



Chartered
Insurance
Institute

FA1

Award in Financial Administration

Unit 1 – Life office administration

Based on the 2019/2020 syllabus
examined until 31 August 2020

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Unit 1 – Life office administration

Based on the 2019/2020 syllabus examined until 31 August 2020

Introduction

This examination guide has been produced by the Examinations Department at the Chartered Insurance Institute to assist students in their preparation for the FA1 examination. It contains a specimen examination with answer key.

Ideally, students should have completed the majority of their studies before attempting the specimen examination. Students should allow themselves one hour to complete the examination. They should then review their performance to identify areas of weakness on which to concentrate the remainder of their study time.

Although the specimen examination in this guide is typical of an FA1 examination, it should be noted that it is not possible to test every single aspect of the syllabus in any one particular examination. To prepare properly for the examination, candidates should make full use of the tuition options available and read as widely as possible to ensure that the whole syllabus has been covered. They should also endeavour to keep as up-to-date as possible with developments in the industry by reading the periodicals listed in the FA1 reading list, which is located on the syllabus in this examination guide and on the CII website at www.cii.co.uk.

Background Information

CII examination questions undergo a rigorous writing and editing process before reaching an examination. The questions are written to strict guidelines by practitioners with relevant technical knowledge and experience. Questions are very carefully worded to ensure that all the information required to answer the question is provided in a clear and concise manner. They are then edited by an independent panel of experienced practitioners who have been specifically trained to ensure that questions are technically correct, clear and unambiguous. As a final check, each examination is scrutinised by the Senior Examiner and a CII assessment expert.

Occasionally a question will require amendment after the examination guide is first published. In such an event, the revised question will be published on the CII website:

- 1) Visit www.cii.co.uk/learning/qualifications/award-in-financial-administration-qualification/unit-life-office-administration-fa1/
- 2) Select 'exam guide update' on the right-hand side of the page

Candidates should also refer here for the latest information on changes to law and practice and when they will be examined.

Syllabus

The FA1 syllabus is published on the CII website at www.cii.co.uk. **Candidates should note that the examination is based on the syllabus, rather than on any particular tuition material.** Of course, the CII tuition material will provide the vast majority of the information required to perform well in the examination, but the CII recommends that students consult other reference materials to supplement their studies.

Skill Specification

The skill level tested in each examination question is determined by the syllabus. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested. Learning outcomes for FA1 encompass the skill levels of *know* or *understand*. Different skill levels lead to different types of question, examples of which follow.

Know - Knowledge-based questions require the candidate to recall factual information. Typically questions may ask 'What', 'When' or 'Who'. Questions set on a *know* learning outcome can only test knowledge.

Understand - To answer questions based on understanding, the candidate must be able to link pieces of information together in cause-and-effect relationships. Typically questions may ask 'Why'. Questions set on an *understand* learning outcome can test either knowledge or understanding or both.

Examination Information

The method of assessment for the FA1 examination is 50 multiple choice questions (MCQs). 1 hour is allowed for this examination.

The FA1 syllabus provided in this examination guide will be examined from 1 September 2019 to 31 August 2020.

Candidates will be examined on the basis of English law and practice in the tax year 2019/2020 unless otherwise stated.

The general rule is that the new tax year and changes arising from the Finance Act will be examined from 1 September each year. Other changes, not related to the Finance Act, will not be examined earlier than 3 months after they come into effect.

A multiple choice question consists of a problem followed by four options, labelled A, B, C and D, from which the candidate is asked to choose the correct response. Each question will contain only one correct or best response to the problem posed.

One mark is awarded for each correct response identified by the candidate. No mark is awarded if the candidate either chooses an incorrect response, chooses more than one response or fails to choose any response. No marks are deducted for candidates choosing an incorrect response.

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.

Candidates are permitted to make rough notes. Candidates are **not** permitted, under any circumstances, to remove any papers relating to the examination from the examination room.

Examination Technique: Multiple Choice Questions

The best approach to multiple choice examinations is to work methodically through the questions.

