
Joint Financial Services Diploma

Life Administration Certificate

Life Assurance

Study/Examination Guide*

2009/2010



*This guide relates to examinations based on September 2009 edition text.

Copyright © LIA Ireland/Insurance Institute of Ireland/Institute of Bankers in Ireland 2009|10

All rights reserved. Material published in this study course is copyright and may not be reproduced in whole or in part including photocopying or recording, for any purpose without the written permission of the copyright holders. Such written permission must also be obtained before any part of this publication is stored in a retrieval system of any nature.

LIFE ASSURANCE STUDY/EXAMINATION GUIDE

INTRODUCTION

This Examination Guide has been produced to help students to prepare for the *Life Assurance Module* Examination.

THE MODULE OUTLINE

Module Title	Life Assurance
European Credit Transfer System Credits (ECTS)	5 ECTS Credits
Independent Study	The time needed to assimilate and understand the module content will vary from student to student. Nevertheless, we recommend that students need to undertake in the region of 100 hours of independent study.
Assessment	This module is assessed by an end of module examination, which consists of 80 multiple choice-style exam questions. The pass mark is 50% . The examination will be 1 ½ hours in duration.
Indicative Module Description	This module introduces the student to the main personal financial needs of a consumer at the different life stages. The module examines the main features, benefits, limitations and risks of the different types of life assurance, protection, savings, investment and pension policies. The module provides students with details of the underwriting and claims processes. It explores the issues of Wills and Succession Act Rights, and gives the student a computational framework within which financial discounting and accumulation calculations are made.
High Level Module Learning Outcomes	On completion of this module students will be able to: <ul style="list-style-type: none">• Describe the main personal financial needs of the consumer at all life stages• Explain the main features, benefits, limitations and risks of different types of protection, savings, investment and pension policies.• Show how policyholder policy returns are taxed and calculate the tax deductible in different circumstances.• Detail the issues involved in starting a policy, describe how the policy can be arranged, and the procedure to claim benefits.• Identify the constituents in a valid Will, explain how a deceased's assets are distributed after death, and discuss the impact of the Succession Act rights of a spouse and children.• Perform time value of money calculations involving accumulation and discounting of cash sums.
Core Text	Life Assurance, published by LIA/III/IoB - 2009 10 Edition 1

LIFE ASSURANCE STUDY/EXAMINATION GUIDE

THE EXAMINATION

The assessment is via an end of module 90 minute (1.5 hours) Examination. The Examination format is Multiple Choice Examination (MCQ), in which candidates will be required to answer 80 MCQs. All the questions in the examination are in the form of "one from four" multiple choice (select one from options A, B, C or D).

Candidates will pass on achieving a score of 50%.

The MCQ answers will be scored thus:

For each correct answer a candidate will score 3 marks

For each incorrect answer a candidate will score -1 mark (minus one mark)

For each unanswered question a candidate will score 0 marks

The exam will be marked out of 240 marks (80 x 3 = 240)

To explain using an example:

Where a candidate gets 50 of the 80 answers correct what would they score?

For each correct answer they will get 3 marks: $50 \times 3 = 150$

For each incorrect answer they will get -1 marks (assume they answered all the other questions incorrectly) – $(80-50 = 30$ incorrect answers) $30 \times -1 = -30$

We have assumed they answered all questions; so no unanswered question score is recorded

The result is then calculated thus:

$(150 - 30)/240 = 120/240 = 50\%$ (where the new pass % is 50%)

Where a candidate gets 60 of the 80 answers correct what would they score?

For each correct answer they will get 3 marks: $60 \times 3 = 180$

For each incorrect answer they will get -1 marks (assume they answered all the other questions incorrectly) $(80-60 = 20$ incorrect answers) $20 \times -1 = -20$

We have assumed they answered all questions; so no unanswered question score is recorded

The result is then calculated thus:

$(180 - 20)/240 = 160/240 = 66.67\%$ (where the new pass % is 50%)

Where a candidate gets 40 of the 80 answers correct what would they score?

For each correct answer they will get 3 marks: $40 \times 3 = 120$

For each incorrect answer they will get -1 marks (assume they answered all the other questions incorrectly) $(80-40 = 40$ incorrect answers) $40 \times -1 = -40$

We have assumed they answered all questions; so no unanswered question score is recorded

The result is then calculated thus:

$(120 - 40)/240 = 80/240 = 33.33\%$ (where the new pass % is 50%)

The change to MCQ scoring together with the new pass mark are designed to neither benefit nor disadvantage candidates but to neutrally implement the 50% pass mark.

In the above examples we have assumed that the candidate answered all the incorrect answers, had they left them blank then their score would have been higher.

Please note that the introduction of both the 50% pass mark and the above described MCQ scoring regime represents changes commencing the academic year 2009|10.

A Pass is achieved with at least 50 out of 80 answered correctly and all other answered incorrectly.

LIFE ASSURANCE STUDY/EXAMINATION GUIDE

The examination papers are made up, as far as possible, of 50% Knowledge, 25% Understanding and 25% Application questions.

In order to clarify the three types of question we have taken examples of them from the sample paper and explain the difference here.

Knowledge

Knowledge questions focus on the memorisation and recall of terms, facts, methods and principles (factual information) which underpin the theories, concepts or methods of the subject matter.

What is a codicil?

- A** A bequest made under a Will.
- B** The Executor of a valid Will.
- C** An amendment made to an existing Will.
- D** Another name for an invalid Will.

Understanding

An understanding question will test whether you have a deeper grasp of the subject matter than the simple facts. It is likely, although not certain, that these type of questions will ask 'how' or 'why'. They will require more thought to answer them than the knowledge type of question.

Why might Paul exercise an insurability option under a term assurance policy held by him?

(i) The events covered by the option are likely to give rise to Paul needing more cover.

(ii) If the option is not exercised, the policy can be lapsed by the life company without notice.

(iii) The option can be exercised by Paul, without a need to provide fresh evidence of health.

- A** (ii) only.
- B** (iii) only.
- C** (i) and (iii) only.
- D** (i), (ii) and (iii).

Application

As the name suggests an application question will test whether you are able to use your knowledge and understanding to solve particular problems. They will always require more thinking than knowledge or understanding type questions.

Catherine has taken out a life assurance savings plan for a fixed €100 per month. The plan has a non allocation period of four months and 105% allocation thereafter.

How much, in total, will have been allocated to purchase units after the first three years of the Plan?

- A** €1,200
- B** €2,520
- C** €3,360
- D** €3,600

These are the three types of questions we will ask you. Each examination paper will broadly test the same areas of the module. So in order for you to study your core text with the examination in mind, we have set out the module learning outcomes in the table overleaf. From this table you will be able to see how the high level learning outcomes (at the module level) are broken down into Chapter level learning outcomes. These learning outcomes guide the construction of the examination paper. In addition, you will see the Chapter exam weighting; this corresponds broadly with the likely number of questions on the exam paper.

We would like to stress that the number of questions per chapter corresponds broadly with the chapter weighting provided and is given for guidance only. Due to the complex issues associated with examination setting, some variation from these indicative weightings per chapter may occur in actual examination papers.

