

## P62

### Diploma in Insurance

#### Unit P62 – Life, critical illness and disability claims

October 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 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) Explain what the Duke's staging system is. (5)
  - (b) Outline how the Duke's staging system is relevant when assessing a terminal illness claim. (2)
  
2. Outline the main provisions and purpose of the Association of British Insurers guidance on a fast track life claims indemnity process, and how insurers can use this when processing a death claim. (8)
  
3. Explain how the assessment of a critical illness claim for heart attack would be influenced where:
  - (a) a claimant was at sea on a fishing boat when the heart attack occurred and did not reach a hospital until two days after the event; (10)
  - (b) a claimant was diagnosed with a heart attack by paramedics but died in the ambulance on the way to hospital. (5)
  
4. Define the following terms that are found in the Association of British Insurers Statement of Best Practice for Critical Illness.
  - (a) Occupation. (4)
  - (b) Permanent. (4)
  - (c) Irreversible. (4)

5. Explain briefly, in relation to life and disability insurance:
- (a) the nature and purpose of reserves; (3)
  - (b) what an incurred but not reported (IBNR) reserve is; (2)
  - (c) what a disabled life reserve is. (2)
6. Outline **five** provisions from the Association of British Insurers 'Guidelines on the instruction and use of private investigators and tracing agents' that would be relevant to an income protection claims assessor arranging a period of surveillance on a claimant who they suspect of working whilst claiming. (10)
7. (a) Identify and describe the main types of hearing loss, giving **two** possible causes for **each** type. (10)
- (b) State **four** criteria that need to be met for a valid claim for deafness under the latest Association of British Insurers Statement of Best Practice for critical illness. (4)
8. State **five** examples of how a reinsurer can provide input to the assessment of a claim. (5)
9. Identify **three** verdicts that might be given as a result of a coroner's inquest, and outline for **each** the circumstances that will prompt the coroner to reach that verdict. (9)

QUESTIONS CONTINUE OVER THE PAGE

- 10. (a) (i)** Describe briefly the condition meningitis. **(4)**
- (ii)** Outline the symptoms, diagnosis and long-term effects of meningitis. **(6)**
- (b)** Identify the typical criteria for a critical illness claim to be payable for meningitis. **(3)**
- 11.** Explain the provisions of the Consumer Insurance (Disclosure and Representations) Act 2012 that affect how a claims assessor deals with medical misrepresentation that occurred when a life policy was applied for. **(10)**
- 12.** List **eight** factors that could influence a claims assessor in deciding whether to fund private treatment for an own occupation income protection claimant. **(8)**
- 13.** Explain the financial information contained within the profit and loss account of a self-employed hairdresser, and how this information will be used in assessing their income protection claim. **(15)**
- 14.** Explain briefly the medical condition fibromyalgia, and how a diagnosis of fibromyalgia is typically made. **(7)**

**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. Mr Evans, aged 50, is a self-employed car mechanic. He has worked in this role since leaving school at the age of 16.

Mr Evans has been having increasing difficulties performing his work over the last three years as he is experiencing upper limb pain. He ceased all work and sold his business in July 2016.

Mr Evans is now submitting an income protection (IP) and total permanent disability (TPD) claim as a result of his condition. His insurance policies were taken out in January 2004.

The IP benefit of £1,000 per month is payable after a deferred period of 26 weeks if he is unable to perform the material and substantial duties of his usual occupation. The benefit level is guaranteed so no financial assessment is required.

The TPD benefit of £50,000 is payable if he is totally and permanently unable to perform any occupation for which he is suited by education, experience and training.

- (a) Explain how you would assess his IP claim, making reference to the information that needs to be sought and factors that will influence the validity of the claim. (20)
- (b) Outline any additional considerations necessary to determine the validity of the TPD claim. (10)

16. Mrs Archer, aged 48, has recently been diagnosed with advanced colon cancer and has contacted her insurer to enquire what claims she can make under the following policies:

	Policy A	Policy B
Policy start date	1 January 2016	1 October 2007
Term	20 years	10 years
Benefits covered	Stand alone critical illness	Life and terminal illness
Sum assured	£50,000	£100,000

Explain how the claims assessor will determine the validity of any claim:

- (a) under Policy A; (20)
- (b) under Policy B. (10)

*Your answers should refer to the information that should be obtained, and the relevant policy conditions that will determine if the claim is valid.*



17. Mr Bevan, aged 55, and Mrs Bevan, aged 53, have been killed in a road traffic incident on 1 October 2016. Both died instantly when their car, driven by Mr Bevan, left the road and plunged down a cliff face.

They held a joint life, first death policy with Hardlife Insurer for a sum assured of £250,000 commencing in January 2015. This was accepted on the basis of a clean application form at ordinary rates.

Mr Bevan applied for further life insurance of £250,000 with Hardlife in February 2016, but was declined by underwriters as a medical report stated he had been suffering from depression and had expressed thoughts of suicide.

Indications are that Mr Bevan had been drinking heavily on the day of the incident and was observed to be driving the car erratically prior to the accident. Mrs Bevan is considered to be in no way responsible for the accident.

- (a) Explain how you would assess a claim arising from this scenario, making reference to the information that needs to be sought and factors that will influence the outcome of the claim. (25)
- (b) Outline how the assessment and payment of the claim would differ if Mrs Bevan had been older than Mr Bevan. (5)

**BLANK PAGE**



