Chartered Insurance Institute

R05

Diploma in Regulated Financial Planning

Unit 5 – Financial protection

Based on the 2024/2025 syllabus
examined from 1 September 2024 until 31 August 2025

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Contents

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The CII Qualifications accessibility and special circumstances policy and guidance document can be viewed on the CII Rules and Policies page **www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/rules-and-policies/**

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Unit 5 – Financial protection

Based on the 2024/2025 syllabus examined from 1 September 2024 until 31 August 2025

Introduction

This examination guide has been produced by the Qualifications and Assessment Department at the Chartered Insurance Institute (CII) to assist students in their preparation for the R05 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 one hour 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 an R05 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 R05 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/unit-financial-protection-r05/**
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 R05 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 R05 learning outcomes into attainment levels. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested.

The syllabus requires that candidates have the ability to understand and evaluate the subject matter. Each learning outcome begins with one of these cognitive skills:

Understanding - Candidates must be able to link pieces of information together in cause and effect relationships. Typically questions may ask 'Why'. Questions set on an understand learning outcome can test either knowledge or understanding or both.

Evaluation - To answer questions requiring evaluation or critical evaluation, the candidate must be able to assess 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 evaluation.

Examination Information

The method of assessment for the R05 examination is 50 multiple choice questions (MCQs). 1 hour is allowed for this examination.

The R05 syllabus provided in this examination guide will be examined from 1 September 2024 until 31 August 2025.

Candidates will be examined on the basis of English law and practice in the tax year 2024/2025 unless otherwise stated. It should be assumed that all individuals are domiciled and resident in the UK 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.

R05 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.

Extracts from tax tables will be provided at each examination, an example of which can be found in this examination guide. Candidates may find it beneficial to familiarise themselves with this information in advance of the examination. Candidates may **not** take their own tax tables into the examination.

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 or best 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.

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.

Before the Examination

Before sitting the examination, please visit the preparation page on the CII website to familiarise yourself with the different requirements for sittings via remote invigilation and at an exam centre **www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/**

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.

Financial protection

Chartered Insurance Institute

Purpose

At the end of this unit, candidates should be able to demonstrate an understanding of and ability to analyse:

- the purpose and scope of financial protection products and how they interact with State benefits;
- the main features and functions of the different types of contracts and how they are arranged in order to meet the individual client's protection needs;
- the main protection needs of businesses.

Summary of learning outcomes		Number of questions in the examination*
1.	Understand the consumer and retail market factors and trends relevant to financial protection.	3
2.	Understand the areas of need for protection planning and the main sources of financial protection.	3
3.	Understand the role and limitations of State benefits and state/local authority funded solutions for financial protection.	3
4.	Understand the range, structure and application of life assurance and pension based policies to meet financial protection needs.	8
5.	Understand the taxation treatment of life assurance and pension based protection policies.	6
6.	Understand the range, structure and application of income protection insurance and options to meet financial protection needs.	6
7.	Understand the range, structure and application of critical illness insurance to meet financial protection needs.	6
8.	Understand the range, structure and application of long-term care insurance to meet financial protection needs.	3
9.	Understand the main features of other insurance based protection policies.	6
10.	Evaluate the needs and priorities for financial protection and the relevant factors in selecting appropriate solutions.	6

* 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.

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Important notes

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- Candidates will be examined on the basis of English law and practice in the tax year 2024/2025 unless otherwise stated.
- It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.
- This PDF document has been designed to be accessible with screen reader technology. If for accessibility reasons you require this document in an alternative format, please contact us on online.exams@cii.co.uk to discuss your needs.
- 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 consumer and retail market factors and trends relevant to financial protection.

1.1 Explain the role of insurance in mitigating personal financial risk.

1.2 Describe consumer attitudes and behaviours to protection needs planning.

1.3 Describe trends relevant to financial protection.

2. Understand the areas of need for protection planning and the main sources of financial protection.

2.1 Describe the need for protection planning for individuals and businesses.

2.2 Explain the relationship between insurance and assets and liabilities.

2.3 Describe the sources of financial protection.

3. Understand the role and limitations of State benefits and state/local authority funded solutions for financial protection.

