

P64

Diploma in Insurance

Unit P64 – Private medical insurance practice

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 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. State, providing an example in **each** case, what the following treatments are and the extent to which cover is available for them under private medical insurance:
 - (a) Alternative treatments. (3)
 - (b) Treatment for primary care. (3)
 - (c) Maternity treatment. (3)

2.
 - (a) Explain briefly why insurers impose standard exclusions under private medical insurance (PMI) policies. (4)
 - (b) State **seven** standard exclusions that a PMI policy would typically contain. (7)

3.
 - (a) Explain why a private medical insurer would choose to enter into a contract with a third party administrator (TPA). (7)
 - (b) List **five** examples of functions that could be outsourced to a TPA. (5)

4. Explain what is meant by an open referral when a private medical insurer is dealing with a claim, and the implications for the claimant. (8)

5. Describe the roles and responsibilities of the following departments within the organisational structure of a commercial insurer transacting private medical insurance:
 - (a) Company secretariat and legal. (4)
 - (b) Internal audit. (4)

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6. Outline the rights allowed to an individual by the Data Protection Act 1998 in respect of access to and, where appropriate, correction of that individual's health records. (8)
7. (a) State what cancer is. (2)
- (b) Outline the approach to treatment for cancer patients taken by the National Health Service (NHS). (5)
- (c) Outline the extent of cover a cancer patient could expect to receive from private medical insurance. (7)
8. Explain briefly, in the context of voluntary and company group private medical insurance:
- (a) anti-selection and how it arises; (4)
- (b) the measures insurers take to combat anti-selection. (4)
9. Explain 'second opinion services' in the context of private medical insurance. (10)
10. Identify the benefits that are available under accident, sickness and unemployment (ASU) insurance. (11)
11. Explain how, and why, private medical insurers use direct and indirect advertising in order to deliver their product propositions to potential customers. (10)
12. Explain briefly how the following forms of reinsurance operate and the benefits that a private medical insurer would obtain from purchasing them:
- (a) Specific stop loss. (4)
- (b) Aggregate stop loss. (4)

QUESTIONS CONTINUE OVER THE PAGE

13. Identify and describe briefly the **three** components that make up a utilisation review which a private medical insurer would carry out when dealing with a claim under one of its policies. (9)
14. Alice is employed by an international law firm. Although based in the UK her work involves extensive overseas travel where she will not be eligible for free healthcare.
- (a) Identify and describe briefly **three** types of policy which could accommodate Alice's healthcare needs when she is travelling outside of the UK. (6)
- (b) State **eight** healthcare benefits that could be available to Alice that are not usually standard in the UK. (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. (a)** Explain briefly the advantages of the following methods of underwriting for an applicant seeking individually-rated private medical insurance (PMI):
- (i)** Full medical underwriting. **(5)**
 - (ii)** Moratorium underwriting. **(5)**
- (b)** Outline the factors influencing the insurer's approach to the following claims, where each claimant has taken out a PMI policy 18 months ago which is subject to a rolling two-year moratorium:
- (i)** James, aged 25, has started to experience discomfort in a leg which he broke when he was 18-years-old. **(4)**
 - (ii)** Brenda needs treatment for an eye condition and discloses that her mother is a diabetic. **(4)**
 - (iii)** Peter had a benign wart on his face removed in 2012. He has had no other medical attention or consultations since. Another wart has recently appeared which he feels should be removed. **(4)**
 - (iv)** Sonia was treated for glandular fever in January 2014 and has received regular check-ups since. She has developed severe muscular pains recently and is worried that these complaints are connected. **(4)**
 - (v)** Tristan, aged 40, has been obese since childhood and needs to undergo surgery for a replacement hip. **(4)**
- 16.** Esther works as group company secretary in a large corporation that provides its workforce with employer-paid private medical insurance. Esther is the scheme administrator.
- (a)** Describe Esther's role in relation to the private medical insurance scheme. **(20)**
 - (b)** Describe the tasks that Esther would have to oversee at policy anniversary to renew the policy for a further year, or to transfer the scheme to a different insurer. **(10)**

- 17. (a)** Explain briefly the historical importance of utmost good faith when an applicant purchased private medical insurance (PMI). **(4)**
- (b)** Describe how insurers set out to identify non-disclosure when dealing with claims under individual PMI policies. **(12)**
- (c)** Discuss the possible outcomes, including the effect of the Consumer Insurance (Disclosure and Representations) Act 2012, at the claim stage when the insurer discovers that the claimant non-disclosed information when taking out the policy. **(14)**

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