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# **AWB**

## **Award in Bancassurance**

**Based on the 2020/2021 syllabus  
examined from 1 May 2020 until 30 April 2021**

## AWB – Award in Bancassurance

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## AWB – Award in Bancassurance

Based on the 2020/2021 syllabus examined from 1 May 2020 until 30 April 2021

### Introduction

This examination guide has been produced by the Examinations Department at the Chartered Insurance Institute to assist students in their preparation for the AWB 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 two hours 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 AWB 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 AWB reading list, which is located on the syllabus in this examination guide and on the CII website at [www.cii.co.uk](http://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 update website:

- 1) Visit [www.cii.co.uk/qualifications](http://www.cii.co.uk/qualifications) 
- 2) Select the appropriate qualification
- 3) Select your unit 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 AWB syllabus is published on the CII website at [www.cii.co.uk](http://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 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 AWB learning outcomes into cognitive skill levels. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested.

The AWB syllabus requires that candidates have the ability to apply and analyse knowledge and understanding of the subject matter. Each learning outcome begins with a cognitive skill that encompasses one of the following:

*Know* - Knowledge-based questions require the candidate to recall factual information. Typically questions may ask 'What', 'When' or 'Who'. Questions set on a *know* learning outcome can only test knowledge.

*Understand* - To answer questions based on understanding, the candidate 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.

*Apply* - To answer application questions, the candidate must be able to apply their knowledge and/or understanding to a given set of circumstances. Questions set on a *be able to apply* learning outcome can test knowledge and/or understanding as well as application.

## Examination Information

The method of assessment for the AWB examination is 75 multiple choice questions (MCQs). 2 hours are allowed for this examination.

The AWB syllabus provided in this examination guide will be examined from 1 May 2020 to 30 April 2021.

Candidates will be examined on the basis of practice in a non-regulated environment.

The general rule is that industry changes will not be examined earlier than 3 months after they come into effect.

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.

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 contains only one correct response to the problem posed. One mark is awarded for each correct response identified by the candidate. No mark is awarded if the candidate 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.

## 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.

# Award in Bancassurance

## Objective

At the end of this unit, candidates will be able to demonstrate knowledge and understanding of:

- the main elements of the financial services and insurance industry;
- the main insurance products;
- savings and investment products;
- retirement planning products;
- what constitutes good and ethical client practice.

Summary of learning outcomes	Number of questions in the examination*
1. Know the main elements of the financial services and insurance industry as it relates to the Bancassurance sector	3
2. Understand the main insurance products	15
3. Understand savings and investment products	15
4. Understand retirement planning products	10
5. Understand the importance of the client fact find and how to identify client needs	15
6. Understand what constitutes good and ethical client practice	17

\* 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.

## Important notes

- Method of assessment: 75 multiple choice questions. 2 hours are allowed for this examination.
- This syllabus will be examined from 1 May 2020 to 30 April 2021.
- 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](http://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. Know the main elements of the financial services and insurance industry as it relates to the Bancassurance sector**

- 1.1 Describe the basic purpose of financial services and the role of the financial services industry in the economy;
- 1.2 Describe the basic structure of the financial services/ insurance market and the main types of organisation;
- 1.3 Describe the distribution channels used for financial and insurance services, including e-commerce;
- 1.4 Describe the role of bancassurers and insurance companies and their respective responsibilities.

## **2. Understand the main insurance products**

- 2.1 Know the main personal and financial details that give rise to a client's protection requirements;
- 2.2 Know the main features and benefits of life assurance and health protection products which affect their suitability for a client;
- 2.3 Understand how the tax treatment of life assurance and health protection products affects their suitability for a client;
- 2.4 Know in outline the main features and benefits of personal accident and travel insurance.
- 2.5 Know in outline the main features of mortgages and debt protection policies;
- 2.6 Know in outline the main features of household insurance;
- 2.7 Know in outline the main features of motor insurance.

## **3. Understand savings and investment products**

- 3.1 Know the factors on which a client's savings and investment requirements depend (disposable income, assets, attitude to risk, potential future liabilities and ethical preferences);
- 3.2 Know the main features, risks and returns of the main asset classes (cash, bonds, equities, property);
- 3.3 Know the main features, risks and returns of savings and investment products which affect their suitability for a client;
- 3.4 Understand broadly how the tax treatment of savings and investment products affect their suitability for a client;
- 3.5 Know the relationship between a client's risk tolerance and the level of return and how different types of risk impact on savings and investment products;
- 3.6 Understand how inflation, deflation and other economic factors affects savings and investment products;
- 3.7 Understand how changes in interest rates affect the future performance of savings and investment products;
- 3.8 Understand the importance of an emergency fund and sensible debt management.

