

P62

Diploma in Insurance

Unit P62 – Life, critical illness and disability claims

October 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 four 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. Describe the requirements that need to be fulfilled in order to meet the Association of British Insurers' definition of cancer, specific to the following conditions.
 - (a) Prostate cancer. (4)
 - (b) Chronic lymphocytic leukaemia. (2)
 - (c) Skin cancer. (4)

2.
 - (a)
 - (i) Explain briefly why income protection policies contain a limitation of benefit clause. (3)
 - (ii) Outline how policyholders can ensure that their benefit is not limited as a result of a limitation of benefit clause in the event of a claim. (6)
 - (b)
 - (i) Outline what 'benefits in kind' are. (3)
 - (ii) Explain briefly how benefits in kind are usually treated when calculating the limitation of benefit for an income protection claimant. (2)

3. Explain why a claims assessor needs to review the application documents, underwriting evidence and acceptance terms when considering a new total permanent disability claim. (10)

4.
 - (a) Identify **three** documents produced by the Association of British Insurers that contain information relevant to the assessment of income protection and critical illness claims. (3)
 - (b) For **each** document identified in **part (a)** above give a brief overview of its relevant provisions. (6)

5. (a) Describe briefly the medical condition type 1 diabetes. (7)
- (b) Explain the factors that would influence the validity of an 'own occupation' income protection claim when the cause of the claim is type 1 diabetes. (7)
6. (a) Outline the information an income protection (IP) claims assessor would obtain by asking the claimant to complete an occupational questionnaire. (6)
- (b) Explain how this information is useful in the assessment of an 'own occupation' IP claim. (6)
7. State **eight** reasons why a reinsurer might contribute to, or be involved with, the technical assessment of a claim. (8)
8. (a) Explain briefly the **three** main types of authority that can be passed from an insurer to an insurance agent. (6)
- (b) List the circumstances in which the Consumer Insurance (Disclosure and Representations) Act 2012 sets out when an agent is to be considered the agent of the insurer. (6)
9. (a) Explain briefly why some life policies contain a suicide exclusion. (3)
- (b) Outline how a suicide exclusion is typically worded. (3)
- (c) Explain whether a suicide exclusion might apply in respect of a death claim where the Coroner has recorded an open verdict. (4)
10. (a) Explain what an electrocardiogram (ECG) shows. (3)
- (b) List **three** characteristic changes seen on an ECG when an individual has a heart attack. (3)

QUESTIONS CONTINUE OVER THE PAGE

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11. Describe the requirements that need to be fulfilled in order to meet the Association of British Insurers' critical illness model definition of human immunodeficiency virus (HIV). (9)
12. (a) Explain what cognitive behavioural therapy (CBT) is. (4)
- (b) State **two** medical conditions that are thought to benefit from CBT. (2)
13. (a) Explain why the Association of British Insurers' (ABI) model critical illness definitions have changed over time. (6)
- (b) Explain how the ABI's definition of heart attack has changed over time and what the effect has been for the policyholder. (6)
14. A claimant has two income protection (IP) policies as follows:
- Company A – sum assured £3,000 per month, deferred period 4 weeks.
 - Company B – sum assured £1,000 per month, deferred period 26 weeks.
- The claimant has submitted a valid IP claim and both his insurers have agreed to share liability.
- Both insurers' limitation of benefit states 'The maximum benefit payable will be limited to 50% of pre-disability earnings less any state benefits received, ongoing income from employment, and any other pension or insurance payments'.
- The claimant's pre-disability earnings were £5,000 per month and he receives £500 a month in state benefits but no other income whilst unable to work.
- Explain how **each** insurer will calculate their liability and what payments will be made. Your answer should include all relevant calculations. (8)

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.** XYZ Insurance Company has been notified of the death of Karen Osborne. Karen, aged 33, died on 1 October 2014. She held a joint life policy for £100,000 which she and her husband had taken out in December 2013. Her husband, who stands to benefit from the policy, has been arrested on suspicion of her murder, and their children are under the care of their grandparents. Newspaper reports suggest that Karen was under the influence of drugs at the time she died. Both Karen and her husband had criminal records for drug related offences.
- (a) Discuss the steps that need to be taken in order to determine the validity of this claim. **(22)**
- (b) Explain who may be entitled to the policy proceeds should the claim be valid. **(8)**
- 16.** A group income protection claim has been submitted to ABC Insurance Company relating to Veronica Jones, aged 41. Veronica is a production line worker in a chocolate factory. She is reported to be suffering from anxiety and depression and has not attended work since August 2014.
- The group income protection scheme under which the claim is being made switched to ABC Insurance Company in June 2014. The deferred period is 13 weeks, and the definition of disability is based on a claimant's own occupation.
- Veronica's employer has mentioned that she has had frequent sickness absences from work in the last 12 months, and a challenging home life. Disciplinary proceedings regarding her performance at work had been underway at the time she last worked.
- Discuss the steps required to determine the validity of this claim. **(30)**

17. Mrs Minett, aged 50, has submitted a critical illness (CI) claim for breast cancer to your insurance company. She completed her application form on 2 January 2014 and gave no adverse disclosures to any of the questions asked. The policy commenced at standard rates on 31 January 2014, with a sum assured of £150,000.

A report from her specialist confirms that she has breast cancer detected at a routine mammogram in August 2014, and a copy of the histology notes a tumour staged at T2.

Mrs Minett's doctor has provided a claim report confirming that she has no significant medical history, but she was seen on 14 January 2014 for a health screen and at that time she complained of ongoing breast discomfort. The doctor examined her at that time and felt that her symptoms were muscular, and suggested she returns for a review if it did not resolve within a week. She was not seen by her doctor again until after her mammogram.

Explain how Mrs Minett's medical history should be considered when assessing her critical illness claim and the impact it might have on the outcome of the claim. Include in your answer your considerations regarding the policy application process and the commencement of the policy.

(30)

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