

OBJECTIVES: To provide a knowledge and understanding of the scope of life assurance, its appropriate use and administration and the legal and regulatory influences on the conduct of this type of business.

*Knowledge
rating*

DEVELOPMENT OF LIFE ASSURANCE

Underwriting of early life assurance policies, including the development of basic term assurance and the growth of industrial insurances.	1
Construction and nature of mortality tables and their impact on life assurance business.	2
Nature and development of purchased life annuities.	1
Implication of state intervention, up to and including the Friendly Societies Act 1992, for the growth of life assurance.	1

COVER AND LIFE ASSURANCE CONTRACTS

Scope of cover provided including cover in the event of death, disability, critical illness.	3
Single and joint life policies.	2
Types of term assurance and their use.	2
Types of whole of life assurance, including limited payment policies and their use.	3
Types of endowment assurance and their use.	3
Investment choice, including unit-linked and with-profit policies.	3
Insurable interest.	3
Ownership of policies.	2
Principles of assignment and reassignment and the treatment of assigned policies.	1
Beneficiary under a life assurance contract.	3
Conversion options.	2
Treatment of paid-up policies.	2
Sale of policies.	2
Nature and types of trusts and their use.	3
Group life assurance, including the cover and advantages provided by flexible benefit packages.	2
Group critical illness and permanent health policies.	2
Cover provided by keyperson, director share purchase and partnership insurances.	2

POLICY CONSTRUCTION

Structure of the policy including the content and significance of the preamble, conditions, the policy schedule and signature.	2
Nature and use of policy endorsements.	1
Sum payable on death, critical illness, maturity.	2
Additional benefits, including accidental death, double indemnity, waiver of premium and health care benefits.	2

RISK ASSESSMENT AND CONTROL

Types of proposal form.	2
Types of information required to assess the risk and its significance to rating.	2
Need for utmost good faith.	2
Principles of medical underwriting.	2
Principles of financial underwriting.	2
Application of mortality rates.	2
Access to medical reports and the Access to Medical Reports Act 1988.	1
Implications of geographical factors for risk assessment and their treatment.	1
Significance of occupation and other life style factors for risk assessment.	1
Procedures at renewal, including the declaration of continued good health and days of grace.	2
Renewal options available under endowment, whole life policies and flexible policies.	2
Reinstatement options available under endowment, whole life policies and flexible policies.	1
Options available to the assurer in the event of non-disclosure and misrepresentation.	3

REASSURANCE

Need for reinsurance.	2
Types of reinsurance and their application.	2
Original terms and risk premium bases of reinsurance.	2

CLAIMS ADMINISTRATION

Types of claim, their characteristics and treatment.	3
Means of establishing title to policies.	3
Significance of the policy document in the claims procedure.	2
Grant of representation:	
—letters of administration;	2
—grant of probate.	2
Methods of discharge.	2
Waiver of grant of representation for small estates.	2
Methods for dealing with instances of missing title documents, including indemnity bonds and simple indemnity.	3
Settlement of disputes and the role of the Insurance Ombudsman, PIA Ombudsman and the Office of Fair Trading.	2

LEGAL AND REGULATORY CONSIDERATIONS

Main provisions and implications of the Financial Services Act 1986 for transacting life assurance business.	2
PIA rules on conduct of business, client agreements and documentation and their impact on life assurance companies and intermediaries.	3
Main recommendations and implications of the ABI Statement of Long-Term Insurance Practice.	3
Effects of DTI regulation on UK life assurance business practice.	2
Effects of European single market legislation, and in particular the Third Life Directive, on transacting life assurance business.	2
Provisions and effect on life assurance of the:	
—Policies of Assurance Act 1867;	1
—Married Women's Property Act 1882;	1
—Policyholders' Protection Act 1975;	2
—Insurance Companies Act 1982;	2
—Data Protection Act 1984;	3
—Insolvency Act 1986;	2
—Bankruptcy Act 1988;	2
—Money Laundering Regulations 1993.	2

TAXATION CONSIDERATIONS

Eligibility for Life Assurance Premium Relief.	2
Qualifying and non-qualifying policies.	3
Principles of inheritance tax, capital gains tax, income tax and corporation tax.	2

INFORMATION TECHNOLOGY

Application and effect of information technology on transacting life assurance business.	1
Growth of direct marketing of life assurance and the contribution of information technology.	1

ETHICAL CONSIDERATIONS

The need and requirements for the establishment and maintenance of best practice in life assurance.	2
Establishment and use of ethical funds.	1

Knowledge ratings

Each sub-topic has been designated a numerical knowledge rating as follows:

- 1 General background awareness necessary.
- 2 Requires a knowledge of the major elements of procedures or concepts and their uses.
- 3 Requires the ability to evaluate concepts, issues, policies and procedures, together with an understanding of associated aspects of these items and their application to various situations.

Study materials

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.

Most of these additional study materials can be borrowed or purchased from the CII library.

Primary text

Coursebook 735: Life assurance. The Chartered Insurance Institute.

Additional reading

Introduction to life assurance and pensions: the newcomer's guide. 1st edition. Chris Marshall. London: Taxbriefs, 1993.

Law of life assurance. 11th edition. Houseman and Davies etc. Roy Hodgkin (consultant ed). London: Butterworth 1994.

Life assurance and pensions handbook. Chris Marshall. London: Taxbriefs, annual.

Life assurance law and practice. Peter Hamilton. London: FT Law and Tax, 1995.

The law and practice of life assurance contracts. Andrew McGee. London: Sweet and Maxwell, 1995.

Reference materials

Kluwer's Personal Financial Management. R. L. Carter (ed). Kingston upon Thames: Kluwer, (1990)-1995.

Moneyguide: the handbook of personal finance. D. G. Hanson. London: Longman, 1991-

Financial Services Act 1986. London: HMSO, 1986.

Insurance Companies Act 1982. London: HMSO, 1982.

Income and Corporation Taxes Act 1988 (Schedule 15). London: HMSO 1988.

Allied Dunbar Tax Handbook. A. Foreman. 1993/94-. London: Longman, 1993-. Annual.

Periodicals

Money Management. London: Financial Times Enterprises. Monthly.

Money Marketing. 13 Sept 1985-. London: Centaur Communications, 1985-. Weekly.

Planned Savings. London: EMAP Business Publishing Ltd. Monthly.

Financial Adviser. (30 Apr 1987)-. London: (*Financial Times*), 1987-. Weekly.

Investment Week. 30 Jan 1995-. London: City Financial Communications, 1995-. Weekly.

Life assurance market. London: DYP Insurance and Reinsurance Research Group. Monthly.

Business pages of quality newspapers.