Nature and types of trust

Candidates should be able to

- *discuss* the nature and types of trust and their use.

## 2.12 Group life assurance

Candidates should be able to

- *discuss* the purpose and benefits of group life assurance, including the cover and advantages provided by flexible benefit packages;
- *discuss* the purpose and benefits of group critical illness and income protection benefit policies.

## 2.13 Business covers

Candidates should be able to

- *discuss* the purpose of and cover provided by key person, director share purchase and partnership insurances.

# 3. Risk assessment and control

## 3.1 Assessing the risk

Candidates should be able to

- *describe* the types of proposal form used;
- *discuss* the information required to assess the risk and evaluate its significance to rating.

## 3.2 Principles of underwriting

Candidates should be able to

- *discuss* the principles of medical underwriting;
- *discuss* the principles of financial underwriting.

## 3.3 Utmost good faith

Candidates should be able to

- *explain* the need for utmost good faith.

## 3.4 Non-disclosure and misrepresentation

Candidates should be able to

- *analyse* the options available to the assurer in the event of non-disclosure and misrepresentation.

## 3.5 Substandard risk

Candidates should be able to

- *explain* the options available to the underwriter when assessing substandard risk.

## 3.6 Mortality rates

Candidates should be able to

- *explain* the application of mortality rates.

## 3.7 Access to Medical Reports Act 1988

Candidates should be able to

- *outline* the main provisions of the Act as they apply to life assurance;

- *explain* the need for disclosure of medical information.

## 3.8 Reinstatement options

Candidates should be able to

- *describe* the reinstatement options available, including the use of:
  - declaration of continued good health;
  - days of grace.

# 4. Reassurance

## 4.1 Need for and types of reassurance

Candidates should be able to

- *explain* the need for reassurance;
- *describe* the types of reassurance and their application.

## 4.2 Terms and bases of reassurance

Candidates should be able to

- *explain* the original terms and risk premium bases of reassurance.

# 5. Policy construction

## 5.1 Structure of the policy

Candidates should be able to

- *explain* the structure of the policy, including the content and significance of:
  - the preamble;
  - conditions;
  - the policy schedule;
  - the signature.

## 5.2 Endorsements

Candidates should be able to

- *outline* the nature and use of policy endorsements.

## 5.3 Sums payable

Candidates should be able to

- *explain* the sums payable on:
  - death;
  - critical illness;
  - maturity.

## 5.4 Additional benefits

Candidates should be able to

- *explain* the nature and use of additional benefits, including:
  - accidental death;
  - waiver of premium;
  - health care benefits.

# 6. Claims administration

## 6.1 Types of claim

Candidates should be able to

- *discuss* the types of claim, their characteristics and treatment.

## 6.2 Establishing title

Candidates should be able to

- *discuss* the means for establishing title to policies.

### 6.3 Grant of representation

Candidates should be able to

- *explain* the content and use of:
  - letters of administration;
  - grant of probate.

### 6.4 Methods of discharge

Candidates should be able to

- *describe* the methods of discharge and their use.

### 6.5 Small estates

Candidates should be able to

- *explain* the use of a waiver of grant of representation for small estates.

### 6.6 Missing title documents

Candidates should be able to

- *discuss* the methods for dealing with and implications of instances of missing title documents, including:
  - indemnity bonds;
  - simple indemnity.

### 6.7 Dispute settlement and the Financial Ombudsman Service

Candidates should be able to

- *describe* the approach to the settlement of disputes and the role of the Financial Ombudsman Service.

## 7. Legal and regulatory considerations

### 7.1 Financial Services and Markets Act 2000

Candidates should be able to

- *outline* the main provisions of the Financial Services and Markets Act 2000 as applicable to life assurance business;
- *describe* the implications of the Act for the transaction of life assurance business.

### 7.2 Financial Services Authority Conduct of Business Rules

Candidates should be able to

- *discuss* the scope and effect of the FSA Conduct of Business Rules on life assurance business.

### 7.3 Association of British Insurers

Candidates should be able to

- *discuss* the main recommendations and implications of the ABI Statement of Long-Term Insurance Practice.

### 7.4 FSA regulation

Candidates should be able to

- *describe* the effects of FSA regulation on UK life assurance business practice.

### 7.5 European Union legislation

Candidates should be able to

- *describe* the effects of European Union single market legislation, and in particular the Third Life Directive, on transacting life assurance business.

