



Chartered
Insurance
Institute

CF8

Award in Long Term Care Insurance

Long term care insurance

Based on the 2020/2021 syllabus
examined until 31 August 2021

CF8 – Long term care insurance

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Published in September 2020 by:

The Chartered Insurance Institute

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CF8 – Long term care insurance

Based on the 2020/2021 syllabus examined until 31 August 2021

Introduction

This examination guide has been produced by the Examinations Department at the Chartered Insurance Institute to assist students in their preparation for the CF8 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 two hours 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 a CF8 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 CF8 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-long-term-care-insurance-qualification/unit-long-term-care-insurance-cf8/**
- 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 CF8 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 examination syllabus categorises CF8 learning outcomes into cognitive skill levels. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested.

The CF8 syllabus requires that candidates have the ability to understand, analyse and assess the subject matter. Each learning outcome begins with a cognitive skill that encompasses one of the following:

- | | |
|---------------------|--|
| <i>Understand -</i> | 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 <i>understand</i> learning outcome can test either knowledge or understanding or both. |
| <i>Analyse -</i> | To answer questions requiring analysis, the candidate must be able to break information down into parts, identify how each piece relates to the whole, associate relevant aspects and determine courses of action. Typically questions will relate to a given set of circumstances or provide data which requires analysis so a conclusion can be drawn. |
| <i>Assess -</i> | To answer questions requiring assessment, the candidate must be able to evaluate and judge information presented and reach a conclusion. Typically questions will relate to a given set of circumstances and behaviours and require the selection of the correct or best assessment. |

Examination Information

The method of assessment for the CF8 examination is 50 multiple choice questions (MCQs) and 5 case studies, each comprising 5 MCQs. 2 hours are allowed for this examination.

The CF8 syllabus provided in this examination guide will be examined from 1 September 2020 until 31 August 2021.

Candidates will be examined on the basis of English law and practice in the tax year 2020/2021 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.

CF8 examinations test the Financial Conduct Authority and Prudential Regulation Authority rules and regulations.

When preparing for the examination, candidates should ensure that they are aware of what typically constitutes each type of product listed in the syllabus and ascertain whether the products with which they come into contact during the normal course of their work deviate from the norm, since questions in the examination test generic product knowledge.

Section A consists of 50 multiple choice questions. 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.

Section B contains five case studies each followed by five questions. **Four** options follow each question. The options are labelled A, B, C and D. Only **one** of these options will be correct or best. 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.

Some questions will involve calculations and candidates are permitted to use calculators during the examination. 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, in 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.

Long term care insurance

Objective

At the end of this unit, candidates should be able to understand the:

- definition, purpose and scope of long term care contracts and how they interact with State benefits and State-funded long term care;
- main features and functions of the different types of contract that can be used to fund long term care and how they can be arranged to meet an individual's needs;
- principal legal, taxation and regulatory issues that are relevant to advice on long term care insurance;
- importance of regular reviews to ensure that long term care insurance cover remains appropriate.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the FCA definition of a long term care insurance contract and the background to long term care provision in the UK.	3
2. Understand the different types of long term care that are available.	3
3. Understand the responsibilities of a health authority in the provision of continuing care and any resulting funding implications for the individual.	4
4. Understand how current legislation affects the provision of advice on long term care insurance, particularly with reference to the responsibilities of a local authority in enabling access to long term care and procedures for care assessment.	4
5. Understand how local authorities make financial care needs assessments for those requiring long term care and the role of social services.	5
6. Understand the availability of alternative sources of assistance relevant in the provision of long term care and possible limitations on their use.	3
7. Understand the complexities and implications of the relationship between the adviser, the client and third parties when advising on long term care insurance.	6
8. Understand the taxation issues related to long term care insurance plans.	3
9. Understand the legal considerations that need to be taken into account when giving long term care advice to an individual or their representatives.	5
10. Understand eligibility to claim under a long term care insurance contract.	3
11. Understand the different costs associated with long term care provision and the factors that create variations in them.	4
12. Analyse the interaction between the eligibility for means-tested and non means-tested benefits in the provision of advice on long term care insurance.	4
13. Assess the suitability of arrangements available to fund and maintain an individual's long term care needs and whether the level of risk they present to the client is appropriate and acceptable.	2
14. Analyse situations that might indicate to an adviser that a client's long term care provision needs to be reviewed and identify the consequences of that review.	1
15. Plus 25 case study-related questions from learning outcomes 1 to 14	

* 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) and 5 case studies, each comprising 5 MCQs. 2 hours are allowed for this examination.
- This syllabus will be examined from 1 September 2020 to 31 August 2021.
- Candidates will be examined on the basis of English law and practice in the tax year 2020/2021 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/qualifications
 2. Select the appropriate qualification
 3. Select your unit from the list provided
 4. Select qualification update on the right hand side of the page

