

P61

Diploma in Insurance

Unit P61 – Life, critical illness and disability underwriting

October 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 P61 – Life, critical illness and disability underwriting

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. Describe briefly **five** main functions of the liver. (10)

2. State **one** function of **each** of the following found in a blood sample:
 - (a) Polymorphonuclear neutrophil leucocyte. (2)
 - (b) Plasma cell. (2)
 - (c) T cell lymphocyte. (2)
 - (d) Platelet. (2)

3. Describe the main factors which must be considered when assessing the risk for life insurance of an applicant who declares a past history of drug abuse. (15)

4. Outline the complications of gout that are important when considering income protection insurance. (9)

5. (a) Describe briefly the use of exclusions applied at the underwriting stage to critical illness and income protection applicants. (3)
 - (b) (i) State the **advantages** of using such exclusions. (3)
 - (ii) State the **disadvantages** of using such exclusions. (3)

6. (a) Identify **three** reasons why the mitral valve may develop regurgitation. (3)
 - (b) Describe the outlook and the implications for life and disability underwriting, for **each** of the reasons identified in part (a) above. (6)

7. An applicant declares deafness as a result of exposure to loud noise in previous employment.
- (a) By means of a simple diagram, label which part of the ear is damaged by noise exposure. (4)
- (b) Describe briefly **two** other conditions which damage the same part of the ear. (4)
8. Describe how you would underwrite a life policy on an applicant who has had a melanoma removed from their leg, outlining how staging impacts upon the underwriting terms that can be offered. (10)
9. (a) Describe briefly **three** main features of early chronic obstructive pulmonary disease (COPD). (6)
- (b) Describe briefly **three** features of COPD that may appear late in the course of the disease. (6)
10. Outline the effects of the Consumer Insurance (Disclosure and Representations) Act 2012 to applicants and insurers upon the duty of disclosure. (8)
11. An applicant has Type 1 diabetes and declares that he has occasional hypoglycaemic episodes.
- (a) Explain briefly why these episodes may occur. (5)
- (b) Outline what may happen to the applicant during a hypoglycaemic episode. (5)
- (c) Explain briefly why hypoglycaemic episodes are an added risk when underwriting life and disability policies. (5)

QUESTIONS CONTINUE OVER THE PAGE

12. (a) Describe briefly a typical attack of acute pancreatitis. (3)
- (b) State **two** possible underlying causes of this condition. (4)
- (c) Explain your underwriting approach to an applicant for a life policy who has had two attacks of acute pancreatitis within the last two years. (4)
13. (a) Define what is meant by a phobia. (2)
- (b) Describe briefly **two** examples of phobias which could lead to an increase in premiums for income protection. (6)
14. (a) Explain briefly how transient ischaemic attacks (TIAs) most commonly occur. (4)
- (b) Explain briefly how you would assess the risk of an applicant with a history of TIA for life and critical illness. (4)

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.** A male applicant, aged 46, wants life cover for £450,000, critical illness for the same amount and income protection for £30,000.

He is the manager of a large hardware store and earns £70,000 per annum.

His application form reveals he has epilepsy and has had two fits in the last year.

He has a body mass index (BMI) of 34. His mother has Type 2 diabetes.

He smokes 10 cigarettes a day but does not drink any alcohol.

A supplementary medical questionnaire and a general practitioner's report have been obtained.

- (a)** Outline the factors that need to be considered from the medical evidence in order to assess the risk his epilepsy presents to his application. **(10)**
- (b)** Outline the medical features of this case, other than those relating to epilepsy, that would be of concern to the underwriter. State any additional information that the underwriter might request in order to consider these features. **(9)**
- (c)** Describe briefly **five** phases of a typical major epileptic seizure. **(5)**
- (d)** Outline the ways epilepsy could interfere with this applicant's lifestyle and occupation. **(6)**

- 16.** A female applicant, aged 52, applies for a life and critical illness policy on her own life for £300,000. She has existing cover of £600,000 that was accepted five years ago. She requires the new policy to cover further bank loans to expand her business.

She runs a business with a partner advising on interior decorating.

Two years ago she was diagnosed with diverticulitis. After two attacks she underwent surgery necessitating a temporary colostomy which was later closed. After surgery she developed deep vein thrombosis and is still on anticoagulants.

- (a) Outline the financial factors you would need to consider when underwriting this applicant. **(8)**
- (b) Outline the further medical information you would need to underwrite this applicant. **(8)**
- (c) Describe the main features which would cause you to rate heavily or even decline this applicant. **(8)**
- (d) Describe the condition of diverticulitis and the measures used to control it. **(6)**
- 17.** A man, aged 32, applies for a life and critical illness policy with total permanent disability on an 'activities of daily work' definition for £350,000.
- He runs a public house.
- His application form shows he has had episodes of depression starting when he was a teenager. He also suffered a back injury and had to give up playing contact sports.
- His application form also reveals he is a non-smoker and that he drinks 20 units a week, and has consumed more in the past.
- (a) Identify the evidence you would need, in the light of the application form, stating the risk factors that would enable you to underwrite this case. **(15)**
- (b) Explain how his history could affect his ability to work. **(6)**
- (c) Explain how the features of this case could impact upon the underwriting decision. **(9)**

BLANK PAGE

