



Chartered
Insurance
Institute

P63

Diploma in Insurance

Unit P63 – Long-term insurance business

April 2018 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 **four** examples of the outcomes specified by the Financial Conduct Authority for fair treatment of customers. (8)
2. Outline **four** UK market associations which represent life assurers or advisers. (8)
3. List **six** product options normally available to customers when purchasing term assurance. (6)
4. (a) Describe briefly a purchased life annuity. (3)
(b) List **six** types of purchased life annuity. (6)
5. Describe the main UK tax allowances and reliefs in relation to personal taxation. (12)
6. (a) Describe briefly the function of a medical examiner's report. (4)
(b) Explain the **three** key parts of a medical examiner's report. (9)
7. (a) In relation to life assurance underwriting, outline and give an example for **each** of the following additional risks:
 - (i) Increasing. (2)
 - (ii) Reducing. (2)
 - (iii) Constant. (2)
(b) List **five** methods for dealing with under-average lives when assessing risk. (5)

8. (a) Describe briefly the purpose of a trust. (4)
- (b) List **five** common circumstances when a trust may be set up. (5)
9. (a) Apart from the assessment and settlement of claims, outline **three** typical functions of a claims department. (6)
- (b) Describe briefly the benefits of and topics likely to be covered in a claims philosophy document. (8)
10. Outline the **three** categories of misrepresentation and the remedy for **each**. (12)
11. Describe briefly, in relation to reinsurance:
- (a) Original terms. (4)
- (b) Risk premium. (4)
12. Explain briefly the difference between a unit-linked and a with-profits investment. (6)
13. Outline **three** types of long-term group risk policy. (12)
14. Explain the key taxation principles specific to life assurance companies in the UK. (12)

QUESTIONS CONTINUE OVER THE PAGE

PART II

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

15. (a) Describe individual critical illness insurance and discuss why it has become more popular in recent years in the UK. (15)
- (b) Describe the key considerations to determine the validity of an individual critical illness claim. (15)
16. (a) Mr Smith is in the process of considering a life assurance policy under joint ownership.
- Explain briefly the difference between the **two** basic types of joint ownership in English law. (8)
- (b) Following Mr Smith's decision, his proposal is accepted, and the first premium is paid.
- Outline the details Mr Smith and the other life assured would expect to read in the policy documentation received. (12)
- (c) Once a policy has been issued, describe the ways in which its ownership can be changed. (10)
17. (a) Discuss the drivers for recent changes in attitude towards long-term insurance. (15)
- (b) Describe **five** requirements for a life assurance contract to be legally binding. (15)