- 1. Understand the FCA definition of a long term care insurance contract and the background to long term care provision in the UK.**
 - 1.1 Describe the FCA's definition of a long term care insurance contract and how it fits with existing contracts.
 - 1.2 Describe the socio-economic background to long term care.
- 2. Understand the different types of long term care that are available.**
 - 2.1 Describe the single assessment process.
 - 2.2 Describe the different types of care and their associated levels of dependency.
- 3. Understand the responsibilities of a health authority in the provision of continuing care and any resulting funding implications for the individual.**
 - 3.1 Describe the responsibilities of local or regional health services and the local authority in the provision of continuing care.
 - 3.2 Describe the funding implication for individuals as a result of a local authority and local or regional health services' provision of continuing care.
- 4. Understand how current legislation affects the provision of advice on long term care insurance, particularly with reference to the responsibilities of a local authority in enabling access to long term care and procedures for care assessment.**
 - 4.1 Describe how a local authority would assess an individual's need for long term care.
 - 4.2 Describe the relevant legislation and case law relating to the provision of long term care.
- 5. Understand how local authorities make financial care needs assessments for those requiring long term care and the role of social services.**
 - 5.1 Describe how local authorities make financial care needs assessments for those requiring long term care.
- 6. Understand the availability of alternative sources of assistance relevant in the provision of long term care and possible limitations on their use.**
 - 6.1 Describe the availability of alternative sources of assistance for the provision of long term care, and the possible limits on their use.
- 7. Understand the complexities and implications of the relationship between the adviser, the client and third parties**

when advising on long term care insurance.

- 7.1 Describe the complexities and implications of the relationship between the adviser, the client and third parties when advising on long term care insurance.
- 8. Understand the taxation issues related to long term care insurance plans.**
 - 8.1 Describe the taxation issues related to long term care insurance plans.
 - 8.2 Assess the tax position in relation to long term care and perform relevant tax calculations.
- 9. Understand the legal considerations that need to be taken into account when giving long term care advice to an individual or their representatives.**
 - 9.1 Describe the legal considerations which must be addressed when providing long term care advice to an individual or their representatives.
- 10. Understand eligibility to claim under a long term care insurance contract.**
 - 10.1 Describe the eligibility criteria to claim under a long term care insurance contract.
- 11. Understand the different costs associated with long term care provision and the factors that create variations in them.**
 - 11.1 Describe the different costs associated with long term care provision and the factors that create variations in them.
 - 11.2 Calculate different costs associated with long term care provision.
- 12. Analyse the interaction between the eligibility for means-tested and non means-tested benefits in the provision of advice on long term care insurance.**
 - 12.1 Analyse the interaction between the eligibility for means-tested and non means-tested benefits in the provision of advice on long term care insurance.
- 13. Assess the suitability of arrangements available to fund and maintain an individual's long term care needs and whether the level of risk they present to the client is appropriate and acceptable.**
 - 13.1 Assess the suitability of arrangements available to fund and maintain an individual's long term care needs.
 - 13.2 Assess the level of risk of long term care arrangements and their appropriateness for the individual.
- 14. Analyse situations that might indicate to an adviser that a client's long term care**

provision needs to be reviewed and identify the consequences of that review.

- 14.1 Explain the most common events which will generate the need for a review of long term care provision and the required actions post-review.

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

Long term care insurance. London: CII.
Study text CF8.

Books

Disability rights handbook. London: Disability Alliance. Annual.

Journals and magazines

Cover. London: Incisive Financial. Monthly.
Available for free online at www.covermagazine.co.uk.

Protection review (previous e-Protection review). Great Rissington: Bank House Communications. Quaterly. Available at www.protectionreview.co.uk

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).

Health insurance daily (previous Health insurance and protection). London: Informa. Available for free online at www.healthinsurancedaily.com.

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.*

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

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

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).

SECTION A

1. Pure protection long term care insurance policies are treated in what way by the Financial Conduct Authority?
 - A. As general insurance policies and subject to the same regulation as household insurances.
 - B. As high-risk products and subject to the same regulation as designated investment plans.
 - C. As low-risk savings schemes and therefore subject to relaxed regulation.
 - D. As mortgage-based fundraising schemes and therefore subject to the Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB).

2. An immediate needs care plan purchased to fund long term care is also called
 - A. an equity release scheme.
 - B. a home reversion plan.
 - C. an impaired life annuity.
 - D. an insurance bond.

3. Robert has recently been assessed as needing long term care in a residential care home. He owns the house where he and his wife live, which is valued at £260,000. They have a joint bank account containing £30,000. When assessing his ability to pay for his care, what value would the local authority place on his assets?
 - A. £15,000
 - B. £30,000
 - C. £145,000
 - D. £290,000

4. The provision of long term care in the home is **normally** the responsibility of the
 - A. Clinical Commissioning Group.
 - B. Court of Protection.
 - C. local authority.
 - D. National Health Service (NHS) in that region.

5. Individuals receiving hospital care, provided by the National Health Service (NHS) are **usually** regarded as having what level of dependency?
 - A. Low.
 - B. Moderate.
 - C. High.
 - D. Severe.