## **4. Understand retirement planning products**

- 4.1 Know the factors on which a client's retirement needs may depend (age, income, dependants, previous and current arrangements, state provision, non-pension assets);
- 4.2 Know the main features and benefits of pension products and annuities which affect their suitability for a client;
- 4.3 Know the circumstances in which there is a need for annuities and pension advice;
- 4.4 Understand how inflation, deflation and other economic factors affect pension schemes and annuities;
- 4.5 Understand how changes in interest rates affect the future value of pension schemes and annuities.

## **5. Understand the importance of the client fact find and how to identify client needs**

- 5.1 Know the typical content of a fact find and how to use one;
- 5.2 Know how to make suitable recommendations based on the information collected;
- 5.3 Know the seven typical life-stages of a client and understand the requirements and constraints at each of the life stages;
- 5.4 Understand how the following factors can affect the life stages for individuals; age, marital and employment status, state of health, ethical preferences, divorce, separation and bereavement;
- 5.5 Know the four main steps in identifying a client's real financial needs: the client's perceived and real needs, the client's current and future needs, quantifying the client's needs and prioritising the client's needs;
- 5.6 Be able to apply basic financial planning criteria to the information collected about a client in order to identify, quantify and prioritise a client's real financial needs;
- 5.7 Be able to apply features of different types of product to the client's needs and understand the role of the bancassurer in recommending suitable products by which the client can achieve his or her financial objectives.

## **6. Understand what constitutes good and ethical client practice**

- 6.1 Know that the adviser has a duty, at all stages of the sales process, to ensure that the client understands fully all the implications of accepting the recommendations, including any inherent risks and ethical considerations;
- 6.2 Know what an adviser must do when he or she does not have a product that would properly meet the needs of the client;
- 6.3 Know what steps the adviser must take when the client rejects the adviser's recommendations;
- 6.4 Understand why it is unethical to advise a client to switch between the financial products of different providers, unless the switch is clearly in the best interests of the client;

- 6.5 Understand the importance of recommending the long term nature of a product to a client to avoid short term cancellations of policies;
- 6.6 Understand the key elements of handling customer complaints effectively and the need for an effective complaints procedure;
- 6.7 Understand alternative methods of resolving disputes
- 6.8 Describe a typical ethical code for financial advisers;
- 6.9 Understand the outcomes that may result from behaving ethically and not behaving ethically.
- 6.10 Understand the regulation and supervision of the bancassurance sector.

## Understand the regulation and supervision of the bancassurance sector.

- Understand the regulation and supervision of the bancassurance sector.

### 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/PFS members can access most of the additional study materials below via the Knowledge Services webpage at <https://www.cii.co.uk/knowledge-services/>.

New resources are added frequently - for information about obtaining a copy of an article or book chapter, book loans, or help finding resources, please go to <https://www.cii.co.uk/knowledge-services/> or email [knowledge@cii.co.uk](mailto:knowledge@cii.co.uk).

#### **CII study texts**

Award in Bancassurance. London: CII. Study text. AWB

#### **Books (and ebooks)**

Insurance theory and practice. Rob Thoitys. Routledge, 2010.\*

The basics of finance: an introduction to financial markets, business finance, and portfolio management. Frank Fabozzi. London, Wiley, 2010.\*

The Financial Times guide to investing. 3rd edition. Glen Arnold. FT Prentice Hall, 2014.

Winning client trust : the retail distribution review and the UK financial services industry's battle for their clients' hearts and minds. Chris Davies. London: Ecademy Press, 2011.

#### **Periodicals**

Personal finance professional (previously Financial solutions). London: CII. Six issues a year. Available online at [www.thepfs.org/financial-solutions-archive](http://www.thepfs.org/financial-solutions-archive) (CII/PFS members only).

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\* Also available as an ebook through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (CII/PFS members only).

Post magazine. London: Incisive Financial Publishing. Monthly. Contents searchable online at [www.postonline.co.uk](http://www.postonline.co.uk).

The Journal. London: CII. Six issues a year. Archive available online at <https://www.thepfs.org/search-results/?q=the+journal> (CII/PFS members only).