3.1 Examine the role and limitations of State benefits and State/local authority funded solutions for financial protection.

4. Understand the range, structure and application of life assurance and pension based policies to meet financial protection needs.

4.1 Describe the types of life assurance policies, as well as pension based policies, their benefits, limitations, tax treatment and how they meet financial protection needs.

4.2 Describe the underwriting and claims issues and processes associated with life assurance and pension based policies.

5. Understand the taxation treatment of life assurance and pension based protection policies.

5.1 Describe the taxation treatment of life assurance and pension based protection policies.

6. Understand the range, structure and application of income protection insurance and options to meet financial protection needs.

6.1 Describe the types of income protection policies, their benefits, limitations, tax treatment and how they meet financial protection needs.

6.2 Explain the underwriting and claims issues and processes associated with income protection insurance.

7. Understand the range, structure and application of critical illness insurance to meet financial protection needs.

7.1 Describe the types of critical illness policies, their benefits, limitations, tax treatment and how they meet financial protection needs.

7.2 Explain the underwriting and claims issues and processes associated with critical illness insurance.

8. Understand the range, structure and application of long-term care insurance to meet financial protection needs.

8.1 Describe the regulation which applies to long-term care insurance.

8.2 Describe the main types of long-term care insurance policies and their features.

8.3 Describe the long-term care planning process.

9. Understand the main features of other insurance based protection policies.

9.1 Describe the main features of other insurance based protection policies.

10. Evaluate the needs and priorities for financial protection and the relevant factors in selecting appropriate solutions.

10.1 Identify the priorities, risks and choices for individuals or business clients.

10.2 Assess and quantify an individual's or business's future capital and income needs in real terms.

10.3 Determine the suitability of product types and options.

10.4 Explain planning considerations and approaches for appropriate, inclusive advice and positive customer outcomes including regard for protected characteristics.

10.5 Explain the importance of regular reviews.

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 study texts
Financial protection. London: CII. Study text R05.

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. Quarterly. Available at *protectionreview.co.uk*

Personal finance professional. London: CII. Four issues a year. Available online at *www.pfp.thepfs.org/sections/access-digital-magazine* (CII/PFS members only).

Life insurance international. London: Timetric. Monthly.

Retirement strategy. Supplement to Money marketing. London: Centaur Communications. Monthly. Also available at *www.moneymarketing.co.uk*.

Pensions age. London: Perspective. Monthly. Available at *www.pensionsage.com*.

Pensions Expert. London: FT Finance. Weekly. Available at *www.pensions-expert.com*.

Pensions insight. Newsquest Specialist Media. Monthly. Available at *www.pensions-insight.co.uk*.

Professional pensions. London: Incisive Media. Weekly. Available at *www.professionalpensions.com*.

Reference materials
Concise encyclopedia of insurance terms. Laurence S. Silver, et al. New York: Routledge, 2010.*

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004.

International dictionary of banking and finance. John Clark. Hoboken, New Jersey: Routledge, 2013.*

Harriman's financial dictionary: over 2,600 essential financial terms. Edited by Simon Briscoe and Jane Fuller. Petersfield: Harriman House, 2013.*

Examination guide

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate (*ciigroup.org/login*). 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.

* Also available as an eBook through eLibrary via *www.cii.co.uk/elibrary* (CII/PFS members only).

1. Ophelia is worried about the financial risk to which she is exposed because of the hazardous pursuits that Benjamin undertakes. A necessary requirement for Ophelia to be able to effect an assurance policy on Benjamin's life is that

A. Benjamin agrees to a trust being set up in which to settle the policy.
B. Benjamin is either her husband or her son or her father.
C. she has an insurable interest in Benjamin's life at policy commencement.
D. she secures Benjamin's consent to such policy.

