The London Institute of Banking & Finance

CeMAP 2 – Mortgages 2021/22

Amendments to study text

Please note the following amendments to the 2021/22 study text (amendments are listed in the order of the topics to which they apply).

Text reference	Subject area	Clarification / correction	Date added
17.2.1, p347–8	Decreasing term assurance	**Disregard the subsection up to the end of p348 in favour of the following:** With decreasing term assurance, the sum assured reduces to nothing over the term of the policy. Premiums are normally payable throughout the term and remain unchanged. Decreasing term assurance may be used to cover the outstanding capital on a debt that reduces each year. The most common use of decreasing term assurance is to cover the amount outstanding on a repayment mortgage; this is also known as mortgage protection assurance. The sum assured, like the mortgage, decreases by lesser monthly amounts near the start and by larger amounts towards the end of the term (see Figure 17.4). The sum assured is calculated so that, as long as premiums are maintained, the level of cover reduces assuming a specified interest rate, which is usually higher than current interest rates and so a small surplus may arise following the repayment of the outstanding mortgage debt.	30/04/21
17.2.2, p350	Whole-of-life assurance	**Replace second paragraph of the section with:** A whole-of-life policy can either have guaranteed premiums throughout the life of the policy or can be investment backed, where the policy combines life cover with investment. Premiums are reviewed at set times throughout the plan and if the investment has not matched assumptions the premiums will increase or decrease accordingly.	30/04/21
17.3.1, p356	CIC premium structure	**Changes in bold from the subheading 'Fixed premiums' onwards:** ***Guaranteed** premiums* **Guaranteed (ie** fixed) premiums have an obvious advantage when budgeting, but **some** providers find **them** inappropriate. [Rest of text unchanged] *Reviewable premiums* Many companies **offer a reviewable option on their products that can result in lower premiums in the early part of the plan; this can be beneficial to clients on a budget. However, the market is now favouring the certainty of guaranteed premiums.**	30/04/21

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		A typical review structure might be after every five years of the plan. [Rest of text unchanged] Although **guaranteed** premiums are attractive, reviewable premiums might occasionally be reduced on review. This should not be used as a sales pitch for reviewable premiums, but it demonstrates that it is incorrect to perceive **guaranteed** premiums as 'good' and reviewable premiums as 'bad'.	
17.4, p356	Income protection insurance	**Disregard the last two sentences on the page:** ~~However, although the plan cannot be cancelled by the insurer, it is common for plans to have a reviewable premium structure. Typically, reviews take place every five years, allowing the provider to compare general claims experience with that anticipated.~~	30/04/21
17.4.2, p359	Limited-period IPI benefits	**Replace 'In brief' box with:** *Low-cost options: limited-period benefits* **Low cost:** to reduce the cost of the premiums, the IPI benefit is paid out for a maximum of one, two or five years for each individual claim (depending on what was chosen at the outset). After they return to work, the insured can make further claims for other conditions **Age costed or low start:** the premiums start low but increase each year with the client's age. This is used for higher-risk occupation clients where standard and low cost might be too expensive for them.	30/04/21
17.5.1, p360	CIC and IPI exclusions	**Replace all text in section before the 'Factfind' box with:** A lot of former standard exclusions on CIC and IPI policies have been removed. Exclusions set out the conditions under which payment will not be made in the event of a claim, even if the claimant suffers an insured condition. *Typical general CIC exclusions* • Being diagnosed with a critical illness outside the policy term. • Not surviving for a specified period following diagnosis. • If a person with a single policy dies, standalone policies will not pay out (some providers give a nominal cash sum in the event of death).	30/04/21

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