

Private medical insurance practice

Purpose

To provide an understanding of the principles and practices of private medical insurance (PMI) and the ability to apply this knowledge to practical situations.

Assumed knowledge

Candidates are expected to have knowledge of IF7 Healthcare insurance products.

Summary of learning outcomes

1. Understand the relationship between public and private medical provision.
2. Understand private medical insurance products and principles.
3. Understand the application of pricing and underwriting for private medical insurance.
4. Understand the application of claims and policy administration.
5. Understand legislation and regulation in relation to private medical insurance.
6. Understand the distribution of private medical insurance.

Important notes

- Method of assessment: Part I 14 compulsory questions (140 marks). Part II 2 questions selected from 3 (60 marks). Total of 200 marks. Three hours are allowed for this exam.
- The syllabus is examined on the basis of English law and practice unless otherwise stated.
- The general rule is that the exams are based on the English legislative position six months before the date of the exams.
- 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
 - 2) Select the appropriate qualification
 - 3) Select your unit on the right hand side of the page

1. Understand the relationship between public and private medical provision

- 1.1 Explain the services offered by private and public hospitals, clinics and treatment centres.
- 1.2 Describe the relationship between the National Health Service (NHS) and private healthcare providers in the United Kingdom (UK).
- 1.3 Describe the relationship between other types of public and private healthcare provision internationally.

2. Understand private medical insurance products and principles

- 2.1 **Examine the needs of buyers of private medical insurance, within:**
 - 2.1.1 the individual market.
 - 2.1.2 the voluntary group market.
 - 2.1.3 corporate/company group markets.
 - 2.1.4 flexible benefits.
 - 2.1.5 the international market.
- 2.2 **Identify the main types of private medical insurance policy and related products.**
- 2.3 **Explain the core benefits associated with PMI policies.**
- 2.4 **Describe other products and cover types available as additional benefits including:**
 - 2.4.1 dental insurance.
 - 2.4.2 health cash plans.
 - 2.4.3 well-being and occupational health.
 - 2.4.4 employee assistance programmes (EAPs).
 - 2.4.5 critical illness insurance.
- 2.5 **Explain the differences in the operation, philosophy and administration of community – rated, pool rated and experience rated group schemes.**
- 2.6 **Explain the following funding methods in relation to individual and group schemes including:**
 - 2.6.1 fully insured.
 - 2.6.2 risk sharing and co-funding.
 - 2.6.3 cost plus.
 - 2.6.4 self-funding.
- 2.7 **Explain the structure, features and application of Healthcare Trusts.**
- 2.8 **Explain the scope of international cover and how it differs from UK specific policies.**

3. Understand the application of pricing and underwriting for private medical insurance

- 3.1 Explain the principles of assessment and underwriting affecting individual and group risks.
- 3.2 Explain the application of medical underwriting in private medical insurance business.
- 3.3 Describe the types and uses of moratoria in private medical insurance policies.
- 3.4 **Explain how premiums are calculated, including the use of:**
 - 3.4.1 post-code pricing.
 - 3.4.2 hospital banding and charges.
 - 3.4.3 age-related (banding and age specific) rating.
 - 3.4.4 experience rated.
- 3.5 **Explain how the extent of cover for specific medical conditions can affect the premium calculation with reference to:**
 - 3.5.1 cancer.
 - 3.5.2 mental health (psychiatric and psychological conditions).
 - 3.5.3 cardio vascular.
 - 3.5.4 muscular skeletal.
- 3.6 **Examine the main methods of cost containment, including:**
 - 3.6.1 the operation of no claim discount schemes.
 - 3.6.2 loyalty discounts.
 - 3.6.3 payment method discounts.
 - 3.6.4 the use of; and different types of excesses.
 - 3.6.5 profit and loss sharing schemes.
 - 3.6.6 co-insurance.
 - 3.6.7 benefit limits.
 - 3.6.8 exclusions.
 - 3.6.9 the use of provider and specialist networks.
- 3.7 **Explain the need for, and methods of, reinsuring private medical insurance business**
- 3.8 **Explain the underwriting considerations of pre-existing, acute and chronic medical conditions.**

4. Understand the application of claims and policy administration

- 4.1 Examine the main principles, practices and processes for dealing with claims arising under policies, including pre-authorisation of claims.
- 4.2 Examine the principles and practice of managed care and other related claims management techniques, settlement methods, administration and coding including electronic communications and Healthcode.
- 4.3 Examine the basic principles of scheme management and administration.
- 4.4 Explain the roles and responsibilities of intermediaries in the administration of PMI schemes.
- 4.5 Explain the considerations in respect of business transferring between insurers.
- 4.6 Explain the role of the customer service function and the benefits of claims helpline facilities.
- 4.7 Explain the impact of contribution and third party recoveries on claims management.
- 4.8 Explain the role of third party administrators in the claims management function.
- 4.9 Explain the limitations on claims in relation to chronic conditions and experimental treatments.