LIFE ASSURANCE - MODULE LEARNING OUTCOMES

Module Learning Outcomes <i>On completion of this module, students should be able to:-</i>	Core text: Chapter Learning Outcomes <i>On completion of this chapter, students should be able to:-</i>	Core text: Indicative Content by Chapter	Exam Weighting (%)
Describe the main personal financial needs of the consumer at all life stages	C1 Describe the main types of personal financial needs, the difference between earned and unearned income and explain what is meant by Personal Financial Planning.	1.1 What is a financial need? 1.2 Main types of Financial needs, Life Cycle, 1.3 Earned Income 1.4 Personal Financial Planning	1 to 4 %
	C1 Describe what a financial product is and the main types of financial product providers and outline the types and role of financial intermediaries.	1.5 Financial Products and Providers 1.6 Financial Intermediaries	
Explain the main features, benefits, limitations and risks of different types of protection, savings, investment and pension policies	C2 Demonstrate the different ways a life assurance company might be authorised to transact life assurance business.	2.1 Authorisation	8 to 10%
	C2 Describe prudential regulation and identify who regulates a life company including the setting of the conduct of business rules for a life company.	2.2 Prudential regulation – The Appointed Actuary, Annual Returns. 2.3 Conduct of business regulation	
	C2 Outline a policyholder's entitlement in the event of a wind up of a life company.	2.7 Winding up of a life company.	
	C2 Differentiate between the two forms of life assurance companies.	2.4 Legal forms	
	C2 Outline the different types of policies.	2.5 Types of policies; broad categories, life and pensions, ordinary branch and industrial assurances, life assurance vs. life insurance, long term contracts, premiums, unit linked, with profit, investment risk 2.6 Official classification of policies 2.8 Common terms	

LIFE ASSURANCE - MODULE LEARNING OUTCOMES

Module Learning Outcomes <i>On completion of this module, students should be able to:-</i>	Core text: Chapter Learning Outcomes <i>On completion of this chapter, students should be able to:-</i>	Core text: Indicative Content by Chapter	Exam Weighting (%)
	C2 Identify the different forms of insurance intermediaries.	2.9 General Insurance 2.10 Sales; insurance intermediaries, sales force, intermediary and sales remuneration 2.11 Authorisation to give advice	
Explain the main features, benefits, limitations and risks of different types of protection, savings, investment and pension policies	C3 Describe the different types of temporary assurance policy and identify the main features, benefits, limitations and risk of these different types. Decide what actions companies will take in given situations.	3.1 Temporary Assurances 3.2 Term Assurance 3.3 Convertible Term Assurance 3.4 Indexation 3.5 Insurability option 3.6 Renewable, increasable and convertible term assurance 3.7 Section 785 Term Assurance 3.8 Pension Term assurance 3.9 Family income benefit 3.11 Limitations 3.12 Risks 3.13 Non payment of premiums	5 to 8%
	C3 Define the different ways a home loan borrower can arrange mortgage protection cover.	3.10 Mortgage Protection; decreasing term assurance, group mortgage protection, borrower's options, limitations	

LIFE ASSURANCE - MODULE LEARNING OUTCOMES

Module Learning Outcomes <i>On completion of this module, students should be able to:-</i>	Core text: Chapter Learning Outcomes <i>On completion of this chapter, students should be able to:-</i>	Core text: Indicative Content by Chapter	Exam Weighting (%)
	C4 Describe the main features, benefits, limitations and risks of the different types of whole of life. Calculate benefits and sums at risk.	4.1 What is “whole of life” 4.2 With Profit Whole of Life, Reversionary bonus, terminal bonus, encashment value 4.3 Low Cost Whole of Life, 4.4 Non Profit Whole of Life 4.5 Unit Linked Protection Policy; buying units, encashment value, life cover, the sum at risk, bombing out, cover types, premium review, premium guarantee period, flexibility 4.6 Non forfeiture 4.7 Section 72 policies 4.8 Limitations 4.9 Risks; with profit whole of life, low cost whole of life, non profit whole of live, unit linked protection, inflation	6 to 9%
Explain the main features, benefits, limitations and risks of different types of protection , savings, investment and pension policies	C5 Describe the main features, benefits, limitations and risks of serious illness cover.	5.2 Serious Illness Cover – Acceleration of Life Cover, Standalone serious illness courier, double courier, permanent total disability, total disablement, loss of independence, waiting period, terminal illness cover, comparison of different cost of cover, typical causes of serious illness claims 5.3 Limitation of protection products	5 to 8%
	C5 Describe the main features, benefits, limitations and risks of Permanent Health Insurance (PHI).	5.4 Permanent Health Insurance; payment of Benefit, Tax, Premium, Limitations, Waiver of Premium, cessation of benefit. Group PHI	
	C5 Compare and contrast Permanent Health Insurance and Serious Illness Cover.	5.5 PHI vs Serious Illness cover 5.6 Risks; non-disclosure, serious illness cover, permanent health insurance, inflation	
	C5 Examine the main features and benefits of supplementary accident and medical expense insurance.	5.7 Accident Insurance; Serious Illness & PHI, sickness and accident policies. 5.8 Medical Expense Insurance; Private Health Insurance, Hospital Cash, Surgical Cash.	

LIFE ASSURANCE - MODULE LEARNING OUTCOMES

Module Learning Outcomes <i>On completion of this module, students should be able to:-</i>	Core text: Chapter Learning Outcomes <i>On completion of this chapter, students should be able to:-</i>	Core text: Indicative Content by Chapter	Exam Weighting (%)
	C6 Outline the main legal and taxation differences between a sole trader, partnership and a limited company.	6.2 Business Structures – Sole Trader, Partnership and Limited Company	5 to 8%
	C6 Describe Partnership Insurance, the different ways in which it can be arranged and the taxation implications of each of these ways.	6.3 Partnership Insurance – Overview, Structure, Arranging Life Cover, Put and Call Option Agreement, Section 785 Policies, Payment of Premiums, Corporate Co Directors Insurance, Serious Illness.	
	C6 Describe Key person Insurance, how it can be arranged and its taxation implications.	6.4 Key person Insurance – Overview, Quantifying the Loss, Arranging the policy, Taxation.	
Explain the main features, benefits, limitations and risks of different types of protection, savings, and investment and pension policies	C7 Describe the main features, benefits, limitations and risks of unit linked, traditional with profit and endowment mortgage savings plans.	7.1 Unit Linked savings plans – Purchasing Units, Savings term, encashment value, life cover, charges, automatic indexation, Unit Fund choice, partial encashment, limitations, risks. 7.2 Traditional with profit endowment savings plans; guarantees, bonuses, limitations, risks, second hand endowments 7.3 Endowment mortgage savings plans	

LIFE ASSURANCE - MODULE LEARNING OUTCOMES

Module Learning Outcomes <i>On completion of this module, students should be able to:-</i>	Core text: Chapter Learning Outcomes <i>On completion of this chapter, students should be able to:-</i>	Core text: Indicative Content by Chapter	Exam Weighting (%)
	C7 Describe the main features, benefits, limitations and risks of unit linked, with profit, tracker bonds and guaranteed growth investment bonds.	7.4 Unit Linked Investment Bonds – Investment Term, Charges, Death benefit, Unit fund choice, Wrapper Bond, Partial encashment, “automatic income” facility. Fund switching, limitations, investment risk 7.5 With Profit Bonds; conventional or unitised, market value adjustment factors, guarantees, death benefit, automatic income, limitations, investment risks 7.6 Tracker bonds, two components, averaging of indices, structure, access to funds, limitations, risks, consumer protection code 7.7 Guaranteed growth bonds, early encashment, returns, limitations, risks	16 to 19%
	C7 Outline the main provisions of the Financial Regulator Consumer Protection Code in relation to illustrations and advertisements for savings and investment policies.	7.9 Consumer Protection Code; Advertising, Warning Statements, Use of term “guaranteed”, referring to past performance, reference to taxation, return unknown, regular encashment, not readily realisable, early encashments, products subject to front end loading charges.	
Explain the main features, benefits, limitations and risks of different types of protection, savings, investment and pension policies	C8 Describe the main features, benefits, limitations and risks of Personal Pension Plans, Personal Retirements Savings Accounts and Approved Retirement Funds.	8.2 Different policy types 8.3 Personal Pension Plans; Eligibility, Revenue approval, tax relief on Premiums, Fund Switching, Taking Retirement Benefits, Limitations, and Risks. 8.4 PRSAs; eligibility, providers, approval of PRSA product, standard PRSA’s, retirement benefits. AVCs, tax relief, compulsory access, disclosure of information, cooling off period, limitations, risks 8.5 Approved Retirement Funds, Drawdown, death, approved minimum retirement fund, transfers, limitations, risks	