6. The single assessment process for individuals requiring long term care is used **primarily** to
 - A. arrange an appropriate individual care package.
 - B. record regional differences in the provision of long term care.
 - C. reduce the ongoing financial commitment of the local authority.
 - D. satisfy the requirements of the National Assistance Act 1948.

7. Ben is eligible for continuing healthcare. Responsibility for payment rests with the
- A. Department of Health and Social Care.
 - B. Department for Work and Pensions.
 - C. National Institute for Health and Clinical Excellence.
 - D. NHS England.
8. The **key** objective of the procedures surrounding the discharge of a patient from a National Health Service (NHS) hospital focuses on the need to
- A. assess the financial impact on the local health authority only.
 - B. assess the needs of the patient only.
 - C. draw up and implement a care plan.
 - D. recommend but not implement a care plan.
9. Following the initial decision to grant the payment of funded nursing care, how often **must** this be reviewed?
- A. Initial review after 28 days followed by annual reviews.
 - B. Initial review after 3 months followed by annual reviews.
 - C. Initial review after 6 months followed by annual reviews.
 - D. Solely on the request of the patient or representative.
10. Section 4 of the Care Act 2014 places a duty on local authorities to ensure that individuals requiring care
- A. are provided with information regarding the complaints and appeals process prior to the completion of a care needs assessment.
 - B. have access to free independent financial advice prior to any care assessment.
 - C. have their care needs met in full by the local authority prior to the completion of any care fees assessment.
 - D. must be provided with information and advice relating to care and support for their carers.
11. The Care Inspectorate was set up in Scotland to
- A. ensure care homes in Scotland are eligible to operate as charitable bodies.
 - B. oversee the role of the Healthcare Improvement Scotland.
 - C. regulate and inspect independent care services in Scotland against set standards.
 - D. regulate and inspect the National Health Service (NHS) in Scotland.
12. Section 117 of the Mental Health Act 1983 provides that after care services **must** be provided with the cost being met by the
- A. Department of Health and Social Care central funding.
 - B. individual's own resources.
 - C. local authority.
 - D. NHS England.

- 13.** Joyce owns a property as a tenant in common with her husband, Bill, who is about to move into a long term residential home. How will the property be taken into account in a financial assessment?
- A.** The whole house will be disregarded whilst Joyce continues to live there.
 - B.** The whole house will be disregarded for a period of time and then taken into account.
 - C.** Joyce's half of the house will be disregarded while she lives in it, but Bill's will be taken into account immediately.
 - D.** The whole property will be taken into account immediately, unless Bill comes out for frequent weekend visits.
- 14.** David, who lives in rented accommodation in England, has savings of £11,000. He has been assessed as needing residential care in a local authority approved care home. In what circumstances will David's local authority meet the full costs of his care?
- A.** In all circumstances.
 - B.** Only if he has no assessable income.
 - C.** Only if he has no close relatives to pay for the care.
 - D.** Only if he is over 65.
- 15.** Tim gifted his house and the majority of his investment portfolio to his son 3 years ago. Whilst he was concerned about the financial impact of his future long term care, the transfer was regarded as a family gift. Tim has recently had a fall and will now need to be looked after in a residential care home. In what circumstances, if any, will the local authority be able to include the value of the gifts in their assessment of Tim's assets for the purposes of long term care?
- A.** In no circumstances.
 - B.** Only if the local authority are able to prove that the primary reason for the gift was to avoid the payment of care fees.
 - C.** Only if the value of the gifts was over the Inheritance Tax Nil Rate Band.
 - D.** Only if Tim is resident in Scotland.
- 16.** In England, when assessing an individual for residential care needs under the Charging for Care and Support Guidance, how would capital of £19,000 be taken into account in determining the individual's eligibility for funding?
- A.** It would be disregarded entirely as it falls below the capital limit of £23,250.
 - B.** It would be counted in full and the individual would have to meet the cost of funding themselves as it exceeds the capital limit of £14,250.
 - C.** The entire £19,000 would be converted to tariff income and added to the individual's other income for assessment purposes.
 - D.** The first £14,250 would be disregarded, with the excess converted to tariff income and added to the individual's other income.

