

Long-term insurance practice

Objective: To develop in the candidate:

- a sound knowledge and understanding of the principles and procedures applicable to long-term insurance business;
- a sound knowledge and understanding of how the market is supervised.

Method of assessment: See page 6 in the 2004 Diploma in Insurance 'Information for candidates' brochure.

Notes:

- The syllabus will be based on UK law and practice.
- The April session will test the legal position as of 31st August of the preceding year.
- The October session will test the legal position as of 28th February of the same year.

1. The nature of insurance

1.1 Insurable risks

Candidates should be able to

- identify and discuss the characteristics of insurable risks.

1.2 Risk transfer and the common pool

Candidates should be able to

- explain the main function of risk transfer;
- explain the components and operation of the common pool.

1.3 Benefits of insurance

Candidates should be able to

- outline the benefits of insurance to the insured, the economy and society as a whole.

1.4 Ethical issues in insurance

Candidates should be able to

- describe the issues which affect the insurance industry.

1.5 Ethical behaviour

Candidates should be able to

- describe issues surrounding ethics in insurance, including:
 - ethical standards;
 - Consumer attitude and professional status;
 - professional discipline.

1.6 CII Code of Conduct.

Candidates should be able to

- outline the purpose and main features of the CII code of conduct.

2. Features of the long-term insurance market

2.1 Concept of a market

Candidates should be able to

- state what a market is.

2.2 Structure of the long-term insurance market

Candidates should be able to

- describe the structure of the long-term insurance market.

2.3 Organisations offering financial services

Candidates should be able to

- describe the nature and functions of organisations offering financial services, including:
 - mutual companies;
 - proprietary companies;
 - Lloyd's;
 - friendly societies and direct selling companies.

2.4 Categories of the insurance intermediaries and distinctions between them

Candidates should be able to

- identify the different categories of insurance intermediary;
- explain the distinctions between the various categories.

2.5 Approval of agencies

Candidates should be able to

- explain the requirements for the approval of agencies.

2.6 Characteristics of main types of insurer

Candidates should be able to

- describe the organisational characteristics of the main types of insurer.

2.7 Classification, formation and organisation of insurance companies

Candidates should be able to

- explain the classification, formation and organisation of insurance companies.

2.8 Administrative departments

Candidates should be able to

- describe the role and function of life insurers' administrative departments.

2.9 Investment departments

Candidates should be able to

- describe the role and function of life insurers' investment departments.

2.10 Actuaries and auditors

Candidates should be able to

- describe the role and function of the actuary;
- describe the role and function of the auditor.

2.11 Organisations representing sections of the insurance market

Candidates should be able to

- identify the various organisations that represent sections of the insurance market.

3. Long-term insurance coverage

3.1 Insurance related products and services

Candidates should be able to

- state the main features of insurance related products and services;
- state the benefits of insurance related products and services.

3.2 State benefit schemes

Candidates should be able to

- state the main features of State benefit schemes;
- state the benefits of insurance related products and services.

3.3 State benefit schemes and long-term insurance products

Candidates should be able to

- outline the relationship between State benefit schemes and long-term insurance products.

3.4 Characteristics and scope of the main classes of long-term insurance

Candidates should be able to

- describe the characteristics and scope of the main classes of long-term insurance, also including:
 - critical illness;
 - long-term care;
 - PHI;
 - group pensions;
 - personal pensions and stakeholder pensions.

3.5 Annuities

Candidates should be able to

- describe the characteristics of the main types of annuity.

4. Operation of long-term insurance

4.1 Legal principles

Candidates should be able to

- describe the characteristics of the following legal principles as applied to long-term insurance:
 - insurable interest;
 - utmost good faith;
 - indemnity;
 - proximate cause;
 - subrogation and contribution.

4.2 Proposal forms

Candidates should be able to

- explain the use of proposal forms;
- describe the structure of proposal forms;
- describe the content of proposal forms.

4.3 Acceptance letters and product particulars

Candidates should be able to

- describe the role and content of acceptance letters and product particulars.

4.4 Cancellation notices and cooling-off periods

Candidates should be able to

- give the main characteristics of cancellation notices and cooling-off periods.

4.5 Scheduled policy forms

Candidates should be able to

- explain the role and structure of scheduled policy forms.

4.6 Exceptions and conditions

Candidates should be able to

- describe the general features of exceptions and conditions in policies;
- explain the use and general features of exceptions and conditions in policies.

4.7 Payment of premiums

Candidates should be able to

- describe the general features of procedures for payment of premiums.

4.8 Renewal premiums

Candidates should be able to

- outline the methods used for dealing with renewal payments.

4.9 Non-payment of premiums and reinstatement

Candidates should be able to

- state the procedures for dealing with non-payment of premiums;
- state the procedures for dealing with reinstatement.

4.10 Nature of paid-up policies

Candidates should be able to

- state the nature of paid-up policies.

4.11 Assignments

Candidates should be able to

- state the characteristics of assignments, including the assignment of pension rights.

4.12 Amendment and conversion

Candidates should be able to

- outline the reasons for amending and/or converting policies and schemes;
- outline the procedures used for the amendment and/or conversion of policies and schemes.

5. Underwriting long-term business

5.1 Statistical basis of long-term insurance

Candidates should be able to

- outline the statistical basis of long-term insurance.