LIFE ASSURANCE - MODULE LEARNING OUTCOMES

Module Learning Outcomes <i>On completion of this module, students should be able to:-</i>	Core text: Chapter Learning Outcomes <i>On completion of this chapter, students should be able to:-</i>	Core text: Indicative Content by Chapter	Exam Weighting (%)
	C8 Explain how an occupational pension scheme is established, the tax reliefs available, and the maximum approvable benefits that can be provided by approved schemes.	8.6 Occupational Pension Schemes – executive pension plans, how the scheme is set up, tax relief, maximum benefits, maximum contribution levels, taking retirement benefits, risks	8 to 10%
	C8 Identify the main ways in which an employee can pay Additional Voluntary Contributions.	8.7 Additional Voluntary Contributions	
	C8 Define a Buy out Bond and when funds can be transferred to such a bond.	8.8 Buyout bonds	
Explain the main features, benefits, limitations and risks of different types of protection, savings, investment and pension policies	C9 Differentiate between a Purchased Life Annuity and a Compulsory Purchase Annuity.	9.2 Investment type of annuities 9.3 Purchased Life Annuities 9.4 Compulsory Purchase Annuities	3 to 5%
	C9 Describe the features, limitations and risks of an annuity.	9.5 Joint Life 9.6 The annuity rate 9.7 The open market option 9.8 Guaranteed minimum annuity rates 9.9 Death 9.10 Limitations 9.11 Risks	
Show how policyholder policy premiums and returns are taxed and calculate the tax deductible in different circumstances.	C10 Outline the ways benefits are taxed from different types of policies.	10.1 Introduction 10.2 Life business effected before 1 st January 2001	3 to 5%
	C10 Describe what Gross Roll Up is, calculate the exit tax deductible from a payout under a savings or investment policy and define the circumstances in which exit tax is not deducted or can be reclaimed.	10.3 Gross Roll up; Temporary assurance policy, unit linked protection policy, unit linked savings plans, unit linked bonds 10.4 Other policy types	

LIFE ASSURANCE - MODULE LEARNING OUTCOMES

Module Learning Outcomes <i>On completion of this module, students should be able to:-</i>	Core text: Chapter Learning Outcomes <i>On completion of this chapter, students should be able to:-</i>	Core text: Indicative Content by Chapter	Exam Weighting (%)
	C.10 Know how premium stamp duty is likely to effect policyholders.	10.5 Premium Stamp Duty	
Detail the issues involved in starting a policy, describe how the policy can be arranged, and the procedure to claim benefits.	C11 Identify the main elements of a valid legal contract, how such a contract is discharged and the remedies for breach of contract.	11.1 A legal Contract, offer and acceptance, form and/or consideration, Capacity, genuineness of consent, legality of object, discharge of contract, remedies for breach of contract.	14 to 16%
	C11 Describe the steps involved in starting a protection policy and explain why companies underwrite protection policy proposals.	11.2 Life Assurance policy contract 11.3 The proposal form; Financial Regulator Consumer Protection Code, Disclosure of Information Notice, 11.4 Underwriting; Medical underwriting, premium rates & underwriting, different risk classes, gender equality, genetic tests, insurance scheme for Hep C or HIV, financial underwriting, reinsurance, 11.5 Acceptance 11.6 Issue of policy; paying the first premium, policy document, summary of process, disclosure notice and cooling off period, policies which don't proceed, free accidental death cover	
	C11 Define the implications of "utmost good faith" and "insurable interest" in relation to a protection policy.	11.7 Principle of utmost good faith; material facts, non-disclosure, genetic tests, duty to disclose material facts, 11.8 Principle of Insurable Interest 11.9 Joint Life Policies	
	C11 Discuss the main ways in which a policy can be legally owned and the impact of different legal ownership forms on entitlement to benefit under a policy.	11.10 Policy ownership; own life and life of another policies, joint life/dual life policies, payment of benefit, change of ownership, mortgage/assignment, policies arranged under trust 11.11 Savings, Investment & Pension Policies 11.12 Annual Statement of Value	

LIFE ASSURANCE - MODULE LEARNING OUTCOMES

Module Learning Outcomes <i>On completion of this module, students should be able to:-</i>	Core text: Chapter Learning Outcomes <i>On completion of this chapter, students should be able to:-</i>	Core text: Indicative Content by Chapter	Exam Weighting (%)
	C12 Outline the main events which can give rise to a claim under a policy.	12.2 Events giving rise to a claim	3 to 5%
	C12 Identify the main requirements on the beneficiary claiming benefits under a policy.	12.3 Making a claim	
	C12 Define the steps of the process by which a life company processes a claim made under a policy.	12.4 Paying out the claim 12.5 Admission or rejection of claim 12.6 Ongoing claims processing	
	C12 Outline the main provisions of the Financial Regulator Consumer Protection Code in relation to the payment of claims under life assurance policies.	12.7 Financial Regulator Consumer Protection Code; Verifying the validity of the claim, claims procedures, payment of claim	
Identify the constituents in a valid Will and explain how a deceased's assets are distributed after death, and discuss the impact of the Succession Act	C13 Detail the main legal requirements which apply to the making of a valid Will and how a valid Will can be revoked.	13.1 Wills, Definition of a testator and testatrix, Why make a Will?, legal requirements, legal guardians for children, minimum survival period clause, a "codicil", revoking a will, disclaiming an Inheritance. Establishing a trust under a will.	4 to %6
	C13 Describe the main Succession Act rights which the next of kin of a deceased may have to his or her estate and the possible impact on a spouse's Succession Act rights of a legal separation or divorce.	13.2 Succession Act rights; overview, leaving no Will, leaving a Will, Spouse, Child, Reside of Estate, simultaneous death, renouncing succession act rights, legal separation, divorce, Benefits passing outside Estate, Attempting to disinherit a spouse or children 13.3 Winding up an estate; Legal Personal Representatives and their duties, Revenue Affidavit, transfer to a trust, Joint bank accounts 13.4 Payment of benefits without grant of representation; Saving certificates, credit union savings, Indemnity	

LIFE ASSURANCE - MODULE LEARNING OUTCOMES

Module Learning Outcomes <i>On completion of this module, students should be able to:-</i>	Core text: Chapter Learning Outcomes <i>On completion of this chapter, students should be able to:-</i>	Core text: Indicative Content by Chapter	Exam Weighting (%)
Perform time value of money calculations involving accumulation and discounting of cash sums.	C14 Discuss the concepts "time value of money" and inflation in the context of a client's financial needs and protection cover over time.	14.1 Understanding the "time value of money" 14.2 Inflation and deflation; CPI, Allowing for inflation	4 to 6%
	C14 Perform the following financial calculations <ul style="list-style-type: none"> - Inflation - Accumulated Values - Discounted Values - Net present value 	14.3 Compound Interest, overview, accumulating, discounting	
	C14 Define the terms Internal Rate of Return, Reduction in Yield, APR, AER and explain how they can be used.	14.3.4 Internal Rate of Return 14.4 Reduction in Yield; What is the RIY? Comparing RIYs 14.5 APR; what is APR, Comparing APRs 14.6 AER; deposits, comparing AERs	

LIFE ASSURANCE STUDY/EXAMINATION GUIDE

STUDENT ANALYSIS REPORTS

Those who are **unsuccessful** in the examination are provided with individual feedback on their performance in the exam. This student analysis report will be posted with results transcripts.