### Reference materials

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

International dictionary of banking and finance. John Clark. Hoboken, New Jersey: Routledge, 2005.\*

Harriman's financial dictionary: over 2,600 essential financial terms. Edited by Simon Briscoe and Jane Fuller. Petersfield: Harriman House, 2007.\*

Lamont's financial glossary: the definitive plain English money and investment dictionary. Barclay W Lamont. 10th ed. London: Taxbriefs, 2009.

### Examination guide

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate ([www.revisionmate.com](http://www.revisionmate.com)). 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.

The Insurance Institute of London holds a lecture on revision techniques for CII exams approximately three times a year. The slides from their most recent lectures can be found at [www.cii.co.uk/iilrevision](http://www.cii.co.uk/iilrevision) (CII/PFS members only).

1. From the issuer's perspective, the **main** function of corporate bonds is to
  - A. achieve diversification.
  - B. pay dividends.
  - C. raise capital.
  - D. reduce risk.
  
2. Credit unions are **normally** owned by
  - A. bancassurance parent companies.
  - B. the bondholders.
  - C. the members.
  - D. retail bank parent companies.
  
3. Where bancassurance exists on a pure distributor basis, as a corporate agent, who **normally** sells the product to the customer?
  - A. The bank.
  - B. The independent company appointed by the bank.
  - C. The independent company appointed by the insurer.
  - D. The insurer's salaried agents.
  
4. One of the key **disadvantages** of sickness and accident insurance compared to income protection insurance is that the
  - A. level of cover increases at a much slower rate.
  - B. lump-sum payments are much smaller.
  - C. maximum duration for income payments is much shorter.
  - D. maximum permitted entry age is much lower.
  
5. A single man with no dependants is still **likely** to have life assurance needs in order to
  - A. assist with increasing medical fees.
  - B. bridge a retirement income shortfall.
  - C. cover the cost of funeral expenses.
  - D. maximise the return on his savings.
  
6. What type of protection need is **likely** to be far greater for a 68-year-old than for a 28-year-old?
  - A. Income protection cover.
  - B. Loan cover.
  - C. Long-term care cover.
  - D. Personal accident cover.

- 
7. Each year that the life assured continues to survive during the term of a family income benefit policy, the total potential benefit payment **normally**
- A. goes down.
  - B. goes up.
  - C. goes down or up depending on investment performance.
  - D. stays at exactly the same amount.
8. What type of insurance is **most likely** to be offered on a budget, standard or comprehensive basis?
- A. Critical illness insurance.
  - B. Income protection insurance.
  - C. Long-term care insurance.
  - D. Private medical insurance.
9. A policyholder with a flexible whole life policy **normally** benefits from life cover which is the greater of the guaranteed sum assured and the
- A. current paid-up value.
  - B. encashment value of accrued units.
  - C. target sum assured.
  - D. total sum of premiums paid to date.
10. A customer with a level term assurance policy can **normally** be reassured that the
- A. policy can be converted to a whole life plan at the end of the term.
  - B. policy can be encashed for a surrender value at any time.
  - C. premiums will remain unchanged.
  - D. sum insured will remain adequate.
11. What type of insurance policy can pay out benefits at the end of a 26-week deferred period?
- A. Income protection.
  - B. Long-term care.
  - C. Medical expenses.
  - D. Sickness and accident.
12. The income benefit under a personal accident insurance policy is **normally** payable if the policyholder's disability
- A. is deemed genetic.
  - B. is diagnosed as permanent.
  - C. prevents him from working.
  - D. was caused by a work-related accident.

13. What type of payment is **normally** made under a personal accident insurance policy if the policyholder suffers permanent blindness?
- A. A fixed lump sum.
  - B. A lifetime income.
  - C. A refund of all premiums.
  - D. A temporary income.
14. Decreasing term assurance products are **mainly** used to protect what category of customer?
- A. Borrowers.
  - B. Company owners.
  - C. Divorcees.
  - D. Students.
15. The purchase of payment protection insurance is **normally** effected in conjunction with
- A. starting a business.
  - B. starting a pension.
  - C. taking out a life assurance policy.
  - D. taking out a loan.
16. When comparing household insurance and life assurance, what type of cover is only **likely** to exist under a household insurance policy?
- A. Disability.
  - B. Income protection.
  - C. Liability.
  - D. Unemployment.
17. If a six-year-old car covered under a motor insurance policy is written off as a result of a road traffic accident, the settlement will **usually** be the current market value less an amount which equals the
- A. annual premium.
  - B. depreciation cost.
  - C. inflation adjustment.
  - D. policy excess.
18. If income payments under a sickness and accident insurance policy result from temporary disablement, they will **normally** be paid for what **maximum** period?
- A. Three to six months.
  - B. One or two years.
  - C. To age 60.
  - D. To age 65.

