

P64

Diploma in Insurance

Unit P64 – Private medical insurance practice

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 P64 – Private medical insurance practice

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. In the context of private medical insurance:
 - (a) explain briefly what is meant by home nursing and give an example; (3)
 - (b) state the extent to which home nursing is covered by insurers. (7)

2.
 - (a) List **five** aspects of a private medical insurer's operational activities that it might decide to outsource. (5)
 - (b) Describe briefly **five** advantages that outsourcing offers to insurers. (10)

3.
 - (a) Outline the aims of a private medical insurer when applying medical underwriting to new individual customers. (5)
 - (b) Explain briefly why lifestyle is important for rating purposes. (4)
 - (c) List **four** examples of relevant lifestyle factors. (4)

4.
 - (a) List **four** functions that are carried out by a private medical insurer's customer service team. (4)
 - (b) Outline the benefits that the insurer would expect to gain from its customer service team. (5)

5. Explain briefly:
 - (a) a surgical cash plan; (4)
 - (b) a medical savings plan. (4)

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6. (a) Explain briefly the purpose and scope of the National Health Service (NHS). (3)
- (b) State **six** factors that place financial pressure on the NHS. (6)
- (c) Outline how the services the NHS provides are funded. (5)
7. Outline the role of the following in regulating private medical insurers:
- (a) Prudential Regulation Authority (PRA). (4)
- (b) Financial Conduct Authority (FCA). (4)
8. Explain briefly, in the context of private medical insurance, what is meant by menu-based policies. (6)
9. Explain why a private medical insurer would purchase quota share reinsurance. (6)
10. (a) Summarise the role of a private medical insurer's chief medical officer (CMO). (7)
- (b) Outline the typical background of a CMO. (4)
11. (a) Outline **three** advantages and **three** disadvantages of using intermediated sales channels for an individual when purchasing private medical insurance. (6)
- (b) Outline **two** advantages and **two** disadvantages to a private medical insurer when selling through an intermediary. (4)
12. Explain briefly why an individual's address may be an important factor in pricing private medical insurance. (6)

QUESTIONS CONTINUE OVER THE PAGE

- 13. (a)** Define 'direct settlement' in the context of private medical insurance claims. **(4)**
- (b)** Explain briefly the benefits direct settlement offers to the following:
- (i)** patients; **(2)**
 - (ii)** insurers; **(2)**
 - (iii)** treatment providers. **(2)**
- 14.** Describe how the Equality Act 2010 affects the approach taken by the private medical insurers when underwriting company-paid business, in respect of insured members' following characteristics:
- (a)** Age. **(8)**
 - (b)** Disability. **(4)**
 - (c)** Gender. **(2)**

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.** Daphne has a top-of-the-range comprehensive private medical insurance policy. Her friend, Duncan, has a less expensive budget policy.
- (a)** Compare the benefits that Daphne and Duncan are likely to have under their respective policies. **(10)**
- Although satisfied with her level of cover, Daphne is finding her annual renewal premium increasingly unaffordable.
- (b)** Explain ways in which Daphne's insurer could help reduce her premium without any significant loss of benefit. **(12)**
- Daphne is about to leave her job as an office administrator to begin a new career as a district nurse.
- (c)** Summarise the view her insurer could take on the change in occupational risk. **(8)**
- 16.** An insurer is hired by a large industrial employer to set up and administer a health trust designed to provide medical benefits for its workforce.
- (a)** Outline the services the insurer would be expected to provide. **(12)**
- (b)** Summarise the advantages that the employer would gain from the trust and from the insurer's involvement. **(6)**
- (c)** Summarise the drawbacks that could be associated with the failure to buy private medical insurance. **(6)**
- (d)** Describe the situations in which the trust could recover claims payments it has made from other sources. **(6)**

17. (a) Describe, in the context of moratorium underwriting, the information that the Association of British Insurers recommends should be made available to customers seeking private medical insurance. (16)
- (b) Explain the factors a private medical insurer would take into account when considering whether to offer its customers personal underwriting. (14)

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