Candidates should use the report to identify gaps in their knowledge and so inform their preparation for a future re-sit examination.

In order to preserve the integrity of our question bank we do NOT list the questions answered incorrectly but we do give the following information on these questions:-

- Question number
- Chapter and sub chapter reference from where the questions was derived
- The learning area

See the below example:

Private and Confidential

Ms Joan Bloggs
Any Street
Any Town
Any County

Membership Number: XXXXXX

MCQ EXAM REPORT

The following is your result:

Subject
Life Assurance Saturday 1st May 2010 14.00 - 15.30

Exam date: 01/05/2010

INDIVIDUAL EXAMINATION REPORT

Membership Number: XXXXXX

Number of questions on paper: 80

Number of questions answered by candidate: 79

Number of question answered correctly by candidate: 45 (45 x 3) = 135

Number of questions answered incorrectly by candidate: 34 (34 x -1) = -34

Exam Score (135- 34/240) = 42.5%

Module Name & Exam Date

% Score in this test

% Total questions
43% 80

You answered the following questions incorrectly; we have provided you with an analysis of these questions which should prove useful in the preparation for the next exam sitting:

Question Section	Area Covered
3 Chapter 1.5.2	Who are product providers?

LIFE ASSURANCE STUDY/EXAMINATION GUIDE

4	Chapter 2.2	What is prudential regulation?
8	Chapter 2.3	Life company conduct of Business regulation
10	Chapter 2.9.1	Who an insurance broker acts as agent of
11	Chapter 3.10.1	What interest rate sensitive Mortgage Protection cover is
22	Chapter 5.4.2	Taxation of PHI benefit
24	Chapter 5.2	Difference between accelerated & stand alone serious illness cover
25	Chapter 5.2	Definition of serious illness cover
26	Chapter 5.2.2	Stand alone serious illness cover
27	Chapter 6.2	Business structures - partnership
28	Chapter 6.3.5	Automatic accrual of goodwill
39	Chapter 7.2.1	Guarantees provided by with profit savings plans
42	Chapter 7.1.5	Unit linked savings plan charges
46	Chapter 8.3.1	Personal Pension Plan approval requirements
47	Chapter 8.6.4	Period of service to qualify for maximum approvable pension
48	Chapter 8.3	How tax relief on Personal Pension Plan contributions is allowed
49	Chapter 8.6.2	Who approves an occupational pension scheme
50	Chapter 8.3.1	Personal Pension Plan approval requirements
51	Chapter 8.6.4	Occupational pension scheme maximum approvable benefits
52	Chapter 8.3.4	Taking retirement benefits - Personal Pension Plans & PRSAs
56	Chapter 10.3.4	Gross roll up taxation - death
58	Chapter 10.3.4	Gross roll up - investment bonds
62	Chapter 11.4	Lowest mortality risk?
64	Chapter 11.3.3	Maximum investment assumption under Disclosure Notice?
66	Chapter 11.8	Principle of insurable interest
68	Chapter 11.1.1	Conditions for a legal contract
70	Chapter 11.4	What is mortality rate?
72	Chapter 12.4	Proof of legal title to policy proceeds
74	Chapter 13.1.4	What is a minimum survival period clause in a Will?
76	Chapter 13.3.2	Succession Act rights under a valid Will
77	Chapter 14.2.2	Allowing for inflation

LIFE ASSURANCE STUDY/EXAMINATION GUIDE

SAMPLE EXAMINATION PAPER

A Sample Examination Paper is set out in this Examination Guide. It is designed to be of a standard similar to that of the *Life Assurance Examination* itself.

The questions have been picked in accordance with the exam weighting provided above.

You should ideally attempt this Sample Examination Paper under typical examination conditions, after you have studied the full course. You can then compare your answers with the Model Solutions for the Paper, enclosed at the end of this Guide.

STUDENTS SHOULD FAMILIARISE THEMSELVES THOROUGHLY WITH THE EXAMINATION INFORMATION BELOW AND INSTRUCTIONS ON THE FACE OF THE SAMPLE EXAMINATION PAPER.

EXAMINATION INFORMATION

- ◆ 1 ½ hours are allowed to complete the *Life Assurance Module Examination* paper.
- ◆ Each examination paper contains 80 Multiple Choice Questions
- ◆ Each question contains a problem or question posed, followed by a choice of four options, from which you are asked to choose one as being the correct response. Only one of the four options is correct.
- ◆ You must record your answer for each question on the MCQ Answer Sheet.
- ◆ You should pay particular attention to any words in a question which have been emphasised in capitals for example MINIMUM, MAXIMUM, MAIN, BEST, NOT, MOST, HIGHEST, LOWER, LOWEST, LATEST, CAN, PRIMARY, EITHER, FIRST, EXCLUDED, AUTOMATICALLY etc.
- ◆ **Three marks are awarded for each correct response, minus one mark is award for each incorrect response and zero is award for a non-response given to a Multiple Choice Question.**
- ◆ Unless otherwise stated, the examination is based on the taxation position in the 2009 tax year.
- ◆ You will be supplied in the Examination with:
 - Accumulation and Discount tables,
 - The Table of age related annual Tax Relief Limits in respect of all personal contributions made in 2009 to occupational pension schemes, AVCs, PRSAs, Personal Pension Plans and Section 785 policies. However you are expected to know in the examination the 2009 net relevant earnings limit figure (€150,000).

The above information will always be supplied at the end of each Examination Paper, regardless of whether or not there are questions in the Paper which require the use of such factors.

- ◆ Some questions may involve calculations, although these will not be complex. Candidates are permitted to use a silent battery or solar powered non-programmable calculator during the examination and may find it helpful to do so.
- ◆ The best approach in the examination is normally to work methodically through the questions, from the first to the last. However you can attempt the questions in any particular order you want.
- ◆ During the examination, candidates are permitted to write on the inside pages of the examination paper if they find it useful to make notes as each question is attempted. Candidates are not permitted, under any circumstances, to remove any examination paper from the examination room.
- ◆ **The pass mark is 50%**, scored as set out above on page 6.

Life Assurance Module

Sample Examination Paper 2009|10

 <p>THE INSURANCE INSTITUTE OF IRELAND</p>	 <p>The Institute of Bankers in Ireland</p>	 <p>The professional association for those who give and support financial advice</p>
--	---	---

THE EXAMINATION PAPER MUST BE HANDED UP AT THE END OF THE EXAM WITH THE MCQ ANSWER SHEET

1. **1 ½ hours** are allowed for this paper which consists of **80** Multiple Choice Questions.
2. There is only **one** correct answer to each question.
3. Read the instructions on the MCQ Answer Sheet carefully.
 - Use the MCQ Answer Sheet provided to record your answers
 - Use the pencil provided to complete the MCQ Answer Sheet
 - Insert your name and membership/examination number at the top of the MCQ Answer Sheet.
 - Each question carries 3 marks for a correct answer, -1 for an incorrect answer and 0 for no answer.
4. Handle the MCQ Answer Sheet with care and do not write notes or any marks on the face.
5. Calculators may be used provided they are Silent, non-programmable and incapable of storing text; mobile phones may NOT be used as calculators. Books, papers or other aids may not be in your possession at any time during the exam.
6. Hand this examination question paper, the MCQ answer sheets, and any additional sheets to the supervisor at the end of the exam.