The questions are worded very carefully to ensure that all the information required is presented in a concise and clear manner. It cannot be emphasised too strongly that understanding the precise meaning of the question is vital. If candidates miss a crucial point when reading the question it could result in choosing the wrong option. Candidates should read carefully through the question and all the options before attempting to answer.

Candidates should pay particular attention to any words in the question which are emphasised in bold type, for example, **maximum**, **minimum**, **main**, **most**, **normally** and **usually**. Negative wording is further emphasised by the use of capital letters, for example **NOT**, **CANNOT**.

Candidates should not spend too much time on any one question. If they cannot make up their mind, they should leave the question and come back to it later.

When all of the questions have been answered, it is prudent to use any remaining time to go through each question again, carefully, to double-check that nothing has been missed. Altering just one incorrect response to a correct response could make the difference between passing and failing.

After the Examination

Rigorous checks are made to ensure the correctness of the results issued. A pre-defined quota of passes to be awarded does not exist. If all candidates achieve a score of at least the pass mark, then all candidates will be awarded a pass grade. Individual feedback on the candidate's examination performance is automatically provided and will indicate the result achieved and, for each syllabus learning outcome, the percentage of questions in the examination that were answered correctly.

Life office administration

Purpose

At the end of this unit, candidates should understand the:

- basic product types, including group life;
- principles of financial and medical underwriting;
- policy issues likely to arise with life policies;
- administration of life policies, including the different payment methods and consequences of non-payment;
- handling of life policy claims.

Summary of learning outcomes	Number of questions in the examination*
1. Know the basic product types.	7
2. Know the key features of group life policies and other protection policies.	2
3. Know the basic principles of taxation of life policies.	7
4. Understand the principles of financial underwriting.	1
5. Know the principles of medical underwriting.	3
6. Know the limits of authority and relevant legislation.	2
7. Know the main stages and significance relating to the arrangement of life policies and other protection policies.	6
8. Know the processes and procedures relating to policy administration.	6
9. Understand the use of trusts in life policies and related policies.	4
10. Know the different methods of premium payments and the consequences of non-payment.	2
11. Understand the main features of unit linking.	2
12. Understand the main features of with-profits.	2
13. Understand the principles and procedures of policy claims.	6

*The test specification has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.

Important notes

- **Method of assessment:** 50 multiple choice questions (MCQs). 1 hour is allowed for this examination.
- This syllabus will be examined from 1 September 2019 until 31 August 2020.
- Candidates will be examined on the basis of English law and practice in the tax year 2019/2020 unless otherwise stated.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
 1. Visit www.cii.co.uk/learning/qualifications/unit-life-office-administration-fa1/
 2. Select qualification update on the right hand side of the page.

- 1. Know the basic product types.**
 - 1.1 Describe the main functions and structure of life policies and other protection policies.
 - 1.2 Describe the types of life policies and other protection policies.
- 2. Know the key features of group life policies and other protection policies.**
 - 2.1 Describe the key features of group life policies and other protection policies, including the advantages and disadvantages of group policies compared with individual policies.
- 3. Know the basic principles of taxation of life policies.**
 - 3.1 Describe the distinction between qualifying and non-qualifying policies.
 - 3.2 Describe the respective tax treatment of premiums and benefits and calculate tax liabilities where appropriate.
 - 3.3 Describe the nature and tax treatment of the funds underlying the policies.
- 4. Understand the principles of financial underwriting.**
 - 4.1 Describe the main principles of financial underwriting including insurable interest.
- 5. Know the principles of medical underwriting.**
 - 5.1 Describe disclosure requirements and consequences of non-disclosure.
 - 5.2 Describe the treatment of non-standard risks.
 - 5.3 Describe the underwriting information required and the relevant acts applicable to medical records.
- 6. Know the limits of authority and relevant legislation.**
 - 6.1 Describe the limits of authority and the consequences of acting outside them.
 - 6.2 Describe the nature and consequences of advised and non-advised customer services.
- 7. Know the main stages and significance relating to the arrangement of life policies and other protection policies.**
 - 7.1 Describe the key stages in the arrangement of policies for customers and the relevant legal, residence and documentation issues that arise in arranging life policies and other protection policies.
 - 7.2 Describe the key terms and conditions used in life policies and other protection policies.
- 8. Know the processes and procedures relating to policy administration.**
 - 8.1 Describe the key processes and procedures relating to the administration of life policies and other protection policies.
- 9. Understand the use of trusts in life policies and related policies.**
 - 9.1 Describe how trusts are used in life policies and other protection policies and the consequences of their use.
- 10. Know the different methods of premium payments and the consequences of non-payment.**
 - 10.1 Describe the different methods of payment and the relevant anti-money laundering requirements.
 - 10.2 Describe the consequences of non-payment.
- 11. Understand the main features of unit linking.**
 - 11.1 Describe the main features of unit-linked life policies and other protection policies.
- 12. Understand the main features of with-profits.**
 - 12.1 Describe the main features of with-profits life policies.
- 13. Understand the principles and procedures of policy claims.**
 - 13.1 Describe how key principles and procedures apply in the payment of a life policy claim and other protection claims.