19. If interest rates fall by 1%, the market value of what type of investment is **most likely** to rise?
- A. Capital protected annuity.
  - B. Corporate bond.
  - C. Endowment policy.
  - D. Notice account.
20. Fluctuating income resulting from interest rate risk is **most** associated with which main asset class?
- A. Cash deposit.
  - B. Equities.
  - C. Fixed-interest securities.
  - D. Property.
21. One of the **main** benefits of a traditional with-profits endowment policy is that it provides
- A. an automatic premium holiday facility.
  - B. an automatic single premium top-up facility.
  - C. a guaranteed amount of annual and final bonus at maturity.
  - D. a guaranteed minimum capital sum on maturity.
22. Whether a client invests a lump sum in deposits or equities depends upon his
- A. affordability.
  - B. attitude to risk.
  - C. marital status.
  - D. state of health.
23. One of the key advantages of investing in property company shares compared to direct property investment, relates to
- A. liquidity risk.
  - B. regulatory risk.
  - C. shortfall risk.
  - D. systematic risk.
24. A key difference between shares in private companies and shares in public limited companies is that
- A. private company shares are generally considered to be more difficult to value.
  - B. private company shares are generally considered to carry a lower level of risk.
  - C. public limited company shares normally change hands in smaller amounts.
  - D. public limited company shares normally generate higher dividend levels.

25. A client wants to save regularly over a 10-year period, but also wants to include a reasonable element of life cover. What type of product is **likely to best** address this need?
- A. Endowment policy.
  - B. Guaranteed equity bond.
  - C. Investment trust.
  - D. Life annuity.
26. What type of government stock is **most suitable** for a customer whose **main** priority is maintaining the real value of his investment?
- A. Index-linked.
  - B. Irredeemable.
  - C. Medium term.
  - D. Redeemable.
27. Governments are **usually** able to influence the appeal of domestic savings products through the use of
- A. competition regulations.
  - B. currency devaluations.
  - C. taxation concessions.
  - D. trade barriers.
28. A client wants a potential equity-related investment return but would like a product guarantee which mitigates the effects of market risk. What type of plan is **likely to be most suitable**?
- A. High income bond.
  - B. Investment trust.
  - C. Open-ended investment company.
  - D. Structured plan.
29. A deposit account has a monetary return of 4.8% and a real return of 2.6%. The 2.2% difference therefore relates to
- A. bonuses.
  - B. charges.
  - C. inflation.
  - D. taxation.
30. Where a client holds fixed-interest government securities, a significant cut in interest rates is **likely** to cause the investment's
- A. coupon to rise.
  - B. interest payment to fall.
  - C. market value to rise.
  - D. yield to fall.

31. If a customer receives a financial windfall, why should he consider paying off existing short-term debts in preference to investing this amount?
- A. He is likely to benefit from pound cost averaging.
  - B. His overall level of liquidity is likely to be improved.
  - C. The interest rate he is paying is likely to be high.
  - D. The risk of him suffering an encashment penalty is likely to be reduced.
32. One of the key weaknesses linked to a with-profit endowment policy is that it
- A. fails to include any form of life cover.
  - B. is only available to those with a standard medical history.
  - C. may require a mid-term increase in contribution level.
  - D. tends to provide poor value for money if encashed early.
33. Under which main asset classes is there **most likely** to be a 30-day notice period for encashments?
- A. Cash deposit.
  - B. Corporate bonds.
  - C. Equities.
  - D. Government securities.
34. When considering retirement planning, the younger a person is when they start a pension plan the
- A. less assistance they will receive from the State.
  - B. less they will need to pay each year.
  - C. longer they will receive annuity payments.
  - D. more likely they will receive State tax concessions.
35. When calculating a customer's retirement income requirements, the likelihood of having to take into account the needs of dependants is **most likely** to be strongly influenced by what key factor?
- A. The age difference between the children.
  - B. The age difference between the surviving grandparents.
  - C. The age of the children when they first started their education.
  - D. The age of the parents when the children were born.
36. The **main** purpose of an open market option under a pension arrangement is to
- A. achieve a higher transfer value.
  - B. exchange retirement income for a lump sum.
  - C. obtain a higher annuity rate.
  - D. switch out of an underperforming fund.