Failure to hand in the examination paper and the MCQ Answer Sheet may preclude the correction of the examination.

Membership/Examination No.

First Name: _____

Surname: _____

Company Name: _____

Exam Centre: _____

Signature: _____

Date : _____

Life Assurance

Sample Examination Paper 2009|10

ATTEMPT ALL QUESTIONS

1. What is the name of the financial need to provide a replacement income in the event of ill health?

A Savings.
B Retirement funding.
C Investment.
D Protection.

Question type: Knowledge

2. A life company established in the UK, and authorised by the UK Financial Services Authority can sell life assurance business to residents of Ireland without seeking authorisation from the Irish Financial Regulator.

This is known as freedom :

A to co-locate.
B of establishment.
C to provide services.
D of association.

Question type: Knowledge

3. A life company established in the State, and authorised by the Irish Financial Regulator, sells life assurance business to residents of Germany. The solvency of this life company is regulated by the:

(i) German insurance regulatory authorities.
(ii) Irish Financial Regulator
(iii) EU Commission.

A (i) only.
B (ii) only.
C (i) and (ii) only.
D (i), (ii) and (iii).

Question type: Knowledge

4. John pays a €1,000 premium to a unit linked policy at a time when the Offer Price of the relevant unit fund is €1.25 per unit.

Assuming an allocation rate of 100%, how many additional units will be allocated to John's policy in respect of this premium?

A 250
B 800
C 1,000
D 1,250

Question type: Application

5. In relation to a life assurance policy, the term 'grantee' includes the:

(i) life assured.
(ii) life company.
(iii) legal owner of the policy.
(iv) admission of a claim made under the policy.

A (i) only.
B (iii) only.
C (i) and (iii).
D (i), (ii) and (iv).

Question type: Knowledge

Life Assurance

Sample Examination Paper 2009|10

6. A life company's direct sales force can include:
- (i) employees of the life company.
 - (ii) corporate tied insurance agents.
 - (iii) insurance agents.
 - (iv) individuals who are tied insurance agents.
- A** (i) and (ii) only.
- B** (ii) and (iv) only.
- C** (i), (ii) and (iv) only.
- D** (i), (ii), (iii) and (iv).

Question type: Understanding

7. Renewal commission expressed as a % of the ongoing value of an investment policy is referred to as what type of commission?
- A** Discounted.
- B** Initial.
- C** Accelerated.
- D** Trail.

Question type: Knowledge

8. Mary is an employee of ABC Insurance Services Ltd, which is an insurance broker. In the course of her employment by ABC, Mary advises Susan to take out a life assurance policy with ACE Insurance Co.

The LEGAL responsibility for this advice lies with:

- A** ABC Insurance Services Ltd.
- B** Mary.
- C** ACE Insurance Co.
- D** The Financial Services Ombudsman.

Question type: Understanding

9. Who of the following can take out Section 785 term assurance cover?

(i) Mary, who is in non pensionable employment and contributes to a PRSA at work.

(ii) John, who is a self employed dentist.

(iii) Frank, who is included in his employer's occupational pension scheme for retirement benefits only.

A (ii) only.

B (iii) only.

C (i) and (ii) only.

D (i), (ii) and (iii).

Question type: Application

10. Why might Paul exercise an insurability option under a term assurance policy held by him?

(i) The events covered by the option are likely to give rise to Paul needing more cover.

(ii) If the option is not exercised, the policy can be lapsed by the life company without notice.

(iii) The option can be exercised by Paul, without a need to provide fresh evidence of health.

A (ii) only.

B (iii) only.

C (i) and (iii) only.

D (i), (ii) and (iii).

Question type: Understanding

Life Assurance

Sample Examination Paper 2009|10

11. Which of the following is likely to be charged the CHEAPEST premium for the same amount of term assurance life cover over the same term?

A Male smoker.
B Female smoker.
C Male non smoker
D Female non smoker.

Question type: Understanding

12. What type of policy allows the policyholder to roll over the original cover at the end of the term for another period, without fresh evidence of health?

A Renewable term assurance.
B With profit whole of life.
C Family income benefit.
D Term assurance.

Question type: Knowledge

13. Mary, who had a term assurance policy on her own life for €100,000 life cover, died on 22nd September 2009.

On being notified of the claim the life company found that the €40 monthly premium due to be paid on 1st September 2009 had not been received. The direct debit had been returned unpaid. The policy terms and conditions provide for 30 days of grace.

What amount, if anything, will the life company pay out on this policy?

A Nil.
B €50,000
C €99,960
D €100,000

Question type: Application

14. Peter has a with profit whole of life policy for a sum assured of €80,000. To date total premiums paid to his policy are €3,200 and reversionary bonuses already added are €12,000.

The life company now declares a 5% compound bonus on Peter's policy. What amount is payable on Peter's death, AFTER the bonus declaration?

A €80,000
B €92,600
C €94,760
D €96,600

Question type: Application

15. Sam has a unit linked protection policy with life cover of €100,000 and a current cash value of €12,500.

Sam has stopped paying premiums to the policy.

His option to maintain the €100,000 life cover for a limited period is referred to as:

A days of grace.
B the premium guarantee period.
C bomb out.
D non forfeiture.

Question type: Knowledge

Life Assurance

Sample Examination Paper 2009|10

- 16.** If a unit linked protection policy has a sum assured of €100,000 and a current cash value of €5,000, what amount of cover would the life company charge for this month?

A €5,000
B €95,000
C €100,000
D €105,000

Question type: Application

- 17.** Low cost whole of life cover is a combination of:

A with profit whole of life and decreasing term assurance.
B term assurance and with profit savings.
C non profit whole of life and term assurance.
D unit linked protection and term assurance.

Question type: Knowledge

- 18.** If the cash value of a unit linked protection policy today is €105,000 and the sum assured is €100,000, what amount is paid out if the life assured dies today?

A €5,000
B €95,000
C €100,000
D €105,000

Question type: Application

- 19.** Tom has a Section 72 policy on his own life for a sum assured of €150,000 arranged for the benefit of his children.

Following Tom's death his children's actual Inheritance Tax liability turns out to be just €100,000.

The €50,000 cover NOT used to pay Inheritance Tax is:

A retained by the life company.
B paid out to the children, less income tax @ 20%, and is then exempt from Inheritance Tax.
C paid over by Tom's estate to the Revenue.
D paid out to the children, but they are taxed on it as another taxable inheritance from Tom.

Question type: Understanding

- 20.** Joe is insured on a life policy for €100,000 life cover with €75,000 accelerated Serious Illness Cover.

If Joe makes a serious illness claim, what life cover, if any, will he still have AFTER the serious illness claim is paid out?

A None.
B €25,000
C €75,000
D €100,000

Question type: Application

Life Assurance

Sample Examination Paper 2009|10

21. A non profit whole of life policy provides the following benefits:

(i) cover at a fixed premium, which cannot increase.

(ii) reversionary bonuses

(iii) a terminal bonus.