17. Following a serious accident a number of years ago, Eleanor received a settlement which was placed in a personal injury trust. Eleanor now needs care delivered in a residential care home. When assessing her ability to pay in a financial assessment, how will this trust be treated?
- A. It will be disregarded fully.
 - B. It will be disregarded for 12 weeks and then counted in full.
 - C. Only the income derived from the trust will be counted.
 - D. It will be fully included from the outset.
18. Which source provides the largest percentage of care in the UK?
- A. Charitable organisations.
 - B. Family, neighbours and friends.
 - C. Local authorities.
 - D. Private care homes and businesses.
19. An individual's private medical insurance policy would **usually** provide cover for
- A. all costs not met by the National Health Service (NHS) in relation to care needs.
 - B. chronic, long term conditions.
 - C. extended outpatient care needs.
 - D. short term needs arising from acute conditions.
20. Ian, aged 47, has been diagnosed with Parkinson's disease. He has an income protection insurance policy arranged by his employer which is now in payment as he is **NOT** able to work. His care needs are now increasing and he is concerned about how he will fund his care in the future. How, if at all, can this policy be used to fund the cost of his ongoing care?
- A. It will continue to pay for the rest of Ian's life and will be suitable for his needs.
 - B. The proceeds are paid to his employer and are paid to Ian at its discretion while he is classed as an employee only.
 - C. The proceeds will usually be paid to Ian's normal retirement date and would be unsuitable for his long term needs.
 - D. It will only pay benefits for a maximum of five years and will then cease.
21. In what circumstances should an application for deputyship be made to the Court of Protection?
- A. In cases of voluntary bankruptcy.
 - B. If an existing Enduring Power of Attorney needs validating.
 - C. If an individual becomes mentally incapable of managing their own affairs.
 - D. If an individual dies intestate.

22. Adam has been appointed as a deputy following his father's loss of mental capacity. This confirms that Adam's father had **NOT**
- A. appointed a guardian.
 - B. registered a Lasting Power of Attorney.
 - C. prepared a living will.
 - D. written a letter of wishes.
23. The Mental Capacity Act 2005 introduced legislation providing individuals with the authority to appoint
- A. an attorney that could act on their behalf in healthcare matters only.
 - B. an attorney that could act on their behalf in both financial and healthcare matters.
 - C. a receiver that could act on their behalf in healthcare matters only.
 - D. a receiver that could act on their behalf in both financial and healthcare matters.
24. If an individual makes a decision in advance to refuse treatment for a condition and he subsequently becomes mentally incapable, which test, other than validity, **must** be applied before that decision is upheld?
- A. Applicability.
 - B. Probability.
 - C. Responsibility.
 - D. Timeliness.
25. Alan holds a full Lasting Power of Attorney for his aunt and an Enduring Power of Attorney for his uncle. He should be aware that he can make
- A. financial decisions only for both his aunt and uncle.
 - B. financial decisions for both his aunt and uncle, but medical decisions for his aunt only.
 - C. financial decisions for both his aunt and uncle, but medical decisions for his uncle only.
 - D. both financial and medical decisions for his aunt and uncle.
26. Sofia is concerned that her uncle may **NOT** be able to make financial decisions anymore. From where can she obtain authority to act on his behalf?
- A. The Court Funds Office.
 - B. The Court of Protection.
 - C. The Independent Mental Capacity Advocate.
 - D. The official solicitor.
27. What are the tax benefits of a pre-funded long term care insurance policy?
- A. Any gains on the surrender of the policy are not taxable.
 - B. Benefits are paid free of Income Tax.
 - C. Death benefits are not liable to Inheritance Tax.
 - D. Tax relief is available on premiums.

- 28.** Peter, a basic-rate taxpayer, has an immediate needs annuity from which he receives payments directly. How will the capital element be taxed?
- A.** It will be tax free.
 - B.** It will be taxed at source at 20%.
 - C.** It will be taxed at source at 40%.
 - D.** It will be taxed at source at 50%.
- 29.** Iris invested £50,000 into a lump sum Inheritance Tax plan, five years ago, intending on utilising business relief. The plan is now worth £75,000. How much of the value, if any, would be included in the financial assessment required by the local authority, should Iris need long term care?
- A.** Nil.
 - B.** £20,000
 - C.** £50,000
 - D.** £75,000
- 30.** Charlotte, a higher-rate taxpayer invested £100,000 for her future long term care needs into an offshore assurance bond just over five years ago. The value of the bond is currently £120,000. If she withdraws £30,000 now, how much tax, if any, will she be liable to?
- A.** Nil.
 - B.** £6,000
 - C.** £8,400
 - D.** £12,000
- 31.** What is the personal tax position in respect of benefits from a pre-funded long term care insurance policy paid directly to the policyholder, who is a higher-rate taxpayer, rather than the care provider?
- A.** The benefits are free of all tax liabilities.
 - B.** The benefits are paid gross but are subject to tax at the policyholder's highest marginal rate.
 - C.** The benefits are paid net of basic-rate tax with further tax due under self-assessment.
 - D.** The benefits are paid net of higher-rate with no further liability.
- 32.** Who is entitled to execute a statutory will?
- A.** A person with Power of Attorney status.
 - B.** A person deemed to be a main beneficiary under the intestacy rules.
 - C.** The Family Division of the High Court.
 - D.** The Court of Protection.

