

P62

Diploma in Insurance

Unit P62 – Life, critical illness and disability claims

April 2014 examination

Instructions

- Three hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- Read the instructions on page 3 carefully before answering any questions.
- Provide the information requested on the answer book and form B.
- You are allowed to write on the inside pages of this question paper, but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- The answer book and this question paper must **both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**

Unit P62 – Life, critical illness and disability claims

Instructions to candidates

Read the instructions below before answering any questions

- **Three hours** are allowed for this paper which carries a total of 200 marks, as follows:

Part I	14 compulsory questions	140 marks
Part II	2 questions selected from 3	60 marks

- You should answer **all** questions in Part I and two out of the three questions in Part II.
- You are advised to spend no more than two hours on Part I.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.
- It is important to show each step in any calculation, even if you have used a calculator.
- 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.
- Answer each question on a new page. If a question has more than one part, leave six lines blank after each part.

PART I**Answer ALL questions in Part I**

Note form is acceptable where this conveys all the necessary information

1.
 - (a) Outline why an income protection (IP) application form asks the insured to declare their weight. (3)
 - (b) Explain what a claims assessor should consider in respect of the insured's declared weight on an IP claim form. (7)
 - (c) Describe the difficulties a claims assessor may encounter in proving misrepresentation of weight. (5)

2. Explain briefly **three** different methods of treating angina. (9)

3.
 - (a) Identify why it is important for a claims assessor to determine the date of the event that gives rise to a critical illness claim. (5)
 - (b) Outline how the date of event is determined for the following critical illness conditions:
 - (i) Cancer. (2)
 - (ii) Blindness. (2)

4.
 - (a) List **four** tests that are typically undertaken to investigate prostate cancer. (4)
 - (b) State how the Association of British Insurers model definition sets out the circumstances in which prostate cancer gives rise to a valid critical illness claim. (4)
 - (c) List **four** ways of treating or managing prostate cancer. (4)

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5. (a) Explain briefly why an income protection insurer might make an 'on account' payment to a claimant. (4)
- (b) Outline how such a payment should be explained to a claimant. (6)
6. (a) Explain the medical condition osteoarthritis. (7)
- (b) Describe the factors a claims assessor should consider when assessing whether a shop assistant with osteoarthritis is able to carry out the duties of their occupation. (8)
7. Explain the effect on a single life stand alone critical illness policy when a claim is declined as a result of:
- (a) misrepresentation; (8)
- (b) non fulfilment of definition. (2)
8. Describe how suicide being recorded as the cause of death will influence the assessment of a claim arising 11 months after commencement of a life policy. (8)
9. Explain briefly:
- (a) what the entry 'drawings' represents in a set of accounts for a self-employed business person; (3)
- (b) how drawings should be taken into account when calculating the limitation of benefit for an income protection claim. (3)
10. (a) Explain the circumstances in which a death arising in the UK will be referred to a coroner. (6)
- (b) Outline the circumstances in which a coroner will require an inquest to be undertaken and state what this seeks to determine. (4)

Questions continue over the page

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- 11. (a) (i)** Define insurable interest. **(2)**
- (ii)** State the level of insurable interest an individual has in respect of their spouse. **(1)**
- (b)** Explain briefly why it is necessary to financially underwrite life insurance applications for high sums assured. **(3)**
- 12.** Explain briefly how the Estates of Deceased Persons (Forfeiture Rule and Law of Succession) Act 2011 modified the provisions of the Forfeiture Act 1982 in respect of descendants of an individual who has brought about the death of a life insured. **(6)**
- 13.** Explain the medical evidence required to assess a critical illness claim for a heart attack where the insured is aged 55 and the policy under which the insured is claiming has been in force for four years. **(12)**
- 14.** Outline **four** ways in which the handling of a group income protection claim differs from the handling of a claim under an individual income protection policy. **(12)**

Part II questions can be found on pages 8 and 9

PART II**Answer TWO of the following THREE questions
Each question is worth 30 marks**

- 15.** Bill has been unable to work since injuring his foot in a factory where he worked. He has been receiving benefit under his 'own occupation' Income Protection claim for the past 12 months. Three months ago, his foot was amputated and he was provided with a prosthetic foot. Bill has been receiving treatment for depression since the time of his accident.

You are a claims assessor and have recently telephoned Bill to review his Income Protection claim. Bill advised that he has lost confidence in his ability to work and is also worried his skills are no longer up-to-date. Bill says his employer is not sure if he can accommodate him on the factory floor with his disability.

The definition of disability within his income protection contract changes to 'inability to perform defined activities of daily work' after 24 months of benefits being paid.

- (a)** Discuss the steps and considerations required to determine whether Bill's claim is still valid and will continue to remain valid when the definition of disability changes. **(24)**
- (b)** Explain the typical income protection policy conditions that would assist Bill in returning to work. **(6)**

16. Mrs MacDonald holds a policy with ABC Insurance Company. The policy commenced in December 2011 and was accepted at the standard rate of premium with no adverse disclosures on the application form.

Mrs MacDonald has submitted a claim form following a head injury that occurred in February 2014, when she fell off a ladder at home. She states she has just been discharged from hospital and is still suffering from weakness and restricted mobility.

Mrs MacDonald has asked for a claim to be considered for each of the benefits in the table below:

Critical illness • all standard Association of British Insurers definitions covered	£110,000
Total permanent disability • any occupation definition	£110,000
Waiver of premium • Own occupation definition – she is an office worker. • Deferred period of 13 weeks.	£100 per month

Medical reports have been obtained from the doctors who treated Mrs MacDonald. These provide details of the injuries sustained in the accident along with a long history of back problems pre-dating this policy.

ABC Insurance Company's underwriters have advised that, had they been aware of Mrs MacDonald's back problems when she applied for the policy, they would have offered critical illness cover at standard rates but they would have declined total permanent disability and waiver of premium benefits.

Discuss the issues that need to be considered in order to assess this claim.

(30)

17. Mr Plunge, aged 32, died in an accident in France in March 2014. He held a £400,000 own life policy with XYZ Insurance Company that commenced in February 2014. The policy had been accepted at standard rates.

Mr Plunge's wife has contacted XYZ Insurance Company to notify of her intention to claim under this policy and has stated that the cause of death was due to a head injury after a fall.

An internet search suggests Mr Plunge had been taking part in an illegal pastime of parachute jumping from the top of the Eiffel Tower in Paris.

Discuss the evidence required for the assessment of this claim and the key considerations that will influence the validity of the claim.

(30)

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