### 7.6 Related legislation

Candidates should be able to

- *outline* the main provisions and effect on life assurance business of the following:
  - Policies of Assurance Act 1867;
  - Married Women's Property Act 1882;

- Insolvency Act 1986;
- Current Money Laundering Regulations.

## 8. Consumer protection

### 8.1 The Data Protection Act 1998

Candidates should be able to

- *outline* the main provisions of the Data Protection Act 1998;
- *discuss* the practical implications for life assurance business of complying with the Act.

### 8.2 The Financial Services Compensation Scheme

Candidates should be able to

- *explain* the provisions and effect of the Financial Services Compensation Scheme as it relates to life assurance business.

### 8.3 Best practice

Candidates should be able to

- *explain* the need for the establishment and maintenance of best practice in life assurance.

## 9. Taxation considerations

### 9.1 Life Assurance Premium Relief

Candidates should be able to

- *state* the eligibility criteria for Life Assurance Premium Relief.

### 9.2 Qualifying and non-qualifying policies

Candidates should be able to

- *discuss* the criteria for qualifying and non-qualifying policies.

### 9.3 Taxation

Candidates should be able to

- *discuss* the application to life assurance of the following:
  - inheritance tax;
  - capital gains tax;
  - income tax;
  - corporation tax.

## 10. Information technology

### 10.1 Information technology

Candidates should be able to

- *outline* the use of information technology in transacting life assurance business.

### 10.2 Direct marketing

Candidates should be able to

- *outline* the growth of the direct marketing of life assurance and the contribution of information technology.

### Reading list

The following list provides details of various publications which may assist with your studies. The primary text for this syllabus is shown in bold type. Periodicals and publications listed as additional reading will be of value in ensuring candidates keep up-to-date with developments and in providing a wider coverage of syllabus topics. The reference materials cited are authoritative, detailed works which should be used selectively as and when required.

**Note:** The examination will test the syllabus alone. The reading list is provided for guidance only and is not in itself the subject of the examination.

Most of these additional study materials can be borrowed or purchased from CII Information Services at [www.cii.co.uk/is](http://www.cii.co.uk/is)

### **Primary text**

**Life assurance.** London: The CII. Coursebook 735.

### **Additional reading**

Insurance in the single market. Paul Clarke. London: CII Information Services. Updated as necessary. Available online at [www.cii.co.uk/is/factfiles](http://www.cii.co.uk/is/factfiles)

The regulation of long-term insurance and investment business. Tony Wiltshire. London: CII Information Services. Updated as necessary. Available online at [www.cii.co.uk/is/factfiles](http://www.cii.co.uk/is/factfiles)

Utmost good faith and non-disclosure. Ian Youngman. London: CII Information Services. Updated as necessary. Available online at [www.cii.co.uk/is/factfiles](http://www.cii.co.uk/is/factfiles)

### **Reference materials**

Financial Services and Markets Act 2000. London. HMSO, 2000. Available in print and online at

[www.legislation.hmso.gov.uk/acts/acts2000/20000008.htm](http://www.legislation.hmso.gov.uk/acts/acts2000/20000008.htm)

Zurich tax handbook. A. Foreman. G Mowles. Harlow, Essex: Pearson Education. Annual.

### **Periodicals**

The Journal. London: The CII. Six issues a year. Also available online (CII/SOFA members only) at [www.cii.co.uk/is](http://www.cii.co.uk/is)

Post Magazine. London: Timothy Benn. Weekly.

Money Management. London: FT Business Information. Monthly.

Money Marketing. London: Centaur Communications. Weekly. Available in print and online at [www.moneymarketing.co.uk](http://www.moneymarketing.co.uk)

Financial Adviser. London: FT Business Information. Weekly. Available in print and online at

[www.ftadviser.com/dt\\_frontfa.aspx?m=11179](http://www.ftadviser.com/dt_frontfa.aspx?m=11179)

Investment Week. London: City Financial Communications. Weekly.

You are also advised to look at the business pages of quality newspapers.

### **Examination guides**

You are strongly advised to study these before the examination. Please visit [www.cii.co.uk](http://www.cii.co.uk) to buy online or contact CII Customer Service for further information on 020 8989 8464.

### **Exam technique/study skills**

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

An example is:

The exam secret: how to make the grade. Barbara Brown. Tadworth, Surrey: Elliott Right Way Books, 2000.

For a more interactive approach, you should consider:

Winning the brain game. London: The CII, 1996. CD Rom.