33. David, who believes he has adequate provision for his long term care needs, has just inherited a sum of money. He wishes to pass this to his son, aged 16, to potentially reduce his liability to Inheritance Tax. How might a deed of variation be used, if at all, in these circumstances?
- A. It cannot be used due to his son's age.
 - B. It cannot be used as any transfer to his son would be classed as a potentially exempt transfer (PET).
 - C. It can be used as any transfer to his son would be classed as a chargeable lifetime transfer.
 - D. It can be used to amend the beneficiary of the legacy.
34. Following a dispute with his dependant daughter, Melanie, John changed his will in favour of his next-door neighbour. John dies shortly after making this change and Melanie feels she has been poorly treated. What, if anything, can she do?
- A. Nothing.
 - B. She can apply to the court for reasonable provision.
 - C. She has a minimum entitlement based on intestacy rules.
 - D. She will need to negotiate with the beneficiary of the will for reasonable provision.
35. Ron is acting as attorney for his mother under an Enduring Power of Attorney. His mother is mentally capable but has become disinterested in financial matters. The powers contained in the Enduring Power of Attorney are restricted and in completing the sale of one of her properties, Ron finds that he does **NOT** have sufficient power. What course of action is open to him?
- A. Ask his mother to complete the sale.
 - B. Ask the Court of Protection to complete the sale.
 - C. Ask the Land Registry to complete the sale.
 - D. Ask three relatives to approve the sale.
36. George is a widower, with two children and three grandchildren. Over the last few years he has given each grandchild £50 on their birthday. George's son, Alan, has an Enduring Power of Attorney in respect of his father. In the event of George's mental incapacity, what level of gifting can Alan continue on behalf of his father?
- A. The pattern of gifts is restricted to that established by George.
 - B. Alan can increase the amount of the gift, but not the frequency.
 - C. Alan can increase the frequency of the gift, but not the amount.
 - D. The pattern of gifts can be changed without restriction by Alan.
37. The amount available for assistive devices from a pre-funded long term plan is **typically** based on the
- A. age of the individual.
 - B. number of assistive devices used.
 - C. percentage of the continuous care benefit.
 - D. percentage of the initial investment.

38. Deirdre and Ken submit claims to their insurer in respect of the cost of a mobility aid. Deirdre's claim is allowed whilst Ken's is rejected. The **most likely** reason for this is that
- A. Deirdre has a private medical insurance policy and Ken has an impaired life annuity.
 - B. Deirdre has an immediate needs plan and Ken has a pre-funded long term care insurance policy.
 - C. Ken has a private medical insurance policy and Deirdre has a pre-funded long term care insurance policy.
 - D. Ken has an immediate needs plan and Deirdre has an impaired life annuity.
39. In respect of a claim for long term care support based on mental or cognitive impairment, how is the need for care assessed?
- A. By reference to the claimant's ability to perform key activities of daily living (ADLs).
 - B. By reference to a private medical attendant's report and recommendation.
 - C. By requiring the individual to undergo a full medical examination.
 - D. By requiring the individual to undergo a mini mental state examination.
40. Basic personal care is means tested in every country except
- A. England.
 - B. Northern Ireland.
 - C. Scotland.
 - D. Wales.
41. Elsa, a resident of a private nursing home is receiving support from her local authority that covers £650 of the £800 per week cost of her care, the remainder of which is provided by her family. In the event that the costs of her care increase by more than any increase in support from the local authority, who if anyone is responsible for the increased cost?
- A. Any raise must be met in full by the family.
 - B. Her local authority have a statutory duty to maintain her care once she has been accepted into care and must meet her increased costs.
 - C. The care home are restricted to the amounts that they can raise their fees, in line with the level of support provided by the local authority.
 - D. Any raise will be allocated equally between the local authority and the family who must increase their contributions to meet the cost.
42. What **additional** level of personal home care service, if any, will the private sector provide as opposed to the social services?
- A. None.
 - B. Benefit collection.
 - C. Shopping.
 - D. Medication.

43. Despite having substantial savings, Alf, aged 68, has his personal care costs met by the local authority. This is because
- A. he has a dependant wife.
 - B. his primary need has been identified as healthcare.
 - C. he is a widower.
 - D. he is in receipt of Personal Independence Payment.
44. To qualify for Personal Independence Payment, an individual **must** be under age 65 and have needed care for the previous
- A. two months and expect to need care for at least another four months.
 - B. three months and expect to need care for at least another nine months.
 - C. four months and expect to need care for at least another two months.
 - D. six months and expect to need care for at least another three months.
45. Colin, aged 69, has been severely disabled for nine months following an accident. He returned to the UK four months ago having previously been resident in Southern France for many years and is being cared for at home. He is **NOT** eligible for Attendance Allowance because
- A. he is below the age of 70.
 - B. he does not satisfy residency requirements.
 - C. he is not resident in a local authority-funded home.
 - D. of his level of disability.
46. Apart from her age, Eleanor's entitlement to the new State Pension will be dependent upon her
- A. employment status during her working life.
 - B. marginal tax status.
 - C. minimum income need.
 - D. National Insurance contributions having been paid or credited.
47. James, aged 67, receives the full State Pension. He has been in a National Health Service (NHS) hospital for the last 6 weeks following a stroke and is likely to remain there for some time to come. How will his State Pension be treated during his stay in hospital?
- A. It will reduce to 50% after 12 weeks in hospital.
 - B. It will cease after 12 weeks in hospital.
 - C. It will continue unchanged.
 - D. It will cease immediately.

