

P62

Diploma in Insurance

Unit P62 – Life, critical illness and disability claims

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 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) Draw a simple product control cycle. (2)
(b) Explain the role of the claims department in a product control cycle. (8)
2. (a) Explain briefly how a stroke occurs. (4)
(b) Explain how the medical profession typically diagnoses a stroke. (10)
3. Explain the main provisions and purpose of the following model exclusions defined in the Association of British Insurers' Statement of Best Practice for Critical Illness and how these would apply in the event of a claimant:
 - (a) not following medical advice; (5)
 - (b) abusing alcohol or drugs. (7)
4. (a) Outline what a commuted value is. (4)
(b) State **five** considerations that should be taken into account when deciding whether to pay a commuted value to an income protection claimant. (5)
5. Explain briefly the meaning of the following terms when referring to the limitation of benefit clause under a group income protection scheme:
 - (a) Non-integrated benefits. (2)
 - (b) Partially integrated benefits. (2)
 - (c) Fully integrated benefits. (2)

6. Explain the evidence an income protection assessor would typically use to determine the pre-disability earnings of:
- (a) a store manager, employed by a national chain of supermarkets; (4)
 - (b) a sole trader, working as a plumber. (4)
7. (a) Outline the purpose of a death abroad questionnaire. (5)
- (b) Outline **five** questions that are commonly asked on a death abroad questionnaire, stating for **each** why the responses might be useful. (10)
8. Describe briefly how an insurer should make settlement under a death claim when a beneficiary under a life policy is known to be bankrupt. (5)
9. (a) Describe the medical condition motor neurone disease. (12)
- (b) State the criteria for a valid motor neurone disease claim as defined in the Association of British Insurers' Statement of Best Practice for Critical Illness. (3)
10. (a) Define insurable interest. (2)
- (b) State **four** circumstances where insurable interest exists. (4)
11. (a) Explain briefly:
- (i) troponin, and why a test for it is undertaken; (4)
 - (ii) how test results for troponin are interpreted. (2)
- (b) Outline the effect on critical illness claims when an insurer makes reference to a specified troponin level within their critical illness definitions, and state why an insurer would choose to do this. (6)

QUESTIONS CONTINUE OVER THE PAGE

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12. Explain how the management of an individual income protection claim will be influenced in the following scenarios:
- (a) Mrs X has been unable to work in her occupation as a solicitor due to a back injury for the last six months and has been receiving benefit during this period. Her recovery is almost complete but she is now three months pregnant with triplets. (7)
 - (b) Mrs Y was on maternity leave for 12 months. Her employer then informed her that her job was no longer available, making her unemployed. The following day she submitted an income protection claim for depression. (7)
13. Explain briefly the difference between a life policy that is 'paid up' and a life policy that is 'lapsed', stating what would happen in the event of a claim under **each** policy. (6)
14. (a) Identify **five** indicators that should alert a claims assessor to the possibility of a fraudulent death claim. (5)
- (b) State **three** steps that should be taken when a fraudulent claim is suspected. (3)

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. Jennifer White, aged 45, is a bank manager suffering from multiple sclerosis. She has recently submitted a claim for income protection benefit under an individual policy she has held with ABC Insurance Company since 2002.

Jennifer had three months off work in the summer of 2014 when first diagnosed, and a further two months off work in the spring of 2015. She is finding her role increasingly difficult and is intending to stop work again on 1 November 2015. Her employer has held her job open for her until now but has said they will terminate her employment when she stops work in November. Jennifer intends to visit her daughter in Australia as soon as she finishes work and she is considering emigrating there.

Jennifer's policy provides a monthly benefit after a deferred period of 6 months, if she is unable to perform the material and substantial duties of her occupation. Benefits will continue up to the age of 60.

Explain how you will determine the validity of this claim, making reference to the information that needs to be sought, and the relevant policy conditions that need to be considered. (*Ignore financial aspects of the claims assessment in your answer*).

(30)

16. Robert Brown has died at the age of 32. His solicitor has submitted a claim under a joint life term assurance policy, taken out in respect of Robert and his wife, six months prior to his death. The sum insured is £250,000.

A post mortem has been carried out that states the cause of death to be drowning. An inquest will be held next month.

Newspaper reports suggest Mr Brown was in financial difficulty following a failed business venture, and was in a bitter legal fight with his former business partner, who was also his estranged wife.

Explain the information that will be required to assess this claim, and how the outcome of the claim could be affected by the terms of the contract, the circumstances of his death, and the outcome of the inquest.

(30)

- 17.** Mrs Kent has submitted a child critical illness claim for her one-year-old daughter who has recently been diagnosed with a benign brain tumour.

Mrs Kent took out her policy in 2012, with a sum assured of £100,000, over a 20-year-term.

Write a letter to Mrs Kent outlining the typical policy provisions for a child critical illness claim, the policy definition that may give rise to a valid claim, and the information required in order to assess such a claim.

(30)

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