Reading list

The following list provides details of further reading which may assist you with your studies.

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.

The resources listed here will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

CII/PFS members can access most of the additional study materials below via the Knowledge Services webpage at <https://www.cii.co.uk/knowledge-services/>.

New resources are added frequently - for information about obtaining a copy of an article or book chapter, book loans, or help finding resources, please go to <https://www.cii.co.uk/knowledge-services/> or email knowledge@cii.co.uk.

CII study texts

Life office administration. London: CII. Study text FA1.

Journals and magazines

Financial adviser. London: FT Business. Weekly. Available online at www.ftadviser.com.

Personal finance professional (previously Financial solutions). London: CII. Six issues a year. Available online at www.thepfs.org/financial-solutions-archive (CII/PFS members only).

Retirement strategy. Supplement to Money marketing. London: Centaur Communications. Monthly. Also available at www.moneymarketing.co.uk.

Reference materials

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004.

Concise encyclopedia of insurance terms. Laurence S. Silver, et al. New York: Routledge, 2010.*

Harriman's financial dictionary: over 2,600 essential financial terms. Edited by Simon Briscoe and Jane Fuller. Petersfield: Harriman House, 2007.*

* Also available as an ebook through Discovery via www.cii.co.uk/discovery (CII/PFS members only).

Examination guide

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate (www.revisionmate.com). Details of how to access Revisionmate are on the first page of your study text.

It is recommended that you only study from the most recent version of the examination guide.

Exam technique/study skills

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

The Insurance Institute of London holds a lecture on revision techniques for CII exams approximately three times a year. The slides from their most recent lectures can be found at www.cii.co.uk/iilrevision (CII/PFS members only).

1. The benefit under a stand-alone critical illness insurance policy **only** becomes payable if the policyholder
 - A. is diagnosed as suffering from an illness on a list of specified illnesses.
 - B. is unable to work as a result of accident or sickness.
 - C. needs to meet the cost of long-term care.
 - D. needs to undergo hospital treatment.

2. John and Joanna, a married couple, own an assurance bond as tenants in common. If John dies, what happens, in the first instance, to the bond regarding ownership?
 - A. It is converted to a joint tenancy with ownership by Joanna's and John's estate.
 - B. It is owned as tenants in common by Joanna and John's estate, not necessarily on an equal basis.
 - C. It is owned as tenants in common by Joanna and John's estate, on an equal basis only.
 - D. It is owned wholly by Joanna.

3. Under a unit-linked endowment policy, what benefits are payable on the life assured's death during the policy term?
 - A. The bid value of the units, regardless of the guaranteed sum assured.
 - B. The greater of the guaranteed sum assured and the bid value of the units.
 - C. The guaranteed sum assured, regardless of the unit value.
 - D. The guaranteed sum assured, plus the bid value of the units.

4. Lily, a single woman, has an estate worth approximately £600,000. She wants to cover the potential Inheritance Tax liability on her death. What type of assurance policy would it be sensible for her to consider purchasing and writing in trust?
 - A. A decreasing term assurance policy.
 - B. An endowment assurance policy.
 - C. A level term assurance policy.
 - D. A whole of life assurance policy.