48. Marty wants to release some of the equity in his property by taking out a lifetime mortgage with the interest rolled-up. He is aware that the mortgage would need to be paid if he ever had to move permanently into a residential care home and is worried that the debt could exceed the value of his property by this time. He would avoid this situation by ensuring the mortgage he selects
- A. is offered by a member of The Equity Release Council.
 - B. is secured using a second charge.
 - C. meets the guidelines stated in the Care Act 2014.
 - D. offers a fixed rate of interest.
49. Under income tax legislation, in respect of a long term care bond, what is the **maximum** permitted annual withdrawal of the original investment, if any, for the withdrawal to be treated on a tax-deferred basis?
- A. It is not permitted.
 - B. 5%
 - C. 7.5%
 - D. 10%
50. Peter has lost mental capacity and an Enduring Power of Attorney has been registered by his brother, Stephen, his attorney. Future substantial Inheritance Tax planning advice would now have to be formally approved by
- A. the Court of Protection only.
 - B. the Independent Mental Capacity Advocate.
 - C. Stephen and the Court of Protection.
 - D. Stephen only.

SECTION B

Jayne, aged 84, is single after getting divorced 20 years ago and lives in Cambridge. She had a stroke six months ago which has left her partially paralysed. She has recently been discharged from hospital and has spent the past three weeks receiving care in a local authority nursing home to assess if she is able to live independently. Her only child, Celia, holds an Enduring Power of Attorney over her mother's affairs and is considering taking out a financial product that will provide a guaranteed level of benefit to help cover the cost of her mother's care fees.

Prior to having the stroke, Jayne exchanged contracts on the sale of her house for £225,000. On completion, this amount has been added to her deposit-based savings of £37,000 in order to fund her care fees in the future. It is now looking likely that Jayne will remain in the care home and Celia is investigating the likely costs of this care.

Jayne has **NOT** made a will and is now no longer able to do so due to the loss of her mental capacity as a result of her stroke.

51. In order to act on Jayne's behalf in the future, what action, if any, can Celia take now?
- A. She can take no action as Jayne has become the responsibility of the local authority.
 - B. Apply for a Property and Financial Affairs Lasting Power of Attorney.
 - C. Continue to use the existing Enduring Power of Attorney as it remains valid.
 - D. Register the existing Enduring Power of Attorney with the Court of Protection.
52. In the event of Jayne's death, her estate would be distributed
- A. equally between her ex-husband and Celia.
 - B. to her ex-husband only.
 - C. to Celia only.
 - D. to the Crown.
53. To what other State assistance would Jayne be entitled based on her current circumstances?
- A. Attendance Allowance.
 - B. Carer's Allowance.
 - C. Disability Living Allowance.
 - D. Full funding from the National Health Service (NHS) for continuing healthcare.
54. Based on Jayne's current situation, she would **normally** be able to receive State funding for her intermediate care for a further
- A. two weeks.
 - B. three weeks.
 - C. four weeks.
 - D. six weeks.

55. In order to meet the needs identified, the **most appropriate** financial planning solution for Jayne would be to consider
- A. arranging a deferred payments plan with the local authority.
 - B. commencing withdrawals from her cash on deposit.
 - C. purchasing an immediate needs annuity payable directly to herself.
 - D. purchasing an immediate needs annuity payable directly to the care home.

George, aged 72, lives in Brighton. Five years ago he gave away his house to his only child, Gwyneth. George has retained the right to continue living in the house, which is valued at £160,000. Gwyneth is married and has two children.

George sustained a spinal injury following a fall. He has low mobility and requires 24-hour care in a nursing home. He is unable to manage any of his financial affairs.

In 1994, George and his late wife, Ethel, took out a single premium long term care insurance policy on a second event joint life basis for a level monthly benefit of £300. Ethel died in 1997, having spent her last few months in a local nursing home.

George made a will leaving everything to Ethel and naming her as his executor when they first married and it has **NOT** been amended since.

56. The local authority offers a standard rate of £550 per week to pay for George's care, however the home Gwyneth has selected costs £850 per week. How will this difference be funded, assuming that the local authority are prepared to support George's claim?
- A. The care home would have to accept the lower amount.
 - B. George's contribution will be limited to the proceeds of his policy only.
 - C. Gwyneth would need to fund the difference.
 - D. The local authority would need to fund the difference.
57. How is the local authority **likely** to respond to George giving away his home?
- A. The circumstances of the transfer will be investigated.
 - B. It will be ignored entirely.
 - C. It will be regarded as a deliberate deprivation of assets.
 - D. It will be treated as his property for the next two years.
58. In order to operate George's bank accounts on his behalf and manage his financial affairs, Gwyneth **must**
- A. apply for a deputyship order from the Court of Protection.
 - B. apply for a Property and Financial Affairs Lasting Power of Attorney.
 - C. complete a Power of Attorney.
 - D. register an Enduring Power of Attorney with the Court of Protection.
59. In the event of George dying, who would be responsible for dealing with the administration of his estate?
- A. An administrator as appointed by the court.
 - B. The executor named in his will.
 - C. Gwyneth.
 - D. His deputy as appointed by the Court of Protection.