5. Understand legislation and regulation in relation to private medical insurance

- 5.1 Explain the application to PMI business of the following pieces of legislation:
 - 5.1.1 Access to Medical Reports Act 1988.
 - 5.1.2 Data Protection Act 1998.
 - 5.1.3 Financial Services and Markets Act 2000.
 - 5.1.4 Financial Services Act 2012.
 - 5.1.5 Equality Act 2010.
 - 5.1.6 Consumer Insurance (Disclosure and Representations) Act 2012.
- 5.2 Explain the role of the Association of British Insurers as applicable to PMI business.
- 5.3 Explain the key components of regulation by the Financial Conduct Authority and Prudential Regulation Authority as applicable to PMI business.
- 5.4 Explain the role of the Financial Ombudsman Service as applicable to PMI business.
- 5.5 Explain the taxation of premiums, benefits and benefits-in-kind to individuals and employers in relation to private medical insurance and healthcare trust schemes.
- 5.6 Identify the regulatory issues that need to be considered for transacting international PMI business from the UK.

6. Understand the distribution of private medical insurance

- 6.1 Explain the structure of the distribution channels for private medical insurance business.
- 6.2 Describe the operation of the intermediary market in the distribution of PMI.
- 6.3 Explain the techniques employed by distribution channels for marketing private medical insurance.
- 6.4 Explain the types of organisation that underwrite and administer PMI including:
 - 6.4.1 providents and friendly societies.
 - 6.4.2 commercial insurers.
 - 6.4.3 third party administrators.
 - 6.4.4 white labelling and intermediary schemes.
 - 6.4.5 reinsurers.
 - 6.4.6 retailers.

Reading list

The following list provides details of various publications which may assist with your studies. Periodicals and publications listed will be of value in ensuring candidates keep up to date with developments and in providing a wider coverage of syllabus topics. Any reference materials cited are authoritative, detailed works which should be used selectively as and when required.

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.

CII study texts can be consulted from within the library. For further information on the lending service, please go to www.cii.co.uk/knowledge.

CII study texts

Healthcare insurance products: CII. Study text IF7

Private medical insurance practice. London: CII. Study text P64.

Books (and ebooks)

Life and health insurance. Jon Dunckley et al. Annual. London: Taxbriefs.

Houseman's law of life assurance. 14th ed. Robert Surridge et al. Haywards Health, Bloomsbury Professional, 2011.

The modern law of insurance. Andrew McGee. (London: LexisNexis, 2011).

Life assurance and pensions handbook. Chris Marshall. London: Taxbriefs. Annual.

Factfiles and other online resources

CII factfiles are written by subject matter experts within the insurance and financial services industry. They are updated annually, and interim update bulletins are included where necessary to take into account any major changes during the year. All are available online via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

- Genetic testing and insurance. Ian Youngman.
- Recent developments in life assurance law. Robert Surridge.
- Recent developments in life product design.
- Critical illness insurance. Andy Couchman.
- Long-term care insurance. Andy Couchman.
- Payment protection insurance. Andy Couchman

Reference materials

Health Cover UK Market Report. London: Laing & Buisson. Annual.

The PMI handbook. Andrew K C Green. Hurstpierpoint, W Sussex: Craigdallie. Annual.

Clinical medicine, 7th ed. P Kumar and M Clark. London: Elsevier, 2009.

The Merck manual of diagnosis and therapy. 19th ed. R S Porter. Chichester: Merck, 2011. Also available online at www.merckmanuals.com (last checked 2 March 2013).

"Life, pensions, health and medical insurance". Kluwer's handbook of insurance. Kingston upon Thames, Surrey: Croner. CCH. Looseleaf, updated.

Periodicals

Cover. London: Incisive Financial Publishing. Monthly.

Health Insurance & Protection. London: Informa. Monthly.

e-Protection Review. Cheltenham, Gloucestershire: Protection Review Ltd. Ten issues a year.

The Journal. London: CII. Six issues a year. Also available online (CII/Personal Finance Society members only) at www.cii.co.uk/knowledge.

Corporate Advisor London: Centaur Communications. Monthly.

Examination guides

Guides are produced for each sitting of written answer examinations. These include the exam questions, examiners' comments on candidates' performance and key points for inclusion in answers.

You are strongly advised to study guides for the last two sittings. Please visit www.cii.co.uk to buy online or contact CII Customer Service for further information on +44 (0)20 8989 8464.

Older examination guides are available (for members only) via www.cii.co.uk/knowledge. Alternatively, if you have a current study text enrolment, the latest exam guides are available via www.revisionmate.com.

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/knowledge/iilrevision (CII/Personal Finance Society members only).