2. Within a life assurance fund, what rate of tax, if any, applies to the interest received from corporate bonds?

A. None.
B. 20%
C. 40%
D. 45%

3. The types of protection policy that are **most readily** open to commoditisation are those where

A. comparisons between policies are simple and purchase is determined mainly by price.
B. comparisons between policies require expert advice.
C. policies of the same type may have significantly different conditions regarding underwriting.
D. policies of the same type may have significantly different conditions regarding valid claims.

4. Lucasta, single, has £500,000 assurance cover through her employment. She also has loans amounting to £750,000. Currently, she pays the interest on her loans from her regular earnings. Her mother, recently widowed, has assets of £2,000,000. Lucasta is the sole beneficiary of her mother's will. What, if anything, can rightly be inferred regarding Lucasta's current life assurance needs?

A. Nothing can rightly be inferred.
B. She has no need for any life assurance cover.
C. She needs life assurance cover of at least £250,000.
D. She needs life assurance cover of not more than £750,000.

5. Michael earns £40,000 per annum and has just started to pay £6,000 gross per annum into his personal pension plan. What is the **maximum** gross tax-relievable premium, if any, he can pay per annum to a new term assurance policy, given his current pension payment?

A. None.
B. £600
C. £4,000
D. £6,000

6. A company is intending to insure the life of a key individual aged 40 who is responsible for bringing in 40% of the company's £500,000 turnover, contributing significantly to the company's profits. What is **likely** to be the **most suitable** policy?

A. A 5-year convertible term assurance policy.
B. A 5-year renewable term assurance policy.
C. A family income benefit policy.
D. A with-profits endowment policy.

7. Harold, a married man, is wondering about what is meant when State benefits are described as means tested. He should be aware that, because of means testing, eligibility for such benefits may depend upon

A. his own income being below a certain limit only.
B. his and his wife's income being below certain limits only.
C. his and his wife's income and/or capital being below certain limits.
D. his National Insurance contribution record having reached a certain threshold.

8. Hannah is about to effect an income protection insurance policy and is unsure how, if at all, insurance companies take into account any State benefits received because of sickness or disability, when determining the **maximum** benefit available to her. She should be aware that such State benefits

A. are not taken into account.
B. are taken into account only if they are taxable.
C. are taken into account only if the applicant is self-employed.
D. may be taken into account, irrespectively of her tax and employment status.

9. A client earning £15,000 per annum is unable to work due to sickness and his employer will **NOT** continue to pay a salary while he is incapacitated. Which State benefit would he usually expect to receive after a few days to provide him with an income for the first 28 weeks?

A. Disability Living Allowance.
B. Employment and Support Allowance.
C. Attendance Allowance.
D. Statutory Sick Pay.

10. The cost of the life cover provided by a whole of life unit-linked policy is **typically** met by

A. a fixed level of unit cancellation throughout the life of the policy.
B. a variable level of unit cancellation throughout the life of the policy.
C. an increased level in the standard annual management charge.
D. regular deductions from the standard annual management charge.

11. The natural premiums of life assurance policies rise each year because

A. inflation needs to be taken into account.
B. the lives assured grow older.
C. there are new entrants.
D. underwriting is more stringent.

12. If a life assurance policy with terminal illness benefit is written under a discretionary trust, then any death benefits would **initially** be paid to the

A. assured.
B. beneficiaries of the trust.
C. life assured's estate.
D. trustees.

13. In the tax year 2024/2025, Simon, a higher-rate taxpayer, receives a terminal illness payment under a level term assurance policy and survives beyond the expiry date of the policy. He has fully used his dividend allowance and personal savings allowance for the tax year. What happens to the payment?

A. The payment remains his as a tax-free lump sum.
B. The payment remains his, but with a possible Capital Gains Tax liability.
C. The payment remains his, but with a possible Income Tax liability.
D. He must refund the payment to the life office.

14. Melissa has a whole of life policy on a standard sum assured basis and is using it as a way of saving over the longer term. Why is this **NOT** sensible?

A. The savings element is designed to avoid premium increases.
B. The savings element is available only on death of the life assured.
C. The policy cannot be assigned.
D. The policy lacks any surrender value.