60. If Gwyneth decides to sell the house that was gifted to her to provide more capital to fund George's care, which tax might be charged on the sale proceeds?
- A. Capital Gains Tax.
 - B. Corporation Tax.
 - C. Income Tax.
 - D. Inheritance Tax.

Jack, aged 89 and widowed, is becoming increasingly frail. Although stable, his arthritis is hampering his mobility and his ability to carry out normal everyday tasks, so he now requires a daily visit from a nurse. He also has heart problems that are starting to cause him to feel weak. Whilst his son, Simon, has helped him where possible, he feels that he **CANNOT** personally provide the level of medical attention that Jack now needs.

Jack has a weekly pension income of £140 and building society high-interest account savings of £14,000. He lives alone in his house in Bedfordshire, which is worth £250,000. He is keen to stay in his house if possible and has been receiving home help from social services, however following an assessment he has been advised that this is no longer adequate and that nursing home care is now the **most appropriate** option.

Jack's financial adviser has been in discussions with him about meeting the costs of long term care and Simon has been involved in these discussions. Any possible local authority contribution would be limited to a maximum of £700 per week for any home, however the home preferred by the family charges £750 per week.

Jack has told both Simon and his financial adviser that he wishes to preserve as much of his estate as possible for his children to inherit.

61. In the event that Jack moves into the care home favoured by his family, for how long will his costs be met by a contribution of up to £700 per week from the local authority?
- A. For the duration of his stay.
 - B. For the first six weeks as part of an intermediate care package.
 - C. For the first twelve weeks.
 - D. Until his house is sold.
62. Jack wants to protect his house so that he can leave it to Simon so he intends to gift the house to Simon now. Why would Jack's financial adviser be concerned about his intentions?
- A. Jack could lose any current or future entitlement to State benefits.
 - B. Jack could increase his Inheritance Tax liability on death as a consequence of the action being considered.
 - C. Jack would have an immediate Inheritance Tax liability as a result of giving away his home.
 - D. The local authority may view this action as a deliberate deprivation of assets.
63. In order to preserve as much of his estate as possible, Jack is going to apply for a deferred payment agreement to fund his care. When the house is eventually sold to repay the agreement, his children will have to pay the accumulated costs of his
- A. care only.
 - B. care plus interest.
 - C. care plus interest and administration fees.
 - D. care, plus interest and a percentage of the growth in the property since the start of the agreement.

64. Jack is concerned about managing his health and finances when he goes into a home. In order to address his concerns, he could execute
- A. a discretionary trust.
 - B. an Enduring Power of Attorney.
 - C. a Lasting Power of Attorney.
 - D. a Power of Attorney.
65. Jack's financial adviser believes that he may **NOT** be claiming all the State benefits he is entitled to. What additional benefit should Jack be claiming, if any?
- A. Attendance Allowance at the higher rate.
 - B. Attendance Allowance at the lower rate.
 - C. Disability Living Allowance.
 - D. No further State benefits are available as he has savings over £10,000.

James, aged 79, and Sue, aged 76, are married and living in Birmingham.

James is suffering from dementia and is deemed to have lost mental capacity, although his physical health remains strong. Sue has heart problems which have worsened with the stress of looking after James at home. Their son, Matthew, who holds a full Lasting Power of Attorney for both his parents, has pushed for a further assessment of their health with a view to obtaining assistance from the local authority. James' subsequent assessment confirmed that he qualifies for continuing healthcare and he has now been offered a place in a local residential care home, but it is felt that Sue can continue to live in her own home with some extra support, at least for the short term.

Sue is upset about being separated from James and is concerned that her home will be taken from her to pay for his care. Sue is concerned that she will be unable to maintain her property and thinks she may have to consider either a small flat or sheltered accommodation. Matthew and Sue are seeking advice on her options.

James and Sue's house is worth approximately £525,000 and is free of any mortgage. They also have £14,000 in a joint building society account. In the event of Sue needing care, Matthew would prefer **NOT** to sell the house and protect his parents' savings for as long as possible.

Matthew and Sue have looked at various residential care homes for James as they are dissatisfied with the facilities at the home offered by the local authority and would prefer one slightly closer to Sue's home. They have also been told that James may subsequently require a higher level of care at an increased cost.

66. Matthew has requested a further assessment of his parents' health and a care plan is in the process of being arranged. How long after implementation would the plan be reviewed?
- A. 28 days.
 - B. 3 months.
 - C. 6 months.
 - D. 1 year.
67. For Matthew to make decisions on the ongoing treatment for both of his parents, what additional consent, if any, will Matthew require?
- A. Consent of the certificate providers named in the Lasting Power of Attorney.
 - B. Consent of the Independent Mental Capacity Advocate.
 - C. Full authorisation from the Court of Protection.
 - D. No further consent is required.
68. Matthew is keen to make some large gifts to his children from his parents' estate. From whom would he require permission to do so?
- A. The Court of Protection.
 - B. The Independent Mental Capacity Advocate.
 - C. An inspector from HM Revenue & Customs.
 - D. The local authority financial assessment officer.

