



Chartered
Insurance
Institute

P63

Diploma in Insurance

Unit P63 – Long-term insurance business

October 2019 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) List **four** main types of provider of long-term insurance policies. (4)
(b) Outline the difference between specialist insurance companies and composite insurance companies. (3)
2. Describe briefly:
 - (a) level term assurance; (1)
 - (b) family income benefit; (3)
 - (c) decreasing term assurance. (3)
3. Describe briefly the restrictions, under English law, on the capacity to contract for:
 - (a) companies; (5)
 - (b) minors; (5)
 - (c) persons lacking mental capacity. (5)
4. Explain briefly **three** ways how income protection providers can offer policyholders provision for an increase in benefit amount over the life of the policy. (6)
5. Describe the advantages of an automated rules-based underwriting system in relation to life assurance. (10)
6. Outline **five** types of investment option for unit-linked funds. (10)

7. Describe in relation to life assurance:
- (a) natural premiums; (6)
 - (b) level premiums. (6)
8. List **seven** types of purchased life annuity. (7)
9. Outline the provisions of the:
- (a) Trustee Act 2000; (10)
 - (b) Married Women's Property Act 1882. (4)
10. Describe **two** ways in which a risk, under a life assurance policy, can be reinsured. (12)
11. Outline the role of the Financial Services Compensation Scheme. (6)
12. Describe the role of the coroner or procurator fiscal following a death claim. (10)
13. (a) Describe briefly the main responsibilities of the Financial Conduct Authority (FCA). (3)
- (b) State the **three** operational objectives of the FCA. (6)
 - (c) List **six** of the blocks in the FCA Handbook. (6)

QUESTIONS CONTINUE OVER THE PAGE

14. Outline when the following types of tax may be payable.

- (a)** Income tax. **(3)**
- (b)** Capital gains tax. **(3)**
- (c)** Inheritance tax. **(3)**

PART II

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

- 15. (a)** Outline the standard exclusions a claims assessor may need to consider when assessing a critical illness (CI) policy. **(10)**
- (b)** A claims assessor at ABC Insurance recently received a completed CI claim form from a policyholder who has suffered a severe stroke.
- (i)** Outline the initial information ABC Insurance is looking for on the claim form received. **(10)**
- (ii)** Explain the process the claims assessor will undertake in order to demonstrate that the policy definition for a stroke has been met. **(10)**
- 16.** Mrs Baker recently moved to a new house and is looking to start a family with her newlywed partner. Given her circumstances may change in the near future, she is reluctant to purchase a term assurance policy as she is concerned it will not meet her changing needs over time.
- Discuss how term assurance can provide Mrs Baker with the flexibility she may require as she goes through different life stages. **(30)**
- 17.** Discuss how group risk schemes operate and the benefits they can provide to employers and employees. *You should exclude group pension schemes from your answer.* **(30)**

