

# Chartered Banker

Leading financial professionalism

## Financial Protection

### A. Aim of Subject:

To enable investment advisers to develop a range of financial protection skills, techniques and practices at a professional level which meet the requirements of the Financial Services Authority.

### B. Subject Specific Learning Outcomes:

#### Outcome 1

Understanding of the consumer and retail market factors and trends relevant to financial protection.

#### Knowledge, Understanding and Skills

- The role of insurance in mitigating personal financial risk
- Consumer attitudes and behaviours to protection needs planning
- Trends
  
- Health and morbidity
- Longevity and mortality
- Employment
- Product design and development
- Access to advice and/or insurance cover

#### Outcome 2

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

#### Knowledge, Understanding and Skills

- Personal and family income and capital protection needs:
  - Health, incapacity, accident
  - Income, mortgage and other debt
  - Death, asset protection
  
- The relationship between insurance and assets and liabilities
- Business protection needs - Small & Medium Enterprises(SMEs)
- Sources of financial protection:
  - State
  - Employer – individual, group schemes
  - Life assurance and pension policies
  - Health and other insurance products

### **Outcome 3**

Understanding of the role and limitations of State Benefits and state/local authority funded solutions for financial protection.

#### **Knowledge, Understanding and Skills**

- Range and limitations of benefits
- Mortgage repayment support
- Considerations and impact on financial planning

### **Outcome 4**

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

#### **Knowledge, Understanding and Skills**

- Types of policies, comparative costs, benefits and disadvantages
- Cost and premium calculation factors
- Legal requirements, ownership, uses and relevance of trusts
- Underwriting
- Terminal illness benefit
- Assignments, surrenders, paid-up policies, claims

### **Outcome 5**

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

#### **Knowledge, Understanding and Skills**

- Qualifying and non-qualifying policies, offshore policies
- Taxation of life funds, onshore and offshore
- Capital Gains Tax (CGT) and life assurance policies
- Inheritance Tax (IHT) and life assurance

### **Outcome 6**

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

#### **Knowledge, Understanding and Skills**

- Types of policies, features and uses, comparative costs, benefits and disadvantages
- Definitions, exclusions, premium calculation factors
- Underwriting
- Claims
- Taxation treatment
- Group policies

## **Outcome 7**

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

### **Knowledge, Understanding and Skills**

- Types of policies, structure, comparative costs, benefits and disadvantages
- Market developments for critical illness insurance
- Definitions, conditions, exclusions
- Term and amount of cover – factors, assessment
- Premium calculation factors
- Underwriting
- Claims
- Taxation treatment, use of trusts
- Group policies

## **Outcome 8**

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

### **Knowledge, Understanding and Skills**

- Regulatory considerations
- Political environment, social care policy, national factors
- Main product types and features
- Long term care planning:
  - Cost and other factors, options and choices
  - Available resources, impact and consequences
  - Immediate needs provision
  - Future needs planning
  - Legal considerations, powers of attorney

## **Outcome 9**

Understanding of the main features of other insurance based protection policies.

### **Knowledge, Understanding and Skills**

- Personal accident and sickness insurance
- Private medical insurance, hospital plans, dental insurance
- Payment protection insurance – mortgages, credit

## **Outcome 10**

Ability to evaluate the needs and priorities for financial protection and the relevant factors in selecting appropriate solutions.

### **Knowledge, Understanding and Skills**

- Identifying the priorities, risks and choices
  - Consequences of inadequate protection
- Assessing and quantifying current and future capital and income needs in real terms
  - Family and personal protection
  - SME business protection needs – business loans, keyperson and shareholder protection
  - Existing arrangements
- Determining suitability of product types and options
  - Comparing similar types of products
  - Identifying and matching suitable product solutions to needs
  - Combinations of products
  - Current and future affordability
- Other planning considerations:
  - Co-habitation, marriage, civil partnerships, birth of child
  - Property purchase
  - Separation and divorce
  - Work, going overseas, retirement
  - The suitability of trusts
- Importance of regular reviews