THE CHARTERED INSURANCE INSTITUTE

P63

Diploma in Insurance

Unit P63 – Long-term insurance business

April 2014 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 **three** market associations which represent UK life insurers. **(6)**

2. In relation to individual income protection policies:

   (a) outline **five** typical policy exclusions; **(5)**

   (b) describe briefly foreign residence and travel restrictions; **(5)**

   (c) outline the requirements of a change of occupation clause. **(5)**

3. Outline the key characteristics of the following:

   (a) Gilts. **(3)**

   (b) Local authority bonds. **(3)**

   (c) Debentures. **(3)**

4. In relation to defined benefit pension arrangements:

   (a) explain how member benefits are calculated and contributions are invested; **(11)**

   (b) outline how ill-health early retirement would normally be dealt with. **(4)**

5. Explain how group critical illness policies are usually underwritten. **(8)**

6. Explain briefly key person cover in relation to life assurance. **(8)**

7. Explain, quoting case law and statute, the consequences of a breach of the duty of disclosure.

8. **(a)** State the provisions of Section 11 of the Married Women's Property Act 1882 (MWPA). **(2)**

   (b) Explain the benefits of taking out a life insurance policy under the MWPA. **(7)**

9. Explain the action a life office may take if a policy falls into arrears. **(8)**

10. **(a)** Outline a typical terminal illness benefit which may be included in a life policy. **(5)**

   (b) Explain the steps a claims assessor may take when assessing medical evidence to support a claim for terminal illness benefit. **(5)**

11. Describe risk premium reinsurance. **(10)**

12. Outline **four** conditions which need to be present to define a pure protection contract under Financial Conduct Authority rules. **(8)**

13. Outline **five** exemptions from Inheritance Tax. **(10)**

14. Describe briefly **three** different types of purchased life annuity. **(9)**

Questions continue over the page

PART II

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

15. **(a)** The Life Assurance Act 1774 created the principle of insurable interest in life assurance contracts.

Discuss why the Act was passed, the reasons its principles are still relevant today, and how the definition of insurable interest has been widened subsequently. Your answer should include relevant case law. **(20)**

(b) A claim is made under a life assurance policy and investigations suggest that insurable interest was not present when the policy was taken out.

Explain the implications of this situation, citing any relevant legal cases in support of your answer. **(10)**

16. **(a)** Explain why reassurance is necessary and how an insurer cedes life assurance risks to another office. **(15)**

(b) Describe the key considerations a reassurer would take into account before agreeing to deal with a ceding office for the first time. **(15)**

17. **(a)** Discuss the **two** principal medical report forms available to an underwriter when considering the health of a proposer for life assurance and the circumstances when **each** is likely to be requested. **(20)**

(b) Identify, apart from medical history, the other considerations which arise when underwriting a proposal for life assurance from:

(i) a member of the armed forces; **(5)**

(ii) a businessman seeking term cover of £1million. **(5)**