5. Peter makes a claim under his individual income protection insurance policy. What effect will a subsequent full return to work have on the benefits and cover provided under the policy?
 - A. Cover under the policy will cease, but payment of the claim will continue for a restricted period.
 - B. Payment of the claim will cease and the policy will be automatically cancelled.
 - C. Payment of the claim will cease and the policy will only continue on completion of a satisfactory health questionnaire.
 - D. Payment of the claim will cease, but cover will continue until the policy's expiry date or death if earlier.

6. A life of another policy is written as a contract between whom?
- A. The assured and the life assured only.
 - B. The assurer and the assured only.
 - C. The assurer and the life assured only.
 - D. The assurer, the life assured and the assured.
7. What is the **main** potential advantage for an investor in having an assurance bond that is segmented as opposed to one that is **NOT** segmented?
- A. A charge advantage in having some segments with lower annual management charges than others.
 - B. A diversification advantage in having some segments invested differently from others.
 - C. A possible taxation advantage in surrendering some segments instead of taking partial withdrawals.
 - D. A taxation advantage when surrendering the whole of the bond.
8. When a company provides group life assurance for its employees, **typically** what type is it?
- A. Endowment insurance.
 - B. Personal accident and sickness assurance.
 - C. Renewable term assurance.
 - D. Whole of life assurance.
9. When an employer provides its employees with life assurance cover through an approved group life assurance scheme and the employer pays the premiums, what is the usual taxation position with regard to the premiums?
- A. The premiums are an allowable expense for the employer and the employees are not liable to tax on them as a benefit-in-kind.
 - B. The premiums are an allowable expense for the employer and the employees are liable to tax on them as a benefit-in-kind.
 - C. The premiums are not an allowable expense for the employer and the employees are not liable to tax on them as a benefit-in-kind.
 - D. The premiums are not an allowable expense for the employer and the employees are liable to tax on them as a benefit-in-kind.
10. With regard to onshore life assurance policies and the taxation of the underlying assets, what is the advantage, if any, of qualifying over non-qualifying policies?
- A. There is no advantage.
 - B. There is no tax liability on realised capital gains within the funds.
 - C. There is no tax liability on interest received within the funds.
 - D. When shares are purchased no stamp duties are levied.

11. For a 10-year qualifying life assurance policy, the life office **must** issue a chargeable event certificate to the policyholder on the
- A. inception of the policy.
 - B. death of the life assured.
 - C. surrender of the policy within 7 and a half years of inception.
 - D. maturity of the policy.
12. Zara effected an assurance bond 10 years ago. It was invested in capital growth funds and she has made some gains. To which tax(es), if any, may she be personally liable on encashment?
- A. None.
 - B. Capital Gains Tax only.
 - C. Income Tax only.
 - D. Capital Gains Tax and Income Tax.
13. The manager of a life assurance company's UK equity fund has disposed of some investment trusts and FTSE 100 shares, realising gains in both cases. What is the taxation position regarding those gains?
- A. Both gains are liable to tax.
 - B. If the fund is available only under qualifying assurance policies, there is no tax liability in either case.
 - C. There is a tax liability only if the trusts and shares have been held for at least five years.
 - D. Only the gains from the FTSE 100 shares are liable to tax.
14. Lionel is an additional-rate taxpayer who is surrendering two life assurance bonds with significant gains. One is onshore and one is offshore. What is the difference, if any, between the rates of tax to which he is personally liable?
- A. There is no difference.
 - B. 20%
 - C. 25%
 - D. 45%
15. Sarah commenced paying into a qualifying endowment policy when she was a higher-rate taxpayer. After paying seven annual premiums on the dates due, she immediately surrendered the policy, when she was an additional-rate taxpayer. To what rate of tax, if any, would she be personally liable regarding any gain made on the surrender?
- A. No tax would be applied.
 - B. 20%
 - C. 25%
 - D. 45%