5.2 Role of the underwriter

Candidates should be able to

- state the role of the underwriter.

5.3 Calculation of premiums

Candidates should be able to

- describe the factors used in the theoretical calculation of premiums.

5.4 Basic principles

Candidates should be able to

- identify the basic principles of underwriting long-term insurance.

5.5 Rating

Candidates should be able to

- outline the nature of rating methods used for long-term products.

5.6 Medical examinations and reports

Candidates should be able to

- describe the purpose and use of medical examinations and reports within the underwriting process.

5.7 Body systems and medical conditions

Candidates should be able to

- state the characteristics of body systems relevant to life assurance underwriting;
- state the characteristics of medical conditions relevant to life assurance underwriting.

5.8 Factors affecting the underwriting of long-term insurance

Candidates should be able to

- state the characteristics of occupational factors affecting the underwriting of long-term insurance;
- state the characteristics of vocational factors affecting the underwriting of long-term insurance;
- state the characteristics of residential factors affecting the underwriting of long-term insurance;
- state the characteristics of financial factors affecting the underwriting of long-term insurance.

5.9 Nature of underwriting methods for dealing with under-average lives

Candidates should be able to

- outline the underwriting methods used for dealing with under-average lives.

6. Claims handling in long-term insurance

6.1 General procedures for notification and processing of claims

Candidates should be able to

- describe the procedures commonly used for the notification of claims.

6.2 Claims by maturity and death

Candidates should be able to

- outline the procedure for handling claims on maturity and death.

6.3 Documentation required for proof of age, title and death

Candidates should be able to

- explain the documentation required for proof of age, title and death.

6.4 Claims payment following suicide or unlawful acts

Candidates should be able to

- explain the principles relating to claims payments following suicide or unlawful acts.

6.5 Lost policies

Candidates should be able to

- outline the procedures for dealing with lost policies in claims applications.

6.6 Surrenders and loans

Candidates should be able to

- state the nature of surrenders and loans as 'claims' against policies.

6.7 Personal pension claims

Candidates should be able to

- describe the general procedures for dealing with pension claims;
- explain the documentary requirements for dealing with personal pension claims.

6.8 Characteristics of voluntary arbitration schemes

Candidates should be able to

- state the characteristics of voluntary arbitration schemes to settle disputes about claims.

6.9 Disability claims

Candidates should be able to

- describe the principles and procedures for dealing with disability claims.

7. Marketing and sales

7.1 Marketing methods

Candidates should be able to

- state the methods used in the marketing of insurance.

7.2 Selling and/or obtaining insurance cover

Candidates should be able to

- state the general procedures used to sell and/or obtain insurance cover.

7.3 Nature of distribution channels used by life insurers

Candidates should be able to

- describe the nature of distribution channels used by life insurers.

7.4 Procedures and regulations

Candidates should be able to

- outline the procedures and regulations that must be followed when selling long-term insurance products.

8. Supervision of long-term insurance

8.1 Grouping of insurance into classes

Candidates should be able to

- state how insurance is grouped into classes.

8.2 Development, role and need for government supervision of insurance

Candidates should be able to

- identify the main developments in Government supervision of insurance;
- state why Government supervision is required;
- summarise the role of Government supervision.

8.3 Major aspects of current regulations relating to control of insurers including direct selling insurers and intermediaries

Candidates should be able to

- describe the main provisions of current regulation for the control of insurers;
- describe the main provisions of current regulation for the control of intermediaries.

8.4 Statutory protection

Candidates should be able to

- describe the statutory means that exist for the protecting consumers in insurance investment business.

8.5 Codes of practice

Candidates should be able to

- state the purpose of codes of practice in insurance;
- explain the role of codes of practice in insurance;
- describe the operation of codes of practice in insurance.

8.6 Main requirements of codes of practice

Candidates should be able to

- describe the main requirements of codes of practice.

Reading list

The following list provides details of various publications which may assist with your studies. The primary text for this syllabus is shown in bold type. Periodicals and publications listed as additional reading will be of value in ensuring candidates keep up to date with developments and in providing a wider coverage of syllabus topics. Any reference materials cited are authoritative, detailed works which should be used selectively as and when required.

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.

Most of these additional study materials can be borrowed or purchased from CII Information Services at www.cii.co.uk/is

Primary text

Long-term insurance practice. London: The CII. Coursebook P02.

Additional reading

Introduction to Life Assurance and Pensions: the newcomer's guide. 1st edition. Chris Marshall.

London: Taxbriefs, 1993.

You sign. 2nd edition. T. O'Halloran. London: Witherby, 1992.

The Allied Dunbar Pensions Handbook. Pitman Publishing.

Reference works

Life assurance and Pensions Handbook. Chris Marshall.

London: Taxbriefs, annual.

Periodicals

The Journal. The CII. Six issues a year.

Post Magazine. Timothy Benn Publishing. Weekly.

Life Assurance Market. DYP Insurance and Reinsurance Research Group. Monthly.

Pensions Management. FT Business Information. Monthly.

Money Marketing.

Financial Adviser.

Examination guides

You are strongly advised to study these before the examination. Please visit www.cii.co.uk to buy online or contact CII Customer Service for further information on 020 8989 8464.