37. A typical difference between impaired life annuities and standard annuities, is that impaired life annuities
- A. are better protected from the impact of fluctuating interest rates.
  - B. are better protected from the impact of a volatile stock market.
  - C. provide a higher level of income for the same purchase price.
  - D. provide income over a longer period for the same purchase price.
38. Under a money purchase occupational pension scheme, the employer's level of contribution per employee will **normally** be
- A. dependent on annuity rates.
  - B. dependent on investment performance.
  - C. a fixed amount based on either age or gender.
  - D. a fixed monetary or earnings-related amount.
39. Under a personal pension plan, the amount actually received at retirement will **normally** be affected by the key factors of contributions, charges, investment performance and
- A. assumed growth rates.
  - B. deferred annuity rates.
  - C. immediate annuity rates.
  - D. pension accrual rates.
40. A customer holds a personal pension plan and is soon to retire. Which feature under the plan is **likely** to give rise to the need for annuity advice?
- A. Fund switching option.
  - B. Lifestyling option.
  - C. Open market option.
  - D. Targeting facility.
41. If the pension payable under a personal pension plan has an escalation option, this is **normally** designed to address any concerns the customer may have about
- A. charges within the plan.
  - B. his state of health.
  - C. the rate of inflation.
  - D. the rate of taxation.
42. If interest rates fall significantly in the year before an individual draws benefits from a personal pension plan, this will **normally** cause a reduction in the
- A. amount of annuity purchased.
  - B. length of the pension guarantee period.
  - C. maximum available rate of escalation.
  - D. rate of tax applied to any commutation payment.

43. An annuitant is **likely** to be **most disadvantaged** by a period of high inflation if he
- A. chose a fixed level of income.
  - B. chose a guaranteed period.
  - C. enjoys capital protection.
  - D. opted for index-linking.
44. A client who recently made a lump-sum investment has significant financial liabilities. Which document is **most likely** to provide details of these liabilities?
- A. The application form.
  - B. The client agreement.
  - C. The contract note.
  - D. The fact-find.
45. A married couple in their thirties have just had their first baby and have very limited disposable income. Based solely on this information, it is reasonable to conclude that their priority area of need relates to
- A. estate planning.
  - B. lump-sum investment.
  - C. protection planning.
  - D. retirement planning.
46. A customer wants a monthly savings plan that provides a cash fund in 15 years' time. He also wants a lump sum should he die before then. What type of product is **most likely** to meet these needs?
- A. Convertible term assurance.
  - B. Endowment.
  - C. Guaranteed equity bond.
  - D. Investment bond.
47. As a result of a fact-find meeting, the financial adviser asked the client to obtain further documentation. This is likely to result from the client disclosing that he is
- A. a cautious investor.
  - B. a dissatisfied client of another adviser.
  - C. a member of a company pension scheme.
  - D. in receipt of pension benefits.
48. What information on a fact-find is likely to be relevant when applying for a term assurance policy but **NOT** when applying for a unit trust investment?
- A. Bank account details.
  - B. Employer's address.
  - C. Existing pension details.
  - D. Smoking status.

49. What information on a fact-find is **likely** to have a greater impact on the advice offered in respect of income protection than for a regular savings plan?
- A. Amount of projected pension.
  - B. Date of birth.
  - C. Extent of liabilities.
  - D. Size of assets.
50. What information on a fact-find led the financial adviser to recommend a term assurance policy to the client?
- A. Details of an existing loan.
  - B. Details of an existing pension plan.
  - C. List of lifetime aspirations.
  - D. List of professional qualifications.
51. What information on a client's fact-find would affect a financial adviser's recommendation for personal accident and sickness cover?
- A. Details of the client's adverse medical history.
  - B. Details of the client's significant savings.
  - C. The client's concern about a retirement income shortfall.
  - D. The client's concern about being made redundant.
52. At which one of the seven life stages is there **most likely** to be a significant rise in income triggered by a change in family circumstances?
- A. Childhood.
  - B. Young unmarried.
  - C. Married with older children.
  - D. Retirement.
53. When a client moves from the pre-retirement life stage to the retirement life stage, there is **typically** an increased focus on
- A. educational fees planning.
  - B. estate planning.
  - C. income protection.
  - D. loan protection.
54. A client applied for a life assurance policy with a level form of life cover. However, cover in the first year was only 80% of the proposed level amount. This was because he was
- A. considered to be in poor health.
  - B. deemed to have a poor credit rating.
  - C. employed in a high-risk occupation.
  - D. a higher-rate taxpayer.

