

# THE CHARTERED INSURANCE INSTITUTE

## P63

### Diploma in Insurance

#### Unit P63 – Long term insurance business

#### October 2013 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. Describe briefly the **four** main participants in the UK life insurance industry. (8)
  
2. Explain, in relation to income protection insurance, the following terms.
  - (a) Deferred period. (6)
  - (b) Limitation of benefit clause. (4)
  
3. Outline the implications of offshore life policies to UK tax payers. (6)
  
4. Describe the conditions for auto-enrolment under the Pensions Act 2008. (12)
  
5. Outline the restrictions on the capacity to contract for the following groups.
  - (a) Minors. (5)
  - (b) Mentally disabled persons. (5)
  - (c) Companies. (5)
  
6. State the main features of the Association of British Insurers Code of Practice on the use and handling of genetic test information by insurance companies. (12)
  
7. List **eight** pieces of information that should be included in a life insurance policy document. (8)
  
8. Explain the process a claims assessor should go through when determining who to pay on a valid death claim, assuming the policy has not been assigned or written under trust. (15)

9. Explain, in relation to reinsurance, the term 'retention' and the reasons a life office will set a retention limit. (8)
10. State **four** examples of the customer outcomes specified by the Financial Conduct Authority for treating customers fairly. (8)
11. Explain the term qualifying life policy and state what criteria must be fulfilled. (6)
12. Outline the current regulation regarding money laundering. (14)
13. Explain how a with-profits whole of life policy operates. (12)
14. List **six** reasons why an income protection payment might cease under a group policy. (6)

Questions continue over the page

## PART II

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

- 15.** Discuss the procedures that a life office should adopt when a death claim has been made in the following circumstances.
- (a) A claim for Tom Jones who was last seen on a fishing boat six years ago. The claimant states that Tom Jones drowned. (15)
- (b) A claim for Sarah Green by her sister Claire Green. Claire has notified you that Sarah has died. Claire has provided a death certificate and proof that she is administering the estate but cannot find the policy document. (15)
- 16.** An underwriter receives a proposal for an own life with critical illness policy with the following features.
- |  |
|--|
| • Proposed life assured: female, single, aged 35.                                      |
| • Sum assured: £1,000,000  |
| • Medical history: Minor illnesses other than 'hospital investigations' two years ago. |
| • Occupation: University professor.  |
| • Hobbies: Hang-gliding.   |
- (a) Explain the issues the underwriter may need to consider when assessing the acceptability of the proposal; (10)
- (b) Outline the additional information that may be required for part (a) above and explain how it might be obtained. (20)
- 17.** The Directors at ABC Ltd have a workforce of 150 people and the Directors wish to improve the employee benefits package by introducing protection insurance.
- Explain to the Directors the types of insurance for group protection available and the considerations they should take into account in arriving at their decisions. (30)