16. How, if at all, are the underlying funds of offshore life assurance policies taxed within the fund?
- A. They are not taxed.
 - B. They are taxed on income only.
 - C. They are taxed on realised capital gains only.
 - D. They are taxed according to the taxation, if any, imposed by the relevant jurisdiction together with any withholding taxes.
17. To what extent, if any, does the beneficiary under a will have an insurable interest in the person who made the will solely in virtue of the will?
- A. The beneficiary does not have an insurable interest.
 - B. Only up to the value of the benefits for the beneficiary under the terms of the will.
 - C. Only up to the total value of the estate of the person who made the will.
 - D. An unlimited extent.
18. If an application for life assurance is deferred by the underwriter, this means that
- A. cover cannot be offered at present, but the applicant may re-apply after a specified period.
 - B. cover is only available for a term less than that originally proposed.
 - C. it has been referred to the Chief Medical Officer for advice.
 - D. a reinsurer must agree the underwriting decision before terms can be offered.
19. In addition to the standard proposal, what method of collecting information, other than a financial questionnaire, may be used by an underwriter when a single male is proposing for a high sum assured?
- A. A broker's slip.
 - B. An employer's reference.
 - C. A fact-find.
 - D. A health and lifestyle questionnaire.
20. An assurance company's proposal form seeks disclosure of certain material circumstances relating to the health of the lives assured. This is to try to ensure that the
- A. proposer is proposing for the most appropriate level of assurance cover for the lives assured.
 - B. proposer is proposing for the most appropriate type of assurance cover for the lives assured.
 - C. required insurable interest is present.
 - D. underwriters determine the appropriate premium for the risk being proposed.
21. For how long **must** personal data be kept under data protection legislation?
- A. Indefinitely.
 - B. For no longer than is necessary for the purposes for which it is being processed.
 - C. At least until the business relationship ceases.
 - D. For at least six years after the business relationship has ceased.

22. Luciana and Harry are both employed by an assurance company. During a telephone call, Luciana has been explaining to a client how it is probably **most sensible** for him to purchase a critical illness policy. During a different telephone call, Harry has been informing another client that his critical illness policy payment is due. Purely on the basis of that information, regarding authorisation by the Financial Conduct Authority,
- A. both Harry and Luciana must be authorised.
 - B. Harry must be authorised, whereas Luciana need not be authorised.
 - C. Luciana must be authorised, whereas Harry need not be authorised.
 - D. neither Harry nor Luciana needs to be authorised.
23. Concerning a life assurance policy, when **must** insurable interest exist for it to be valid in the event of a claim?
- A. At the time of the claim only.
 - B. At policy commencement only.
 - C. At policy commencement and at the time of the claim.
 - D. For the full term of the policy.
24. With regard to a life assurance policy **NOT** under seal, what is consideration?
- A. The adviser's remuneration due, once the policy goes on risk.
 - B. The premium paid that is necessary for the policy to be valid.
 - C. The sum assured that the policy will pay out on death of the life covered.
 - D. The underwriting judgement necessary for determining the premium.
25. Lisa assigned her life assurance bond with a surrender value of £100,000 to her daughter, Sue, as an outright gift. Had Lisa encashed the policy, she would have made a gain of £60,000. Ignoring any Inheritance Tax liability, for whom, if anyone, may there be a tax liability arising on the assignment?
- A. Lisa only.
 - B. Sue only.
 - C. Lisa and Sue.
 - D. No one.
26. Isaac is considering purchasing an endowment policy. Once the policy has commenced, what is **normally** the **maximum** number of days within which he has the right to cancel the policy?
- A. 14 days.
 - B. 21 days.
 - C. 28 days.
 - D. 30 days.

