

ApEx 3

Protection

Summary of Learning Outcomes

LEARNING OUTCOME H1

INTEGRATED LEARNING OUTCOME FOR THE APPROPRIATE EXAMINATIONS STANDARDS FOR RETAIL INVESTMENT ADVICE

It is a requirement that candidates are examined in their ability to COMBINE AND APPLY knowledge and understanding of the content of the four Standards to the circumstances of advising on investments which are packaged products. This will require an overarching assessment of the candidate's knowledge and understanding.

The Outcome is:

Candidates will be expected to:	Attainment Levels to be tested
H1 identify consumers' needs and demands and recommend suitable and affordable investment solutions, using their knowledge and understanding of <ul style="list-style-type: none">■ The UK finance industry, regulation and ethics■ Investment and Risk■ Protection■ Retirement Planning.	■ Analysis ■ Synthesis ■ Evaluation

There is no separate indicative content for this outcome, since the knowledge and understanding to be tested is that covered by Standards ApEx1 to ApEx 4 inclusive.

Awarding bodies are required to devise proposals for testing this outcome. The test or tests must provide evidence of candidates' capacity, when advising on investments which are packaged products, to demonstrate their ability to analyse, synthesise and evaluate information.

The scope of the test(s) should cover the areas of competence covered by the Performance Standards (otherwise known as national occupational standards) for Providing Retail Investment Advice:

1. Gather information needed to provide financial advice
2. Analyse information to provide financial advice
3. Advise on retail investment solutions
4. Review existing consumers' financial arrangements and requirements

It is for awarding bodies to determine whether this is best done through a single test (such as a case study) or a series of linked tests (such as vignettes which test different attainments). It is also for awarding bodies to determine the place of this test within their overall examination strategy. Whatever the arrangement, the test of this outcome must be clearly separated from tests for other outcomes in the examination regime.

ApEx3 Protection		Level
On completion of this module, candidates will be expected to:		
U Demonstrate an understanding of:		
U1.	the purpose and scope of financial protection and how the main types of state benefit and existing protection arrangements have an impact on protection planning	Comprehension
U2.	the main types of life assurance policy, their functions, how they are arranged, the tax rules and the use of life assurance in mitigating inheritance tax and estate planning	Comprehension
U3.	the use of trusts in life assurance	Comprehension
U4.	the main types of income protection insurance policies, their functions, how they are arranged and the tax rules	Comprehension
U5.	the main types of critical illness insurance policies, their functions, how they are arranged and the tax rules	Comprehension
U6.	the main features and functions of mortgage payment protection insurance (MPPI) and accident, sickness and unemployment (ASU) insurance	Comprehension
U7.	the main features and functions of personal accident insurance	Comprehension
U8.	the main features and functions of long-term care insurance and the context in which it is used	Comprehension
U9.	the main types of medical insurance and their uses	Comprehension
U10.	the main needs for business insurance protection and how they can be met	Comprehension
An Demonstrate an ability to		
An1	analyse consumers' circumstances and suitable protection products, taking account of any existing arrangements	Analysis
A Demonstrate an ability to		
A1	apply suitable protection product solutions to specific consumers' circumstances	Application