55. In what circumstances would a client's investment needs be influenced by specialist research?
- A. If he has crossed a threshold age.
  - B. If he has expressed ethical preferences.
  - C. If he is in poor health.
  - D. If there is a conflict of interest.
56. The best way for an adviser to identify a client's perceived needs is to examine his
- A. attitude to risk.
  - B. desires and aspirations.
  - C. existing levels of cover.
  - D. financial targets.
57. A client's present income is £24,000 and he needs retirement income of 60% of final salary. The State pension is currently £4,200 and his personal pension is projected to be £2,400. Based on today's values, what additional annual pension income should be targeted?
- A. £7,800
  - B. £10,200
  - C. £12,000
  - D. £14,000
58. A married client recently had his first child. He wants to be able to provide life cover in the cheapest possible way to ensure his wife is financially protected whilst the child is growing up. What type of product is **most likely** to be recommended?
- A. Endowment assurance.
  - B. Term assurance.
  - C. Unit-linked whole life assurance.
  - D. With-profit whole life assurance.
59. In accordance with best practice, a customer requiring income protection insurance was referred by his financial adviser to a different adviser. This was because the first adviser
- A. had a limited product range.
  - B. recommended a higher level of cover than the customer wanted to pay for.
  - C. was a close relative of the customer.
  - D. was unable to persuade the customer to disclose the necessary financial facts.
60. Following a fact-find the bancassurer recommended a specific amount of life cover, however the client wants to take out less cover. In accordance with best practice, the adviser should
- A. decline to proceed any further with the client.
  - B. offer the client a further fact-find meeting.
  - C. process the business as instructed but document the shortfall.
  - D. refer the client to the bancassurer's compliance department.

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61. Once a client has accepted the recommendation, in accordance with best practice the financial adviser should
- A. complete the fact-find.
  - B. indicate the timescale of future stages.
  - C. invoice the client for the commission and fees.
  - D. refer the client to a separate colleague.
62. During the presentation stage of a client meeting, the financial adviser will tend to use confirming type questions **primarily** in order to
- A. encourage the client to provide referrals.
  - B. encourage the client to provide supplementary details.
  - C. ensure the client understands the proposal.
  - D. help the client complete the appropriate application forms.
63. During the product recommendation meeting arranged by a financial adviser, the client was confused about the key features document. Consequently, the adviser should
- A. continue to deal with this case on an execution-only basis.
  - B. continue to deal with this case on a rejected-advice basis.
  - C. not complete the application form unless his supervisor is present.
  - D. not seek authority to proceed until these issues are satisfactorily resolved.
64. During the financial adviser's explanation of the product being recommended, the client expresses concern over the risks involved. Before obtaining completion of the application form, the adviser should therefore
- A. conduct an updated fact-find on the client.
  - B. ensure the client is comfortable before proceeding further.
  - C. produce a second illustration of projected benefits.
  - D. suggest the client seeks a second opinion from a family member.
65. An adviser has recommended that his client takes out both a protection and a savings product, but the client only wants to start the savings product. In accordance with best practice, the adviser should
- A. arrange the savings product but obtain the client's signature to confirm the rejection of the protection product.
  - B. cease to act for the client.
  - C. continue to act for the client but refuse to arrange the savings product.
  - D. refer the client to another colleague within the firm.