15. Anthea effected a life assurance policy on the life of her business partner Benedict. She then assigned the policy to her husband Clive, who then assigned it to his mother Dawn. Who will be entitled to the policy's proceeds?

A. Anthea.
B. Benedict.
C. Clive.
D. Dawn.

16. What type of interest do the beneficiaries of a trust have with regard to the assets?

A. Equitable.
B. Insurable.
C. Legal.
D. Power of appointment.

17. Which possible tax advantage would **most likely** be sought when using a will for financial planning purposes?

A. A better use of the potentially exempt transfer (PET) rules.
B. A Capital Gains Tax reduction.
C. An Income Tax reduction.
D. An Inheritance Tax reduction.

18. A wealthy client intends to reduce his potential Inheritance Tax liability by making regular gifts using a life assurance policy written in trust for the benefit of his daughter. Ignoring the normal expenditure exemption, in order to maximise use of other exemption(s), the annual premium should be

A. £250
B. £3,000
C. £3,250
D. £4,000

19. Justine, an additional-rate taxpayer, invested £100,000 into an onshore life assurance bond just over four years ago. The bond's current value is £150,000 and she now wants to make her first withdrawal. What is the **maximum** sum that she may withdraw without any risk of an immediate tax liability?

A. £20,000
B. £25,000
C. £30,000
D. £37,500

20. Cecil is over age 55 at the outset of an endowment policy. Under qualifying rules, at least 75% of total premiums is **normally** payable on death, but is reduced by what percentage for each year that Cecil exceeds age 55?

A. 2%
B. 3%
C. 4%
D. 5%

21. Gerard assigned to Lucia a non-qualifying life assurance policy. Ignoring Inheritance Tax implications, what condition(s), if any, **must** hold in order for there to be no tax charge purely in virtue of the assignment?

A. There are no conditions.
B. Only that the assignment must be an outright gift.
C. That Gerard and Lucia are married at the time of the assignment.
D. That the assignment must be an outright gift and the surrender value at the time does not exceed £325,000.

22. The life assurance fund of a UK insurer has realised a £300,000 gain on disposal of some shares. Which tax, if any, could apply to this gain?

A. None.
B. Capital Gains Tax.
C. Corporation Tax.
D. Income Tax.

23. When considering an income protection insurance policy, the **key** difference between a guaranteed plan and a reviewable plan **primarily** relates to the

A. benefit level.
B. criteria used to assess a claim.
C. criteria used to underwrite an increment in benefits.
D. premium level.

24. Under a group income protection insurance scheme, free cover relates to the cover provided

A. during the deferred period, after a claim is made.
B. to each member without cost.
C. without any evidence of earnings being required.
D. without any evidence of health being required.

25. Rachel, a bank employee, has developed a disability resulting from arthritis and had her claim under an income protection insurance policy accepted. However, she only receives a reduced amount of the total benefit possible from the policy. What is the **most likely** reason for this?

A. Her employer is paying her sick pay.
B. She disclosed the arthritis at the outset of the policy.
C. The policy is still within the deferred period.
D. She is only unable to perform her own occupation.

26. Sam is applying for an income protection insurance policy. His only declared health issue is back pain, which has occurred intermittently over the last 10 years and he has taken 6 months off work during that period. How is this likely to affect treatment of his application?

A. It will be accepted with an exclusion applied.
B. It will be accepted on standard terms, but the deferred period will have to be at least 6 months.
C. It will usually be accepted on standard terms.
D. It will always be rejected.

27. Tom and Jane are twins with no significant health issues. They have identical income protection insurance policies effected on the same date, for the same level of cover, on the same terms. Tom is an accountant and Jane is an office clerk. How, if at all, are their monthly premiums **most likely** to differ?

A. It is not possible to determine.
B. Their premiums would not differ.
C. Tom's premiums would be more expensive.
D. Jane's premiums would be more expensive.