27. The terms and conditions of a critical illness policy state that the premiums are reviewable every 10 years. If the premiums are increased as a result of such a review this is because of the
- A. company's claims' experience only.
 - B. deterioration of the policyholder's health only.
 - C. company's claims' experience and the underlying investment performance.
 - D. deterioration of the policyholder's health and the underlying investment performance.
28. How does a life assurance company make a counter offer in response to the proposer's offer?
- A. By accepting payment of the first premium.
 - B. By acknowledging receipt of the completed proposal form.
 - C. By issuing a letter of acceptance.
 - D. By issuing a policy document.
29. With regard to a dual priced fund, what unit price basis is **normally** used to process a fund switch?
- A. Bid price to bid price.
 - B. Bid price to offer price.
 - C. Offer price to bid price.
 - D. Offer price to offer price.
30. When may the sum assured on an individual's life assurance policy be increased **without** medical underwriting?
- A. At any time if the policy is qualifying.
 - B. Only when the policyholder has held the policy for 10 years.
 - C. Only when the policyholder has enjoyed good health for at least the past 5 years.
 - D. Only when the policyholder has a guaranteed insurability option.
31. The **maximum** amount that a life assurance company will lend on a with-profits policy is **usually** expressed as a percentage of the
- A. guaranteed minimum death benefit.
 - B. sum assured.
 - C. surrender value.
 - D. total annual bonus.
32. Under a traditional term assurance policy, what is the **normal** consequence of non-payment of premiums after allowing for any days of grace?
- A. A charge linked to the outstanding term is payable by the policyholder.
 - B. Cover is maintained for as long as possible under the non-forfeiture clause.
 - C. The policy is made paid-up.
 - D. The policy lapses without value.

33. A policyholder has assigned the life assurance policy written on her life. Who is the legal owner of this policy as a result?
- A. The assignee.
 - B. The assignor.
 - C. The grantee.
 - D. The life assured.
34. An investor is effecting a life assurance policy, written on joint lives and is requesting that the policy is placed in trust with her adult sons as beneficiaries. She is to be the sole trustee. The documentation to set up the trust requires the signature(s) of the
- A. beneficiaries only.
 - B. settlor only.
 - C. beneficiaries and the settlor.
 - D. settlor and the lives assured.
35. Rachel starts an assurance policy on her own life written in a flexible trust. She pays the premiums which are within her Inheritance Tax exemptions. Regarding the trust, an Inheritance Tax liability may still arise on the policy proceeds on Rachel's death **only** if she is
- A. a beneficiary.
 - B. both a beneficiary and the sole trustee.
 - C. one of the trustees, has nominated the other trustees and the beneficiaries include her dependants.
 - D. the sole trustee of the trust.
36. In a flexible power of appointment, interest in possession trust, who has the interest in what or whom?
- A. The default beneficiaries in any income.
 - B. The potential beneficiaries in any income.
 - C. The settlors in the beneficiaries.
 - D. The trustees in the beneficiaries.
37. With regard to a trust, who is **primarily** obliged to use utmost diligence to avoid any loss?
- A. The beneficiaries.
 - B. The creators.
 - C. The settlors.
 - D. The trustees.

38. A life assurance policy has been placed in a trust which already contained land. There are six beneficiaries of the trust and two settlors. What is the **maximum** number of trustees permitted, if any?
- A. Two trustees.
 - B. Four trustees.
 - C. Six trustees.
 - D. There is no maximum.
39. Where a direct debit mandate is in operation, when, if ever, may an assurance company resubmit a request for payment from a client's account?
- A. When there are insufficient funds.
 - B. When the client has changed bank accounts.
 - C. When the client has cancelled the direct debit mandate without informing the assurance company.
 - D. A request can never be submitted.
40. The policyholder of a life assurance policy stopped paying premiums after eight years. He was informed that he could continue to hold the policy as a paid up policy. What type of policy is this?
- A. Endowment only.
 - B. Endowment or whole of life.
 - C. Term only.
 - D. Term or personal accident and sickness.
41. When calculating the bid price of the units of a life assurance policy, reference is made to the
- A. level of life cover.
 - B. number of premiums paid.
 - C. term of the contract.
 - D. value of the underlying assets.
42. Under a unit-linked endowment policy, the maturity value is **normally** the
- A. bid value of the units only.
 - B. sum assured only.
 - C. premiums paid, plus the bid value of the units.
 - D. sum assured, plus the bid value of the units.
43. An interim bonus may be added to a regular premium with-profits life assurance policy when
- A. a surrender is made.
 - B. an assignment is made.
 - C. the premium is increased.
 - D. the sum assured is increased