A. (i) only.

B. (i) and (ii) only.

C. (ii) and (iii) only.

D. (i), (ii) and (iii).

Question type: Knowledge

22. The 'deferred period' under a Permanent Health Insurance (PHI) policy is:

A. a period at the start of the policy, during which cover does not apply.

B. the maximum period for which the benefit can be paid.

C. a period during which the policy does not have a surrender value.

D. a period during which the insured must be off work sick, before the benefit becomes payable.

Question type: Knowledge

23. 'Double cover' refers to the combination of which two covers within the one policy?

A Life and stand alone serious illness cover.

B Life and accelerated serious illness cover.

C Accelerated and stand alone serious illness cover.

D With profit and non profit whole of life cover.

Question type: Knowledge

24. Alf is insured on a life policy for €100,000 life cover with €70,000 stand alone Serious Illness Cover.

What is the MAXIMUM amount which could be paid out on this policy?

A €70,000

B €100,000

C €130,000

D €170,000

Question type: Application

25 Jane has a serious illness term assurance policy that provides fixed cover at a fixed premium.

Which of the following risks does Jane run with this policy?

(i) She could get a serious illness not covered by the policy.

(ii) The life company could remove certain illness from her cover, if the policy proves unprofitable.

(iii) Inflation could reduce the real value of the cover provided by the policy.

A (i) only.

B (i) and (ii) only.

C (i) and (iii) only.

D (i), (ii) and (iii) only.

Question type: Understanding

Life Assurance

Sample Examination Paper 2009|10

- 26.** John and Tom are 50:50 partners in a Solicitors practice.

If the practice runs up debts which can't be repaid, who is legally responsible for these debts?

- A** The older of the two partners.
- B** The managing partner.
- C** Whichever partner ran up most of the debts.
- D** John and Tom, equally.

Question type: Knowledge

- 27.** The legal document that regulates a company's relationship with its shareholders is called:

- A** a double option agreement.
- B** Memorandum of Association.
- C** Articles of Association.
- D** a special resolution.

Question type: Knowledge

- 28.** The MAIN financial benefit of Corporate Co Directors Insurance for shareholders, as compared with Partnership Insurance, is that:

- A** premiums are paid by the company and not by the shareholders personally.
- B** the company gets a corporate discount on the premiums.
- C** the cover required, and hence the cost, is lower.
- D** Section 785 policies can be used by the company, to reduce the cost.

Question type: Understanding

- 29.** Peter, Paul and Mary are three dentists in partnership.

How is each taxed for Income Tax purposes on their partnership earnings?

- A** Only on drawings taken from the partnership.
- B** On a mix of drawings taken and their share of the partnership profits.
- C** On the lower of their drawings or their share of the partnership profits.
- D** On their share of the partnership profits, whether drawn or not.

Question type: Knowledge

- 30.** If there are five partners in a life of another Partnership Insurance arrangement, how many policies will be required in total?

- A** 5
- B** 10
- C** 15
- D** 20

Question type: Application

Life Assurance

Sample Examination Paper 2009|10

- 31.** Catherine has taken out a life assurance savings plan for a fixed €100 per month. The plan has a non allocation period of four months and 105% allocation thereafter.

How much, in total, will have been allocated to purchase units after the first three years of the Plan?

- A** €1,200
- B** €2,520
- C** €3,360
- D** €3,600

Question type: Application

- 32.** Switches out of what type of unit linked fund can be delayed by the life company in certain circumstances by up to six months?

- A** Equity.
- B** Managed.
- C** Cash.
- D** Property.

Question type: Knowledge

- 33.** If a unit linked fund achieved an investment return in 2008 of 7.4% and its annual management charge was 1.2%, what was the fund's unit growth rate in 2008?

- A** 6.0%
- B** 6.2%
- C** 7.4%
- D** 8.6%

Question type: Application

- 34.** John wants to save regularly in a unit linked savings plan.

If John wants to have a short break even point, what type of charging structure should his savings plan have?

- A** Front end.
- B** Layered.
- C** Spread.
- D** Opaque.

Question type: Understanding

- 35.** Harry is saving a fixed €150 each month in a unit linked savings plan, which invests in a Managed Fund.

In relation to Harry's savings plan, the term 'pound cost averaging' refers to the:

- A** plan securing a fluctuating number of units, due to fluctuations in unit price from month to month.
- B** benefit to Harry of not having to pay exit tax until he encashes the plan.
- C** plan securing units each month based on the average unit price of the fund for that month.
- D** impact of front end charges on the return provided by the plan.

Question type: Understanding

36. When are loyalty bonus units added to unit linked investment bonds?

- (i) After a specified period.
- (ii) On encashment.
- (iii) On death.

- A (i) only.
- B (i) and (ii) only.
- C (i) and (iii) only.
- D (i), (ii) and (iii).

Question type: Knowledge

37. John has set up an 'automatic income' facility on his unit linked bond, which pays him a regular income of 7% pa of the value of the bond.

For tax purposes, each income payment is:

- A liable to Income Tax in John's hands, at his marginal rate.
- B subject to exit tax deduction, if the payment gives rise to a gain.
- C liable to Income Tax in John's hands, at his standard rate only.
- D tax free.

Question type: Knowledge

38. Paula is retired and has invested in a unit linked bond. She has opted to use the Bond's 'automatic income' facility to provide her with a regular fixed income.

What is the MAIN risk for Paula with this investment?

- A The income payments could reduce her entitlement to the State Pension (Contributory).
- B Her money could be misappropriated by someone in the life company.

C She can no longer draw on her capital if she needs to, in the event of an emergency.

D The bond could eventually run out of money.

Question type: Understanding

39. Tim invested €100,000 in a life company Tracker Bond which guaranteed a return after five years of 90% of the capital invested plus 85% of the growth in the FTSE 100 Index over the term. The maximum growth in the Index which counts for this purpose is 50%.

If the Index grows over the term by 75%, what will be the maturity value of the Bond, BEFORE deduction of any exit tax that may be payable?

- A €132,500
- B €142,750
- C €150,000
- D €153,750

Question type: Application

40. If a unit linked bond has an allocation rate of 103% and a Bid/Offer spread of 5%, what is the effective initial charge suffered by an investor in such a bond?

- A 2.00%
- B 2.15%
- C 3.00%
- D 5.00%

Question type: Application

Life Assurance

Sample Examination Paper 2009|10

41. Joint name unit linked investment bonds are usually arranged on what basis?

- A** Life of another.
- B** First death.
- C** Last survivor.
- D** Dual lives.

Question type: Knowledge

42. Most of the money invested in a Tracker Bond is in turn invested by the financial institution issuing the Bond in fixed interest securities or deposits in order to :

- A** generate an income for the investor.
- B** meet the capital guarantee provided by the Bond.
- C** meet the bonus promised by the Bond.
- D** pay for the cost of averaging.

Question type: Understanding

43. The limitations of with profit bonds include:

(i) investment guarantees offered may be limited to specific dates only.

(ii) no access to capital, during the term of the bond.

(iii) lack of investment exposure to equities.

- A** (i) only.
- B** (ii) only.
- C** (i) and (iii) only.
- D** (i), (ii) and (iii).

Question type: Knowledge

44. Sonia has an endowment mortgage on her apartment.

What is the MAIN financial risk for Sonia with this type of mortgage?

- A** The endowment plan might not pay off her mortgage in full at maturity.
- B** The value of her apartment could fall in value.
- C** Mortgage interest rates could rise.
- D** Tax relief on the premium could be reduced.