28. Robert, a self-employed plumber, has a net profit of £200,000 per annum and is paying £1,000 per month for cover under an individual income protection insurance policy. How much Income Tax relief, if any, can he claim per month on the premium?

A. None.
B. £200
C. £400
D. £450

29. Lavinia declared all relevant information requested, when she effected a critical illness insurance policy. Regarding an illness, a necessary condition for any claim being successful under the policy, is that the illness

A. is not terminal.
B. meets the policy's criteria only.
C. meets the policy's criteria and the claim is made within 30 days of the illness occurring.
D. meets the policy's criteria and she cannot return to work.

30. Samantha has critical illness insurance cover paid for by her employer. What is Samantha's tax position with regard to the policy?

A. The premiums are treated as a benefit in kind and any benefits paid are tax exempt.
B. The premiums generate no tax liability but any benefits paid are liable to Capital Gains Tax.
C. The premiums generate no tax liability but any benefits paid are liable to Income Tax.
D. The premiums generate no tax liability and any benefits paid are tax exempt.

31. A company's directors are considering offering group critical illness cover to the company's employees. They have recently heard of the development of severity-based cover. They need to be aware that under such a policy

A. claims would only be valid for employees unable to work as a result of the covered illness.
B. fewer illnesses are covered compared with usual critical illness policies.
C. more than one valid claim may be made regarding a given individual, when the illness progresses in its severity.
D. valid claims would always lead to the full sum insured being paid out.

32. Ludmilla had a stand-alone guaranteed critical illness policy. She suffered a heart attack which is an event covered by the policy, yet no payment was made, despite a claim being made. Why was this?

A. The attack occurred when she was residing outside the free limits.
B. The attack occurred within the first six months of the policy.
C. She died before the end of the policy's survival period.
D. She died when she was residing outside the free limits.

33. Whose responsibility is it to prove a critical illness claim?

A. The insurer's chief medical officer only.
B. The policyholder's general practitioner (GP) only.
C. The policyholder only.
D. The policyholder and the insurer's chief medical officer jointly.

34. The **key** underwriting factor for a group critical illness scheme is

A. the anticipated number of new entrants.
B. morbidity.
C. the nature of the business.
D. the number of members of the scheme.

35. Under a long-term care insurance policy, the benefit **normally** becomes payable if the claimant

A. cannot carry out a number of specified activities of daily living (ADLs).
B. is diagnosed as having a specified illness.
C. is unable to work due to long-term sickness or accident.
D. suffers an illness requiring a minimum period of convalescence care.

36. An uncle has recently given his niece a Lasting Power of Attorney (LPA) to deal with his welfare needs if he loses mental capacity. What action should the niece take in anticipation of that possible loss?

A. Apply for a deed of variation.
B. Appoint a co-attorney.
C. Register the LPA with the Office of the Public Guardian.
D. Require him to complete a Property and Financial Affairs LPA depositing both LPAs with his solicitor.

37. The Financial Conduct Authority defines long-term care insurance as essentially providing benefits to policyholders when, through deterioration of health, they

A. are likely to be unable to work for a long term, defined as at least five years.
B. are unable to perform at least five activities of daily living.
C. cannot continue to live independently without assistance.
D. must enter a long-term care home.

38. John and Amy, both aged 42, are getting divorced. They currently have a family income benefit policy which is effected on a joint life first death basis. As a result of the divorce, what will happen to the policy, if anything?

A. Nothing, the policy may continue unaltered.
B. The policy must be cancelled.
C. The policy will be transferred into one of their names, as decided by the court.
D. The terms of the policy must be revised.

39. Sarah is a higher-rate taxpayer whose realised gains already fully use up her Capital Gains Tax (CGT) exemption for the tax year 2024/2025. Her dividend income exceeds her dividend allowance and her savings income exceeds her personal savings allowance. She has her own private medical insurance which is paying for the treatment of an acute condition. What is her tax liability, if any, regarding these payments during this year?

