

## P64

### Diploma in Insurance

#### Unit P64 – Private medical insurance practice

April 2016 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.

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**PART I****Answer ALL questions in Part I****Note form is acceptable where this conveys all the necessary information**

1. List **ten** benefits that would normally be included within an individually-paid comprehensive private medical insurance policy. **(10)**
  
2.
  - (a) Explain briefly what is meant by pre-existing medical conditions in private medical insurance (PMI). **(4)**
  - (b) Explain why such conditions are often excluded from PMI policies. **(4)**
  - (c) Outline how insurers may modify their standard approach to these conditions in the group-paid PMI market. **(4)**
  
3. Explain the requirements and conditions of acceptance imposed by a private medical insurer when a member of a medium-sized employer-paid scheme asks for her dependants to be included in the policy cover. **(10)**
  
4. State **seven** factors that will influence how a country allocates its public healthcare budget. **(7)**
  
5. Explain briefly **each** of the following terms **and** the extent to which they are covered by private medical insurance:
  - (a) Mental and psychiatric treatments. **(3)**
  - (b) Emergency surgery. **(3)**
  - (c) Alcohol abuse. **(3)**
  - (d) Elective surgery. **(3)**

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6. (a) Explain briefly why UK-based individuals might choose to buy private medical insurance (PMI). (5)
- (b) Summarise the reasons why members of the same population may choose not to buy PMI. (5)
7. (a) Describe briefly why it is impossible to provide all aspects of healthcare provision in the UK free at point of use. (6)
- (b) List **three** services where access is restricted through the National Health Service but may be available under a comprehensive private medical insurance policy. (3)
8. Identify and describe briefly **five** types of organisation involved in either the underwriting, administration or distribution of private medical insurance products. (10)
9. Identify and summarise the key responsibilities and objectives of the two bodies established by the Financial Services Act 2012 whose remit includes the regulation of healthcare insurance. (6)
10. (a) Outline **three** ways in which the basis of claim payment under health cash plans differs to that which typically applies to private medical insurance. (6)
- (b) List **eight** elements of cover found under a typical health cash plan. (8)
11. In relation to critical illness insurance:
- (a) state **four** typical policy definitions used to access a total permanent disability claim; (4)
- (b) outline **four** ways in which the benefits of a valid claim might be used by an individual; (4)
- (c) state the taxation position of an individual in relation to premium and claim payments. (2)

QUESTIONS CONTINUE OVER THE PAGE

- 12. (a)** Explain briefly electronic data interchange (EDI) and the part it plays in the transaction of private medical insurance. **(5)**
- (b)** State **four** benefits that EDI has on the direct settlement of claims payments between private medical insurers and healthcare providers. **(4)**
- (c)** Outline the role of Healthcode Limited in the development of EDI. **(2)**
- 13.** Explain why an individual would choose to self-fund medical treatment in preference to purchasing private medical insurance. **(10)**
- 14.** Penny has approached an independent intermediary for assistance in choosing an appropriate private medical insurance policy, rather than buying directly from an insurer.
- (a)** Explain briefly the advantages associated with this course of action. **(5)**
- (b)** Explain briefly the disadvantages associated with this course of action. **(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.** Jack is a member of his large employer's group-paid private medical insurance scheme and wishes to submit a claim for treatment.
- (a)** Explain the actions that the insurer would expect Jack to take before submitting his claim. **(10)**
  - (b)** Describe the information that the insurer will need and additional enquiries that may have to be made before the validity of the claim can be considered. **(12)**
  - (c)** Describe **each** stage of the insurer's typical claims assessment process, before payment is made to the treatment provider. **(8)**
- 16.** TSM, a firm of employee benefits consultants, is to provide a sales presentation to a forum of large corporate employers.
- (a)** Describe the range of added value services that TSM can offer when acting as an interface between an employer and its private medical insurer. **(14)**
  - (b)** Discuss the concept of worksite marketing and how TSM's role in this process can deliver advantages to an employer and to members of the employer's private medical insurance scheme. **(16)**



- 17.** Graham wants to buy private medical insurance subject to a moratorium.
- (a)** Explain the disadvantages associated with this method of underwriting and how Graham could be adversely affected. **(7)**
  - (b)** Explain how different types of moratoria operate and their likely effect on Graham. **(11)**
  - (c)** Graham's medical records reveal four medical conditions.  
  
Describe briefly how Graham's ability to claim could be impacted in the event that these conditions return:
    - (i)** High blood pressure. **(3)**
    - (ii)** A dislocated shoulder which was corrected by an operation in 2010. **(3)**
    - (iii)** Tonsillitis which occurred four years ago and surgery took place at that time. **(3)**
    - (iv)** Asthma. **(3)**

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