69. In the event of Sue needing care, the **most appropriate** way to satisfy the local authority's funding requirement and Matthew's objectives would be to effect
- A. a deferred payment arrangement.
 - B. an immediate care annuity.
 - C. a long term care bond.
 - D. a regular premium long term care insurance policy.
70. Once James has become a resident of a care home, to which benefit would Sue cease to be entitled?
- A. Attendance Allowance at the higher rate.
 - B. Attendance Allowance at the lower rate.
 - C. Carer's Allowance.
 - D. Disability Living Allowance.

Charlotte, aged 85, moved permanently into long term care three years ago due to her physical frailty. Her only child Louise, aged 55, lives in Charlotte's former home as she had been looking after her disabled father, George, until he passed away recently.

Charlotte and George owned the property on an equal tenants in common basis and is the only asset that they possess.

The cost of Charlotte's care is **NOT** fully covered by her income and her local authority has been providing financial assistance.

Charlotte and George both executed wills which give all their assets to Louise on their deaths. They both named local solicitor to act as the executor of their wills.

A deferred payment plan is to be set up shortly for the costs of Charlotte's future care.

71. What happened to the ownership of the family home, following the death of George?
- A. Charlotte inherited it under survivorship despite the will.
 - B. Charlotte retained ownership of 50%, whilst Louise inherited 50%.
 - C. The local authority took ownership of it and Louise had to move out.
 - D. The local authority took ownership of 50% and Louise inherited 50%.
72. What, if anything, is **likely** to happen to Charlotte's State Pension as a result of George's death?
- A. Nothing, as she is not eligible for a State Pension whilst the local authority pays for some of her care.
 - B. It might increase if she is eligible to receive some of George's entitlement.
 - C. It will automatically fall as a result of the loss of the married element.
 - D. It will automatically increase as she will be eligible to some of George's entitlement.
73. Which State benefit is Louise **likely** to lose following George's death?
- A. Attendance Allowance.
 - B. Carer's Allowance.
 - C. Disabled Facilities Grant.
 - D. Personal Independence Payment.
74. What is the **likely** effect, if any, of the funding option on entitlement to the Attendance Allowance?
- A. Any entitlement Charlotte had will end.
 - B. Charlotte will become eligible.
 - C. Louise will become eligible.
 - D. It will have no impact.

- 75.** Whose responsibility is it to instigate a review of Charlotte's long term care funding?
- A.** Charlotte's.
 - B.** Louise's.
 - C.** The local authority.
 - D.** Their local solicitor.

Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
STANDARD FORMAT									SCENARIO FORMAT		
Learning Outcome 1			Learning Outcome 6			Learning Outcome 10			51	D	7.1
1	B	1.1	18	B	6.1	37	C	10.1	52	C	9.1
2	C	1.1	19	D	6.1	38	C	10.1	53	A	12.1
3	A	1.2	20	C	6.1	39	D	10.1	54	B	12.1
3 Questions			3 Questions			3 Questions			55	D	13.1
									56	C	3.1
Learning Outcome 2			Learning Outcome 7			Learning Outcome 11			57	A	5.1
4	C	2.2	21	C	7.1	40	C	11.1	58	A	7.1
5	C	2.2	22	B	7.1	41	A	11.2	59	A	9.1
6	A	2.1	23	B	7.1	42	C	11.1	60	A	14.1
3 Questions			24	A	7.1	43	B	11.1	61	C	5.1
			25	B	7.1	4 Questions			62	D	5.1
Learning Outcome 3			26	B	7.1				63	C	5.1
7	D	3.1	6 Questions			Learning Outcome 12			64	C	7.1
8	C	3.2				44	B	12.1	65	B	12.1
9	B	3.1	Learning Outcome 8			45	B	12.1	66	B	4.1
3 Questions			27	B	8.1	46	D	12.1	67	D	7.1
			28	A	8.2	47	C	12.1	68	A	7.1
Learning Outcome 4			29	D	8.2	4 Questions			69	A	9.1
10	D	4.2	30	A	8.2				70	C	12.1
11	C	4.2	31	A	8.2	Learning Outcome 13			71	B	9.1
12	D	4.2	5 Questions			48	A	13.1	72	B	12.1
3 Questions						49	B	13.1	73	B	12.1
			Learning Outcome 9			2 Questions			74	B	12.1
Learning Outcome 5			32	D	9.1				75	C	14.1
13	A	5.1	33	D	9.1	Learning Outcome 14			25 Questions		
14	B	5.1	34	B	9.1	50	A	14.1			
15	B	5.1	35	A	9.1	1 Question					
16	D	5.1	36	A	9.1						
17	A	5.1	5 Questions								
5 Questions											