A. None.
B. 20% CGT.
C. 20% Income Tax.
D. 40% Income Tax.

40. Which type(s) of medical conditions is a private medical insurance policy designed to cover?

A. Acute conditions only.
B. Chronic conditions only.
C. Acute and chronic conditions only.
D. Acute, chronic and pre-existing conditions.

41. Jessica started an accident, sickness and unemployment (ASU) policy in February 2023 when she had just turned 54. She was employed, full time, in a call centre. She had been paying into a personal pension plan for many years and continued to do so. In August 2024, she became unemployed, but the provider of the ASU policy rejected her claim for benefits. The rejection was justified because her

A. policy had been in force for under two years.
B. unemployment arose as part of a mass redundancy.
C. unemployment arose when she could take the benefits from her pension plan.
D. unemployment was her voluntary decision

42. Private medical insurance premiums are being paid by the employer for an employee who is a higher-rate taxpayer. What is the employee's tax position with regard to these premiums?

A. The employee is not liable to tax on the premiums.
B. The employee must pay Income Tax at his marginal rate.
C. The employer must pay all the tax due on behalf of the employee.
D. The employer must pay the tax due, only up to the basic-rate level, on behalf of the employee.

43. Under an accident, sickness and unemployment insurance policy, how does the **maximum** benefit payment term for long-term sickness **usually** compare with the **maximum** benefit payment term for unemployment?

A. The benefits will always be payable for longer in the event of long-term sickness.
B. The benefits will always be payable for longer in the event of unemployment.
C. The benefits will be payable for restricted terms of similar duration.
D. The benefits will be payable for the entire duration of the event in both cases.

44. What is the essential feature of a capitation scheme relating to a dental plan?

A. It places special restrictions on dental treatments covered.
B. It provides the possibility of cashback.
C. It is a means for people to budget for their dental costs.
D. It is a means of insuring against dental costs.

45. An adviser has recommended that his client purchases an income protection insurance policy with a 26-week deferred period, but the client insists on 52 weeks instead. What action should the adviser take?

A. Proceed on a 52-week basis and document the client as being insistent in a suitability report.
B. Proceed on a 26-week basis and incorporate a stepped deferred period facility.
C. Refuse to proceed unless the client accepts the recommendation.
D. Take no action and recommend the client reassesses the matter after a year.

46. Malik has recently effected a unit-linked critical illness policy. He is aware that his circumstances may change and also that inflation could affect the benefits, but he is wondering why, those considerations apart, his financial adviser is still recommending regular reviews. What good reason(s), if any, are there for the recommendation?

A. None.
B. Only that the insurer may reduce the illnesses covered by the policy.
C. There may be investment underperformance and a reduction in the illnesses covered.
D. There may be investment underperformance and more competitive products may enter the market.

47. What is the **most appropriate** type of trust for a combined policy consisting of critical illness cover and life assurance?

A. An absolute trust.
B. A discretionary trust.
C. A split trust.
D. A statutory trust.

48. Habib has such a significant role as an employee of a pharmaceutical company that the company has recently effected a key person policy on his life. Habib has since written a will. If he were to die during the term of the policy, typically to whom would the death benefits initially be payable?

A. The company.
B. The company's nominated beneficiaries according to the policy.
C. The executors of Habib's will.
D. Habib's nominated beneficiaries according to the policy.

49. Which underwriting factor has a greater impact on an income protection insurance policy than on a critical illness policy?

A. Family medical history.
B. Geographical location in the UK.
C. Level of existing cover.
D. Type of occupation.

50. What **initially** happens to a deceased director's shares in a business?

A. They are held by the company as trustee for beneficiaries.
B. They form part of the deceased's estate.
C. They pass to the remaining directors.
D. They pass to the remaining shareholders.