Question type: Understanding

45. What is the MAIN potential benefit to the consumer of a secondary market in with profit endowment savings plans?

- A** A smoothed investment return.
- B** Faster payment of a death claim.
- C** A better return, if cashed in early.
- D** Greater disclosure of charges.

Question type: Understanding

Life Assurance

Sample Examination Paper 2009|10

46. An employee in pensionable employment can pay Additional Voluntary Contributions (AVCs) to a(n):

- (i) PRSA.
- (ii) occupational pension scheme.
- (iii) Buy Out Bond.
- (iv) Approved Retirement Fund.

- A** (ii) only.
- B** (i) and (ii) only.
- C** (i), (ii) and (iii) only.
- D** (i), (ii), (iii) and (iv).

Question type: Knowledge

47. What is the MAIN difference between an Approved Minimum Retirement Fund (AMRF) and an Approved Retirement Fund (ARF) in relation to access to funds?

- A** Withdrawals from the capital invested in an AMRF cannot be made before age 75.
- B** Withdrawals from an ARF are tax free.
- C** Withdrawals from an AMRF before age 75 are tax free.
- D** There is no access to funds invested in an ARF.

Question type: Understanding

48. Mark has €300,000 invested in his Approved Retirement Fund (ARF) when he dies.

If the full ARF money is left in Mark's Will to his daughter Anna, who is aged 26 when he dies, what tax, if any, will be deducted from the payout to Anna?

- A** Nil.
- B** €60,000
- C** €78,000

D €123,000

Question type: Application

49. Joe is a member of his employer's Revenue approved occupational pension scheme.

What MINIMUM period of service must Joe have by his Normal Retirement Age to be entitled to receive a tax free lump benefit of 150% x final remuneration from the scheme?

- A** 10
- B** 20
- C** 25
- D** 40

Question type: Knowledge

50. A Personal Retirement Savings Account (PRSA) is subject to which of the following restrictions?

(i) On death, the accumulated value must be paid to the deceased's estate.

(ii) The maximum annual contribution which can be paid to a Standard PRSA is €5,000.

(iii) A PRSA cannot be assigned or used as security for a loan.

- A** (ii) only.
- B** (i) and (ii) only.
- C** (i) and (iii) only.
- D** (i), (ii) and (iii).

Question type: Knowledge

- 51.** John is a self employed doctor. He pays €40,000 to a Personal Retirement Savings Account (PRSA).

He can, within certain limits, write this contribution off for:

- (i) Income Tax.
- (ii) Health Levy.
- (iii) PRSI.
- (iv) Income levy.

- A** (i) only.
- B** (i) and (iv) only.
- C** (i) and (iii) only.
- D** (i), (ii), (iii) and (iv).

Question type: Knowledge

- 52.** Jim has an Approved Retirement Fund (ARF).

What rate of imputed distribution will apply, per annum, to his ARF, for Income Tax purposes?

- A** 1.5%
- B** 2.5%
- C** 3%
- D** 5%

Question type: Knowledge

- 53.** Why is part of the income payable by a Purchased Life Annuity not liable to Income Tax in the hands of the investor?

- A** It represents a partial repayment of the capital sum invested in the annuity.
- B** To encourage more people to invest in annuities rather than Approved Retirement Funds (ARFs).
- C** Because the investor had no choice but to invest in the annuity.

- D** Because the PAYE system cannot be applied to Purchased Life Annuities.

Question type: Understanding

- 54.** John has €63,500 funds from a maturing Personal Pension Plan which he has opted to use to buy an annuity.

The annuity rate for the type of annuity John wants to buy is 5.40%.

What annual annuity will John get?

- A** €2,546
- B** €3,429
- C** €5,400
- D** €11,759

Question type: Application

- 55.** John invested €50,000 in a unit linked investment bond in January 2004. The Bond provides a death benefit of the value of the Bond.

The current value of the Bond is €58,000.

If John dies today, what amount, if any, of the death benefit payout will be subject to exit tax?

- A** Nil.
- B** €580
- C** €8,000
- D** €8,580

Question type: Application

Life Assurance

Sample Examination Paper 2009|10

- 56.** Mary invested €50,000 in a unit linked investment bond three years ago. The Bond is now valued at €57,000.

She wants to take a partial encashment of €5,000 from the Bond.

What amount, if any, of this encashment will be subject to exit tax?

- A** Nil.
- B** €614
- C** €4,386
- D** €5,000

Question type: Application

- 57.** The principle of 'utmost good faith' imposes what legal obligation on the proposer for a life assurance policy?

- A** Have an insurable interest in the life assured.
- B** Disclose all known material facts before the policy is issued.
- C** Live a healthy lifestyle for as long as the policy is in force.
- D** Pay all premiums due on the policy.

Question type: Knowledge

- 58.** A proposer for a life assurance policy must have a valid insurable interest in the life assured at the:

(i) date of completion of the proposal form.

(ii) time the policy is issued.

(iii) date of notification of a claim.

- A** (i) only.
- B** (ii) only.
- C** (iii) only.
- D** (i) and (iii).

Question type: Knowledge

- 59.** Sean and Thomas own a building as tenants in common.

If Sean dies, legal ownership of Sean's share of the building automatically transfers to:

- A** Thomas.
- B** The State.
- C** Sean's estate.
- D** Thomas and Sean's estate, equally.

Question type: Understanding

- 60.** Mark wants to arrange life cover on his own life for the benefit of Samantha, who is not married to him.

If he dies, he wants Samantha to get the death benefit immediately.

Which of the following is the BEST way to arrange this policy?

- A** Samantha takes out the policy on Mark.
- B** Mark takes out the policy on his own life.
- C** Mark takes out the policy on Samantha.
- D** Mark takes out the policy on both himself and Samantha.

Question type: Understanding

Life Assurance

Sample Examination Paper 2009|10

- 61.** Philip has arranged a life assurance policy on his own life, under a Declaration of Trust for the benefit of Mary.

Who is the legal owner of this policy?

- A** Mary.
- B** The nominated trustee(s).
- C** Philip.
- D** The life company.

Question type: Understanding

- 62.** A life assurance policy legally comes into force on:

- A** completion of the proposal form.
- B** expiry of the Cooling Off period.
- C** issue of the policy and payment of the first premium.
- D** issue of the policy specific Disclosure Notice.

Question type: Knowledge

- 63.** A life company Disclosure Notice for an investment bond shows projected values, based on a 6% pa investment return.

If the life company wants to show a second higher set of projected values in the Disclosure Notice, what annual investment return rate **MUST** it assume for this second projection?

- A** 4%
- B** 6%
- C** 7%
- D** 8%

Question type: Knowledge

- 64.** John contracted HIV from a blood transfusion in an Irish hospital some years ago.

The benefits for John of the State insurance scheme for certain persons with Hepatitis C or HIV, include:

(i) He can get tax relief on any life assurance premium he pays.

(ii) Life companies can not ask him to undergo a medical examination.

(iii) the State will pay the additional premium John may be charged for life cover, because of his HIV status.

(iv) the State will insure John for life cover, if no life company is willing to offer him cover.

- A** (i) only.
- B** (ii) and (iii) only.
- C** (iii) and (iv) only.
- D** (i), (ii), (iii) and (iv).

Question type: Understanding

- 65.** Joint life policies are legally presumed to be held as:

- A** Tenants in common.
- B** Sole tenants.
- C** Unlimited tenants.
- D** Joint tenants.