66. A client purchased a 20-year with-profits endowment policy a short while ago and his financial adviser is now recommending that this should be surrendered and replaced by a whole life policy. This action would **normally** be deemed ethical provided the
- A. endowment policy was arranged by a different adviser.
  - B. endowment policy was more than three years old.
  - C. proposed switch is clearly in the client's best interests.
  - D. whole life policy has a lower premium.
67. An adviser recommended a renewable term assurance policy, but the client insisted on a decreasing term assurance policy. What level of responsibility, if any, will the adviser have as a consequence of the client's decision?
- A. He will have no responsibility.
  - B. He will have full responsibility.
  - C. He will have statutory responsibility for a limited period.
  - D. He will have unlimited statutory responsibility.
68. A financial adviser is considering recommending that a client switch his protection-only cover to a new provider in order to reduce the premium level. If the cover with the previous provider includes guarantees and options, which of these features, if either, should the adviser take into account when considering the merits of such a switch?
- A. Both features.
  - B. Guarantees only.
  - C. Options only.
  - D. Neither feature.
69. One of the key problems associated with the early surrender of an endowment policy and replacing it by a term assurance policy with the same sum assured is that the
- A. client will incur a tax liability.
  - B. life cover is likely to expire much earlier.
  - C. premiums will cease to be fixed.
  - D. surrender is likely to result in a financial loss.
70. A bancassurer breached best practice when dealing with a written customer complaint about poor service. This was because the firm
- A. investigated the matter using only internal staff.
  - B. offered a relatively small ex-gratia payment as compensation.
  - C. telephoned the customer for more information before making a decision.
  - D. took three weeks to acknowledge the letter.

71. What is the **main** reason why it is **normally** considered important for a bancassurer to categorise complaints received?
- A. It avoids product bias.
  - B. It helps identify systemic weaknesses.
  - C. It reduces the reliance on fact-finds.
  - D. It supports the premium review process.
72. A fully-qualified adviser employed by a bancassurer is obliged to regularly attend courses and seminars and also undertake private study. Within the industry, this requirement is often described as
- A. continuous professional development.
  - B. needs analysis guidance.
  - C. skill set gap filling.
  - D. statutory conduct training.
73. One key way of assessing the level of ethical behaviour of a firm's financial advisers is to measure
- A. allocation rates.
  - B. call rates.
  - C. fund switching rates.
  - D. persistency rates.
74. Following the identification of a lump-sum target, the financial adviser recommended a savings plan to his client. If the client only wanted to save 75% of the recommended amount, the adviser should
- A. decline to act unless the client changed his mind.
  - B. establish the plan at the recommended level but ensure that reduced contributions are permitted.
  - C. insist on negotiating a compromise between 75% and 100%.
  - D. process the case on the reduced basis but obtain the client's signature to a shortfall warning.
75. Following a fact-find, the bancassurer adviser identifies that the client has a regular savings plan need. However, the adviser's company only sells lump-sum investment plans. Consequently, the adviser should
- A. carry out a lump-sum investment sale on an execution-only basis.
  - B. recommend periodic lump-sum investments instead.
  - C. refer the client to an independent financial adviser.
  - D. revisit the client's needs and priorities.

## Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
<b>Learning Outcome 1</b>			<b>Learning Outcome 4</b>			<b>Learning Outcome 6</b>		
1	C	1.1	34	B	4.1	59	A	6.2
2	C	1.2	35	D	4.1	60	C	6.3
3	A	1.4	36	C	4.2	61	B	6.1
<b>3 Questions</b>			37	C	4.2	62	C	6.1
			38	D	4.2	63	D	6.1
<b>Learning Outcome 2</b>			39	C	4.2	64	B	6.1
4	C	2.2	40	C	4.3	65	A	6.3
5	C	2.1	41	C	4.4	66	C	6.4
6	C	2.1	42	A	4.5	67	A	6.3
7	A	2.2	43	A	4.4	68	A	6.4
8	D	2.2	<b>10 Questions</b>			69	D	6.5
9	B	2.2				70	D	6.6
10	C	2.2	<b>Learning Outcome 5</b>			71	B	6.6
11	A	2.2	44	D	5.1	72	A	6.7
12	C	2.4	45	C	5.5	73	D	6.8
13	A	2.4	46	B	5.7	74	D	6.3
14	A	2.5	47	C	5.1	75	C	6.2
15	D	2.5	48	D	5.1	<b>17 Questions</b>		
16	C	2.6	49	B	5.1			
17	D	2.7	50	A	5.2			
18	B	2.4	51	D	5.2			
<b>15 Questions</b>			52	C	5.3			
			53	B	5.3			
<b>Learning Outcome 3</b>			54	A	5.4			
19	C 	3.7	55	B	5.4			
20	A	3.2	56	B	5.5			
21	D	3.3	57	A	5.6			
22	B	3.1	58	B	5.7			
23	A	3.2	<b>15 Questions</b>					
24	A	3.2						
25	A	3.3						
26	A	3.3						
27	C	3.4						
28	D	3.5						
29	C	3.6						
30	C	3.7						
31	C	3.8						
32	D	3.3						
33	A	3.2						
<b>15 Questions</b>								