Indicative Content for each Learning Outcome

APEX3 PROTECTION

Attainment Level	Outcome	Indicative Content
U Demonstrate an understanding of:	U1. the purpose and scope of financial protection and how the main types of state benefit and existing protection arrangements have an impact on protection planning	U1.1. Main types of cover – life assurance, income protection insurance, critical illness insurance, mortgage payment protection insurance, accident sickness and unemployment insurance, personal accident insurance, long term care insurance, medical expenses U1.2. The main areas of need for protection – family and personal protection, mortgage, long term care, inheritance tax planning and business protection U1.3. Divorce and relationship breakdown – impact on policies and changing needs U1.4. The role of employment and pension-based protection benefits – dependence on employment based cover, advantages and drawbacks U1.5. Regulatory issues – investment policies, non investment long term care policies, other insurance policies, ICOB U1.6. State benefits – their relevance to the provision of protection policies, main features of: income support, jobseekers' allowance, child benefit, bereavement payment, bereavement allowance, widowed parent's allowance, carer's allowance, statutory sick pay, incapacity benefit, pension credit, disability living allowance, attendance allowance, working tax credit, child tax credit, state dependant's pensions U1.7. Assessing priorities in life and health protection – individual and family priorities U1.8. The importance of determining existing protection arrangements and their consequences for protection planning
	U2. the main types of life assurance policy, their functions, how they are arranged, the tax rules and the use of life assurance in mitigating inheritance tax and estate planning	U2.1. The basic principles of life assurance, proposers, lives assured, single and joint life policies, U2.2. Main types of policy, permanent policies, term assurances, pension-based policies, group policies, effects on policy design and premium structures of mortality risk, investment and expenses, comparison of term, renewable and permanent policies and their uses U2.3. Mechanics of life assurance policies – proposal, utmost good faith disclosure, underwriting, cancellation rights, policy document, renewals, assignment U2.4. Policy proceeds – surrender, claim and maturity payments U2.5. Taxation of life assurance policies – basic rules of the taxation of life assurance company funds, the basic criteria for qualifying policies and their consequences, the taxation of proceeds of non-qualifying policies, pension policies, non-pension group life policies U2.6. Special aspects – second hand policies, assignments, commissions U2.7. Assessing and quantifying different kinds of family life assurance protection needs and choosing appropriate policies and policy features to meet needs – requirement for cover, who should be covered, type of cover, flexibility and additional features, term and permanent policies, amount of cover, inflation-proofing, policy term, capital needs, liabilities, pension fund replacement, short and longer-term income replacement needs, impact of state benefits, choice of policies and affordability U2.8. Principles of wills, probate and intestacy U2.9. Outline of inheritance tax – scope, chargeable transfers, potential exempt transfers, transfers on death, nil rate band, exemptions and reliefs, gifts with reservation, valuation U2.10. Basic inheritance tax computations for individuals U2.11. Basic inheritance tax planning U2.12. Role of life assurance in estate planning – funding for inheritance tax through regular premium life assurance, regular gifting using life assurance policies, insuring lifetime gifts and when to use level or decreasing term assurance, back to back whole life and annuity purchase

APEx3 PROTECTION (CONT'D.)

Attainment Level	Outcome	Indicative Content
U Demonstrate an understanding of:	U3. the use of trusts in life assurance	U3.1. The nature of trusts U3.2. How trusts are set up and the main roles – settlor(s), trustees and beneficiaries U3.3. Choosing trustees U3.4. Main types of trust – absolute, life interest, flexible, reverter to settlor, discretionary, accumulation and maintenance, Married Women’s Property Act trusts U3.5. Why trusts are used – their advantages and drawbacks, when they should and should not be used U3.6. Life assurance policies under trust – assignments, effects of bankruptcy, claims, dealings with beneficiaries U3.7. Tax issues of policies under trust – income tax, inheritance tax
	U4. the main types of income protection insurance policies, their functions, how they are arranged and the tax rules	U4.1. The need for income protection insurance – who should be insured, amount of cover, term U4.2. Main product features – individual and group policies, guaranteed premium rates, unit linked and reviewable policies, deferred periods, term, escalation of cover and benefits, limitation on benefits, effects on policy design and premium structures of morbidity, investment and expenses U4.3. Proposals and underwriting – premium rate structures by age, occupation, non-working insured people, effects on rates of deferred periods, escalation and policy term, difference between underwriting for incapacity rather than death U4.4. Claims and conditions – definitions of incapacity, exclusions and conditions, travel and changes of occupation, monitoring claims U4.5. Taxation – individual and group policies U4.6. State benefits for illness and incapacity and their impact on the need for cover U4.7. Waiver of premium – existing policies, providing the cover through income protection policies U4.8. Group policies and employer policies
	U5. the main types of critical illness insurance policies, their functions, how they are arranged and the tax rules	U5.1. Insurance cover provided – differences in coverage, changes in definitions, additional benefits, taxation of benefits U5.2. Policy structure – stand alone, combined whole life or term, first claim, bolt on, single and joint life policies U5.3. Group policies U5.4. Effects on policy design and premium structures of morbidity, medical developments, investment and expenses U5.5. Underwriting issues U5.6. Need for cover – who needs cover, type of cover, flexibility and additional features, term and permanent policies U5.7. Assessing the amount of cover needed, inflation-proofing, policy term, capital needs, short and longer-term income replacement needs U5.8. Split benefit trusts for death benefits U5.9. Comparing critical illness cover and income protection – advantages and drawbacks
	U6. the main features and functions of mortgage payment protection insurance (MPPI) and accident, sickness and unemployment (ASU) insurance	U6.1. Cover provided by MPPI and ASU – long term illness, incapacity, unemployment, differences between MPPI and ASU U6.2. Need for MPPI and ASU U6.3. Main limitations on the insurance provided U6.4. Comparing MPPI with ASU, income protection and critical illness insurance – advantages and drawbacks U6.5. State support for mortgage costs – qualifying rules, main limits on benefits