INCOME TAX

RATES OF TAX	2024/2025
Starting rate of 0% on savings income up to*	£5,000
Personal Savings Allowance	
Basic rate	£1,000
Higher rate	£500
Additional rate	Nil
Basic rate of 20%	£0 to £37,700
Higher rate of 40%	£37,701 to £125,140
Additional rate of 45%	£125,141 and over

**For non-savings income less than £17,570 only. The starting rate for savings applies for up to a maximum of £5,000 of savings income.*

Dividend Allowance	£500
Dividend tax rates	
Basic rate	8.75%
Higher rate	33.75%
Additional rate	39.35%

Trusts	
Income exemption up to**	£500
Rate applicable to trusts	
- Dividends	39.35%
- other income	45%

*** Where net income exceeds £500, the full amount is subject to Income Tax*

MAIN PERSONAL ALLOWANCES AND RELIEFS

Income limit for Personal Allowance §	£100,000
Personal Allowance (basic) §	£12,570
Marriage Allowance	£1,260
Rent-a-room scheme - tax-free income allowance	£7,500

§ *Reduced allowance of £1 for every £2 of adjusted net income over and above £100,000*

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	per week
Lower Earnings Limit (LEL)	£123
Primary threshold	£242
Upper Earnings Limit (UEL)	£967

Class 1	Employee	Employer
NICs rate	8%	13.8%
No NICs on the first (per week)*	£242	£175**
NICs rate charged up to (per week)	£967	No limit
NICs rate on earnings over UEL	2%	n/a

** This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £123 per week. This £123 to £242 band is a zero-rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the new State Pension.*
*** Secondary threshold.*

Class 2 (self-employed)	
Flat rate per week	£3.45
Small profits threshold per year	£6,725

Class 2 contributions are credited automatically where profits equal or exceed £6,725 per annum.
Class 2 contributions can be made voluntarily where profits are below £6,725 per annum.

Class 3 (voluntary)	Flat rate per week £17.45.
Class 4 (self-employed)	6% on profits between £12,570 and £50,270. 2% on profits above £50,270.

PENSIONS

	2024/2025
Annual Allowance*	£60,000
Lump sum and death benefit allowance (LSDBA)	£1,073, 100
Lump sum allowance (LSA)	£268,275

LSA and LSDBA may be higher if transitional protections are available.
Where pension benefits were crystallised prior to 6 April 2024 the LSA and LSDBA may be reduced.

Money Purchase Annual Allowance	£10,000

** Reduced by £1 for every £2 of 'adjusted income' over £260,000 to a minimum of £10,000 if 'threshold income' is also over £200,000.*

CAPITAL GAINS TAX

TAX RATES	2024/2025
Individuals:	
Up to basic rate limit	10%
Above basic rate limit	20%
Surcharge for residential property and carried interest gains up to basic rate limit	8%
Surcharge for residential property above basic rate limit	4%
Surcharge for carried interest gains above basic rate limit	8%
Trustees and Personal Representatives:	
Residential property	24%
Other chargeable assets	20%
Business Asset Disposal Relief*	10%
Lifetime limit	£1,000,000

**For trading businesses and companies (minimum 5% employee or director shareholding) held for at least two years.*

ANNUAL EXEMPTIONS	
Individuals, estates etc	£3,000
Trusts generally	£1,500
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000

STAMP DUTY LAND TAX

	Residential
Value up to £250,000	0%
£250,001 - £925,000	5%
£925,001 - £1,500,000	10%
£1,500,001 and over	12%

Additional Stamp Duty Land Tax (SDLT) rules still apply as below.

- *First-time buyers benefit from SDLT relief on purchases up to £625,000 when purchasing their main residence. On purchases up to £425,000, no SDLT is payable. On purchases between £425,001 and £625,000, a flat rate of 5% is charged on the balance above £425,000.*
- *Additional SDLT of 3% may apply to the purchase of additional residential properties purchased for £40,000 or greater.*
- *SDLT may be charged at 15% on interests in residential dwellings costing more than £500,000 purchased by certain corporate bodies or non-natural persons in some circumstances.*
- *SDLT is payable in England and Northern Ireland only. Land Transaction Tax (LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. The rates for LTT and LBTT are different to the rates shown above.*
- *Additional rates of LBTT and LTT apply in Scotland and Wales respectively for the purchase of additional residential properties. First-time buyers benefit from LBTT relief in Scotland. There is no LTT relief for first-time buyers in Wales.*