Question type: Knowledge

Life Assurance

Sample Examination Paper 2009|10

- 66.** An individual who dies without leaving a valid Will is said to have died:
- A** intestate.
 - B** testate.
 - C** without issue.
 - D** probate.

Question type: Knowledge

- 67.** The type of medical information sought by a life company when underwriting a life assurance proposal form does NOT automatically vary by which of the following factors related to the life assured?
- A** Age.
 - B** Level of cover sought.
 - C** Sex.
 - D** Smoking status.

Question type: Knowledge

- 68.** Olwyn invested €50,000 in a Managed Fund, through a unit linked life assurance investment bond.

Two weeks later she exercised her cooling off right, when the unit price had dropped 10% since the policy was issued.

What is the legal MINIMUM amount the life company can now pay out to Olwyn?

- A** €45,000
- B** €50,000
- C** €55,000
- D** €60,000

Question type: Application

- 69.** Which of the following questions can a life company NOT ask someone proposing for life cover?

- A** Have you taken a genetic test?
- B** Do you smoke?
- C** Are you HIV positive?
- D** What is your weight?

Question type: Knowledge

- 70.** The requirement to explain to a consumer the consequences of failing to disclose all material facts, when proposing for life or serious illness cover, is a requirement laid down by:

- (i) The Financial Regulator's Consumer Protection Code.
- (ii) The Life Assurance (Provision of Information) Regulations.
- (iii) The Financial Services Ombudsman.

- A** (i) only.
- B** (ii) only.
- C** (i) and (ii) only.
- D** (i), (ii) and (iii).

Question type: Knowledge

Life Assurance

Sample Examination Paper 2009|10

71. If a life assured has NOT supplied evidence of his date of birth to the life company, its records will describe his date of birth as:

- A** not proven.
- B** unreliable.
- C** rated.
- D** not admitted.

Question type: Knowledge

72. ACE Life Assurance Co has just been informed by a Solicitor that Mary, who has a policy with ACE, has died.

Within what MAXIMUM number of business days must ACE issue a claim form in respect of this claim?

- A** 3
- B** 5
- C** 7
- D** 14

Question type: Knowledge

73. Jim has a €100,000 term assurance policy with ACE Life Assurance Co, at a monthly premium of €60.

After Jim's death, the life company found out that Jim was six years older than stated on the proposal form.

Had he disclosed his correct age, his monthly premium would have been €100 instead of the €60 Jim paid.

What MINIMUM amount can the life company pay out on this claim?

- A** €40,000
- B** €60,000
- C** €80,000
- D** €100,000

Question type: Application

74. If an individual dies without leaving a valid Will and is survived by his wife and two children, what MINIMUM share of his estate is each of his two children legally entitled to?

- A** $1/6^{\text{th}}$
- B** $1/3^{\text{rd}}$
- C** $1/2$
- D** $2/3^{\text{rds}}$

Question type: Knowledge

75. What is a *codicil*?

- A** A bequest made under a Will.
- B** The Executor of a valid Will.
- C** An amendment made to an existing Will.
- D** Another name for an invalid Will.

Question type: Knowledge

76. A Credit Union Nomination for the direct payment of funds after death to nominated individuals, is valid up to a limit of :

- A** €10,000
- B** €12,700
- C** €15,000
- D** €23,000

Question type: Knowledge

77. An investor is offered €20,000 after 10 years in return for a payment of €5,000 now and another €5,000 after two years.

What is the net present value of this investment proposition, at a discount rate of 5% pa?

- A** €2,745
- B** €9,535
- C** €10,000
- D** €12,280

Question type: Application

78. Deflation is directly caused by:

- A** a sustained fall in the price of goods and services.
- B** high interest rates.
- C** lack of regulation of financial services.
- D** high levels of Government borrowing.

Question type: Understanding

79. The Financial Regulator's Consumer Protection Code requires that an advertisement for a deposit must show which of the following alongside the relevant interest rate quoted?

- A** Annual Percentage Rate (APR).
- B** Internal Rate of Return (IRR).
- C** Reduction in Yield (RIY).
- D** Annual Equivalent Rate (AER).

Question type: Knowledge

80. The rate of interest at which the present value of one series of payments equals the present value of another series of payments is called the:

- A** Annual Percentage Rate (APR).
- B** Internal Rate of Return (IRR).
- C** Reduction in Yield (RIY).
- D** Annual Equivalent Rate (AER).

Question type: Knowledge

Life Assurance

Sample Examination Paper 2009|10

Accumulation of €1,000

After (Yrs)	3% pa	5% pa	7.5% pa
1	1,030	1,050	1,075
2	1,061	1,103	1,156
3	1,093	1,158	1,242
4	1,126	1,216	1,335
5	1,159	1,276	1,436
6	1,194	1,340	1,543
7	1,230	1,407	1,659
8	1,267	1,477	1,783
9	1,305	1,551	1,917
10	1,344	1,629	2,061
11	1,384	1,710	2,216
12	1,426	1,796	2,382
13	1,469	1,886	2,560
14	1,513	1,980	2,752
15	1,558	2,079	2,959
16	1,605	2,183	3,181
17	1,653	2,292	3,419
18	1,702	2,407	3,676
19	1,754	2,527	3,951
20	1,806	2,653	4,248
21	1,860	2,786	4,566
22	1,916	2,925	4,909
23	1,974	3,072	5,277
24	2,033	3,225	5,673
25	2,094	3,386	6,098

Discounted value of €1,000

Payable in (Yrs)	3% pa	5% pa	7.5% pa
1	971	952	930
2	943	907	865
3	915	864	805
4	888	823	749
5	863	784	697
6	837	746	648
7	813	711	603
8	789	677	561
9	766	645	522
10	744	614	485
11	722	585	451
12	701	557	420
13	681	530	391
14	661	505	363
15	642	481	338
16	623	458	314
17	605	436	292
18	587	416	272
19	570	396	253
20	554	377	235
21	538	359	219
22	522	342	204
23	507	326	189
24	492	310	176
25	478	295	164

Annual tax relief limit on personal contributions to all pension arrangements in 2009

Age attained during 2009	Tax relief limit (as % of net relevant earnings) in 2009
Under 30	15%
30 to 39	20%
40 to 49	25%
50 to 54	30%*
55 to 59	35%
60 and over	40%

** the 30% limit also applies to certain professional sportspeople under age 50 in 2009, in relation to their income from their professional sports occupation.*

Life Assurance

Sample Examination Paper 2009|10 - Answers

Question No	Answer
1.	D
2.	C
3.	B
4.	B
5.	B
6.	C
7.	D
8.	A
9.	C
10.	C
11.	D
12.	A
13.	C
14.	D
15.	D
16.	B
17.	A
18.	D
19.	D
20.	B
21.	A
22.	D
23.	A
24.	D
25.	C
26.	D
27.	C
28.	A
29.	D
30.	D
31.	C
32.	D

Question No	Answer
33.	B
34.	C
35.	A
36.	A
37.	B
38.	D
39.	A
40.	B
41.	C
42.	B
43.	A
44.	A
45.	C
46.	B
47.	A
48.	B
49.	B
50.	C
51.	A
52.	C
53.	A
54.	B
55.	C
56.	B
57.	B
58.	B
59.	C
60.	A
61.	B
62.	C
63.	D
64.	C

Life Assurance

Sample Examination Paper 2009|10 - Answers

Question No	Answer
65.	D
66.	A
67.	C
68.	A
69.	A
70.	A
71.	D
72.	B
73.	B
74.	A
75.	C
76.	D
77.	A
78.	A
79.	D
80.	B