APEx3 PROTECTION (CONT'D.)

Attainment Level	Outcome	Indicative Content
U Demonstrate an understanding of	U7. the main features and functions of personal accident insurance	U7.1. Types of cover – death, specified injury U7.2. Limitations – cover, annual policy U7.3. Personal accident insurance for children – availability, group schemes U7.4. Assessing individual needs – comparing with MPPI, ASU, income protection and critical illness insurance
	U8. the main features and functions of long-term care insurance and the context in which it is used	U8.1. Long term care insurance main features – pre-funded protection, pre-funded protection and investment, immediate care policies, regular premium and single premium policies, costs and benefits U8.2. Meeting the need for income to pay for long term care – period and costs of care U8.3. State (including NHS) – and local authority help for LTC – conditions and amounts U8.4. Other long term care planning – accumulating funds, use of the home, ownership of the home, equity release, accelerated death benefits and viatical settlements U8.5. Enduring power of attorney – need, basic procedure, consequences
	U9. the main types of medical insurance and their uses	U9.1. Cover provided – difference between acute and chronic conditions, overseas aspects, main different levels of benefits, policy excesses U9.2. Benefits of having medical insurance U9.3. Underwriting issues – pre-existing conditions U9.4. Individual and group plans U9.5. Features and limitations of other medical insurance plans – health cash plans, dental plans
	U10. the main needs for business insurance protection and how they can be met	U10.1. Key person insurance – needs, appropriate life and health policies, basic tax position U10.2. Shareholder insurance – needs, appropriate life and health policies, basic tax position U10.3. Partnership insurance – needs, appropriate life and health policies, basic tax position
An Demonstrate an ability to:	An1 analyse consumers' circumstances and suitable protection products, taking account of any existing arrangements	An1.1 Factors shaping consumers' circumstances and protection needs An1.2 How to identify and analyse risk aversion and exposure An1.3 How to assess affordability and suitability An1.4 Methods of identifying and reviewing suitable product solutions An1.5 The interrelationship of protection products and its consequences for identifying suitable and affordable solutions An1.6 How to assess the impact of new solutions on existing arrangements
A Demonstrate an ability to	A1 apply suitable protection product solutions to specific consumers' circumstances	A1.1 The range of solutions available to suit different types of circumstance A1.2 The criteria for matching solutions to consumer needs and demands A1.3 Factors influencing the way in which recommendations are presented A1.4 How to check consumers' understanding of recommendations A1.5 Consumer rights and the regulatory requirements apply to the provision of investment advice A.6 The consequences of inadequate protection and how to explain these objectively to consumers