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2024/2025
Transfers made on death	
- Up to £325,000	Nil
- Excess over £325,000	40%
- Reduced rate (where appropriate charitable contributions are made)	36%
Chargeable lifetime transfers to trusts	20%

MAIN EXEMPTIONS

Transfers to	
- UK-domiciled spouse/civil partner	No limit
- non-UK-domiciled spouse/civil partner (from UK-domiciled spouse)	£325,000
- main residence nil-rate band*	£175,000
- UK-registered charities	No limit

** Available for estates up to £2,000,000 and then tapered at the rate of £1 for every £2 in excess until fully extinguished.*

Lifetime transfers	
- Annual exemption per donor	£3,000
- Annual small gifts exemption per donor	£250
Wedding/civil partnership gifts by	
- Parent	£5,000
- Grandparent/bride or groom	£2,500
- other person	£1,000

100% relief: businesses, unlisted/AIM companies, certain farmland/building
50% relief: certain other business assets

Reduced tax charge on gifts made in excess of the nil rate band within 7 years of death:

- Years before death	0-3	3-4	4-5	5-6	6-7
- Inheritance Tax payable	100%	80%	60%	40%	20%

Quick succession relief:

- Years since IHT paid	0-1	1-2	2-3	3-4	4-5
- Inheritance Tax relief	100%	80%	60%	40%	20%

CORPORATION TAX

	2024/2025
Small profit rate - for taxable profits below £50,000	19%
Main rate - for taxable profits above £250,000	25%

Companies with profits between £50,000 and £250,000 will pay tax at the main rate, reduced by a marginal relief. This provides a gradual increase in the effective Corporation Tax rate.

VALUE ADDED TAX

	2024/2025
Standard rate	20%
Annual registration threshold	£90,000
Deregistration threshold	£88,000

MAIN SOCIAL SECURITY BENEFITS

		2024/2025
Child Benefit	First child	£25.60
	Subsequent children	£16.95
	Guardian’s Allowance	£21.75
Basic State Pension	Category A & B full rate	£169.50
	Category B (lower) full rate	£101.55
New State Pension	Full rate	£221.20
Pension Credit	Standard minimum guarantee - single	£218.15
	Standard minimum guarantee - couple	£332.95
Bereavement Support Payment	Higher rate - lump sum	£3,500
	Higher rate - monthly payment	£350
	Standard rate – lump sum	£2,500
	Standard rate – monthly payment	£100

Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome
Learning Outcome 1		
1	C	1.1
2	B	1.2
3	A	1.3
3 Questions		
Learning Outcome 2		
4	A	2.2
5	A	2.3
6	B	2.1
3 Questions		
Learning Outcome 3		
7	C	3.1
8	D	3.1
9	D	3.1
3 Questions		
Learning Outcome 4		
10	B	4.1
11	B	4.2
12	D	4.1
13	A	4.1
14	A	4.1
15	D	4.2
16	A	4.1
7 Questions		
Learning Outcome 5		
17	D	5.1
18	B	5.1
19	B	5.1
20	A	5.1
21	B	5.1
22	C	5.1
6 Questions		
Learning Outcome 6		
23	D	6.1
24	D	6.1
25	A	6.2
26	A	6.2
27	B	6.2
28	A	6.1
6 Questions		
Learning Outcome 7		
29	B	7.1
30	A	7.2
31	C	7.1
32	C	7.1
33	C	7.2
34	B	7.2
6 Questions		
Learning Outcome 8		
35	A	8.2
36	C	8.3
37	C	8.1
38	A	8.3
4 Questions		
Learning Outcome 9		
39	A	9.1
40	A	9.1
41	D	9.1
42	B	9.1
43	C	9.1
44	C	9.1
6 Questions		
Learning Outcome 10		
45	A	10.1
46	D	10.5
47	C	10.4
48	A	10.2
49	D	10.3
50	B	10.2
6 Questions		