



Chartered
Insurance
Institute

P63

Diploma in Insurance

Unit P63 – Long-term insurance business

October 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. (a) Explain briefly what term assurance is. (4)
(b) Describe the uses of term assurance. (6)

2. Outline the minimum criteria an employee must meet to be enrolled automatically into a company pension arrangement. (5)

3. In relation to a small privately owned business:
(a) describe briefly who might be considered a key person; (2)
(b) outline key person cover. (4)

4. (a) Outline what is meant by money laundering. (4)
(b) Explain the controls that must be in place for a business to comply with the Money Laundering Regulations. (8)

5. State **six** major expenses of a life office. (6)

6. (a) Outline the reasons a life office produces questionnaires, in addition to the proposal form, at the underwriting stage. (4)
(b) State **five** common financial aspects (reasons for cover) included in a **financial** underwriting questionnaire. (5)

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7. Describe briefly, in relation to an income protection policy:
- (a) commutation; (4)
 - (b) a proportionate benefit; (3)
 - (c) a rehabilitation benefit. (3)
8. Describe briefly the **two** main types of legal structure for a company pension scheme. (8)
9. State, including relevant case law where applicable:
- (a) **four** examples where insurable interest applies; (8)
 - (b) **two** examples where insurable interest does not apply. (4)
10. In the context of inheritance tax:
- (a) state **five** exemptions from inheritance tax; (5)
 - (b) describe briefly lifetime transfers; (4)
 - (c) describe briefly taper relief. (4)
11. Outline **seven** of the principles stated in the Principles for Businesses (PRIN) sourcebook within the Financial Conduct Authority Handbook. (14)
12. In the context of occupational risks:
- (a) state **four** occupations with above average risk of death by accident; (4)
 - (b) outline **four** occupations with above average risk of non-accident related mortality, identifying the additional risk faced. (8)

QUESTIONS CONTINUE OVER THE PAGE

- 13.** Describe second-hand life policies and why they may be beneficial to both buyers and sellers. **(8)**
- 14.** Describe **three** of the main asset classes available to institutional investors. **(15)**

PART II

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

15. Martin has an income protection (IP) policy with the following product features:
- A maximum benefit of £1,000 per month.
 - A replacement ratio (limitation of benefit) of 65% of pre-disability income.
 - A deferred period of three months.
- Martin became unable to work due to an injury and was off work for 11 months before he was able to return to work. Martin's pre-disability income was £1,750 per month. Martin received half pay from his employer for the first six months. Martin received no other continuing income while off work.
- (a) Describe income protection and why customers might have a need for such a product. (8)
- (b) Outline the main areas a claims assessor would consider when determining the validity of Martin's claim. (7)
- (c) Calculate, **showing all your workings**, how much the insurer paid while Martin was off work, stating any assumptions you would make. (15)
16. (a) Outline the **two** main types of partnership and the benefits of having partnership insurance in place. (10)
- (b) Describe how a cross option agreement is normally set up in connection with a death and critical illness policy. (10)
- (c) Outline why the Director of a small family company may seek to take out share purchase protection, stating **three** ways of effecting policies. (10)
17. Discuss how the needs and motivation for individual and corporate buyers of long-term insurance products have changed over the last 50 years. (30)

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