

P64

Diploma in Insurance

Unit P64 – Private medical insurance practice

April 2015 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 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 **five** reasons why an individual might buy private medical insurance. (10)
(b) State **three** reasons why an individual would not buy private medical insurance. (3)

2. Rita, an employed accountant, has income protection insurance.
(a) Explain how the policy would operate in the event that Rita has a valid claim. (8)
(b) Explain briefly how the policy operates to ensure Rita is motivated to return to work when fit to do so. (5)

3. A patient's claim for an operation has been passed to his private medical insurer for assessment.

Outline the checks an insurer will take to ensure that the patient's claim qualifies for payment and that the correct amount of benefit is payable. (12)

4. In connection with the Association of British Insurers' (ABI) Statement of Best Practice for Sales of Individual and Group Private Medical Insurance:
(a) outline **four** ways in which it intends to help potential purchasers make the right choice about which plan suits their needs; (4)
(b) identify and explain briefly **four** common definitions listed in 'Annex A' of the ABI's statement. (8)

5. List **six** components a private medical insurer would take into account to set the overall pricing of a new product. (6)

6. Describe briefly **six** ways by which private medical insurers segment the individually-paid market. (12)
7. Describe the purposes and features of Independent Sector Treatment and Diagnostic Centres when operating under a contractual relationship with the National Health Service (NHS). (8)
8. Outline **six** ways in which private medical insurance claims are susceptible to the fraudulent actions of policyholders and providers of healthcare services. (12)
9. A UK-based employer pays for private medical insurance benefits for its staff under a group scheme.
- Outline the liability to UK Income Tax of the following employees in respect of premiums paid by the employer on their behalf.
- (a) Joe, who works at the employer's head office and is not classed as a 'higher paid employee' as defined in the Income and Corporation Taxes Act 1988. (2)
- (b) Beth, who works from home in London, makes business trips to France, where she spends three months each year. Her salary is £25,000 per annum. (2)
- (c) Caroline, who is permanently based in the UK and earns a salary of £60,000 per annum. (2)
- (d) Malcolm, who is on a long-term secondment in South Africa, earns £50,000 per annum. (2)
10. Identify and describe briefly **four** types of wellbeing and occupational health benefits that an employer might provide for its employees. (8)
11. Outline how the internet may increase customer awareness of private medical insurers' products and how the internet can help insurers to sell their products. (8)

QUESTIONS CONTINUE OVER THE PAGE

- 12. (a)** Explain briefly what is meant by genetic testing. **(4)**
- (b)** Explain the significance of genetic testing to the underwriting of private medical insurance. **(8)**
- 13. (a)** Explain briefly pre-funded and post-funded long-term care insurance plans. **(4)**
- (b)** State how insurers assess whether benefits under long-term care insurance policies should become payable in the event of a claim. **(4)**
- 14.** Outline the series of major reforms to the provision of healthcare services in the UK introduced by the Health and Social Care Act 2012. **(8)**

Part II questions can be found on page 8

PART II

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

15. (a) (i) Describe the principles of managed care. (8)
- (ii) Describe how managed care impacts a private medical insurer's relationship with its customers. (5)
- (b) Explain how hospital and consultant networks operate. (17)
16. (a) Discuss the features of company-paid and affinity private medical insurance schemes, including the differences in cover. (21)
- (b) Describe briefly **three** methods of calculating premiums under large group private medical insurance schemes. (9)
17. (a) Insurer A has achieved a dominant place in the individual-paid private medical insurance market using traditional risk assessment and medical underwriting strategies at the point of sale.
- Explain Insurer A's assessment and underwriting strategies and the reasons for them. (12)
- (b) Insurer B is new to the same market sector.
- Explain how Insurer B can use alternative risk assessment and point of sale underwriting strategies to build-up market share as quickly as possible. (18)

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