44. Zoe has held a traditional with-profits assurance bond for 10 years and has been told that the total surrender value is lower than last year. She has **NOT** withdrawn any money and no Market Value Reduction (MVR) has been applied. Why is the surrender value lower this year?
- A. A negative reversionary bonus has been declared.
 - B. Some reversionary bonuses have been removed.
 - C. A surrender penalty has been applied.
 - D. The terminal bonus has been reduced.
45. What action is an insurer **most likely** to take to cover the risk of future losses where, in the event of a claim on a life policy, the claimant insists that the required policy documents are lost?
- A. Ask the claimant to complete an indemnity form, or effect an indemnity policy, before the claim is paid.
 - B. Carry out searches on the claimant by using credit reference and criminal record agencies.
 - C. Interview the claimant to assess the likelihood of fraud.
 - D. Obtain a bank guarantee for the repayment of the claim in the event of fraud.
46. Martina has recently died leaving a significant estate containing a range of assets including life assurance policies. Letters of administration have been issued. Who or what organisation issued them?
- A. The administrator of the estate.
 - B. The executor of the will.
 - C. The life assurance company.
 - D. The Probate Registry.
47. A life assured has disappeared and there is **no** circumstantial evidence pointing to his death. What is the **minimum** number of years which **must** elapse before a court may issue an order presuming death?
- A. 3 years.
 - B. 5 years.
 - C. 7 years.
 - D. 10 years.
48. If a life policy contains a suicide clause, when would death caused by suicide within the policy term **normally** be treated as a valid claim, if at all?
- A. At any time within a specified period from the beginning of the policy term.
 - B. At any time after the period specified by the suicide clause.
 - C. At any time during the policy term.
 - D. It would not be treated as a valid claim.

49. Life assurers **typically** require a completed form of discharge to be signed by a claimant towards the end of the claim process. The signed discharge can later be used to provide evidence that
- A. all the required premiums have been paid.
 - B. the life assured is deceased.
 - C. the claim has been paid.
 - D. relevant tax liabilities have been discharged.
50. When a policy is written under trust, to whom are the policy benefits **initially** paid in the event of a claim?
- A. The beneficiaries under the trust.
 - B. The deceased's estate.
 - C. The settlors of the trust.
 - D. The trustees.

Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
Learning Outcome 1			Learning Outcome 6			Learning Outcome 10		
1	A	1.2	21	B	6.1	39	A	10.1
2	B	1.1	22	C	6.2	40	B	10.2
3	B	1.1	2 Questions			2 Questions		
4	D	1.1						
5	D	1.2	Learning Outcome 7			Learning Outcome 11		
6	B	1.1	23	B	7.1	41	D	11.1
7	C	1.1	24	B	7.1	42	A	11.1
7 Questions			25	D	7.1	2 Questions		
			26	D	7.1			
Learning Outcome 2			27	C	7.2	Learning Outcome 12		
8	C	2.1	28	C	7.1	43	C	12.1
9	A	2.1	6 Questions			44	D	12.1
2 Questions						2 Questions		
			Learning Outcome 8					
Learning Outcome 3			29	A	8.1	Learning Outcome 13		
10	A	3.1	30	D	8.1	45	A	13.1
11	C	3.2	31	C	8.1	46	D	13.1
12	C	3.2	32	D	8.1	47	C	13.1
13	A	3.2	33	A	8.1	48	B	13.1
14	B	3.2	34	B	8.1	49	C	13.1
15	C	3.2	6 Questions			50	D	13.1
16	D	3.3				6 Questions		
7 Questions			Learning Outcome 9					
			35	A	9.1			
Learning Outcome 4			36	A	9.1			
17	A	4.1	37	D	9.1			
1 Question			38	B	9.1			
			4 Questions					
Learning Outcome 5								
18	A	5.2						
19	D	5.3						
20	D	5.1						
3 Questions								