

P64

Diploma in Insurance

Unit P64 – Private medical insurance practice

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 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. (a) State **six** reasons why an employer might provide its employees with a company-paid private medical insurance (PMI) policy. (6)
- (b) Outline how an employer could vary the company-paid PMI benefits it offers to differentiate between categories of employee. (8)
2. Explain briefly the concept of prototyping and why a private medical insurer would use it when extending its range of products. (10)
3. Outline **six** reasons why private medical insurers use International Classification of Disease – Version 10 (ICD10) codes in their claims assessment processes. (6)
4. (a) State the **three** main principles that the Financial Conduct Authority's Insurance: Conduct of Business Sourcebook (ICOBS) imposes on firms offering advice on private medical insurance. (3)
- (b) Explain briefly the procedures that must be used by a private medical insurer when a complaint is received from an individual policyholder. (8)
5. (a) Explain briefly the benefits available to an individual of having a surgical cash plan. (5)
- (b) Outline **four** ways in which payments made in respect of surgeons' and anaesthetists' fees are covered by private medical insurance. (8)

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6. (a) State **six** principles in the National Health Service (NHS) Constitution governing the provision of State-funded healthcare in England. (6)
- (b) Describe briefly the role of the National Institute for Health and Care Excellence (NICE) and its impact on private medical insurers. (6)
7. (a) State **three** advantages a private medical insurer would expect to gain by investing in customer service related technology. (3)
- (b) Outline what is meant by automatic call distribution and its attraction for the insurer. (6)
8. Explain briefly **two** advantages and **two** disadvantages affecting an individual who has a private medical insurance policy written on a 'four-week' basis. (8)
9. Explain briefly the significance of the following underwriting considerations when an insurer is rating private medical insurance:
- (a) Location. (5)
- (b) Occupation. (4)
10. Outline the scope and limitations of using age as a rating factor when a private medical insurer underwrites individual applicants. (9)
11. (a) Explain briefly why an employer would purchase an employee assistance programme as an add-on to group private medical insurance. (5)
- (b) List **five** examples of the services that employees can access under an employee assistance programme. (5)

QUESTIONS CONTINUE OVER THE PAGE

12. Outline the role of a private medical insurer's:
- (a) chief executive; (4)
 - (b) chief medical officer. (6)
13. (a) Outline the information an applicant requiring private medical insurance should disclose about a medical condition. (5)
- (b) State **two** characteristics for **each** of the following:
- (i) A standard exclusion. (2)
 - (ii) An exclusive special condition. (2)
14. State **ten** ways in which the medical services provided by the private and public healthcare sectors in the UK are complementary. (10)

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 large employer is considering using a healthcare trust as a way of providing private medical benefits for its staff.
- (a) Describe how healthcare trusts operate. (10)
 - (b) Discuss the **advantages** and **disadvantages** of providing private medical benefits in this way compared to purchasing benefits under an insured scheme. (15)
 - (c) Explain the taxation position affecting the employer and staff in respect of contributions to, and benefit payments arising from, a healthcare trust and an insured scheme. (5)
16. In connection with the selling of private medical insurance:
- (a) describe briefly the roles of the main types of independent intermediary; (6)
 - (b) explain the stages forming part of an independent intermediary's sales process; (8)
 - (c) outline **three** advantages and **three** disadvantages for the client when purchasing cover through an independent intermediary; (6)
 - (d) outline **three** advantages and **three** disadvantages for an insurer when selling through an independent intermediary; (6)
 - (e) explain briefly how an insurer would manage interactions with an independent intermediary to achieve its sales objectives. (4)

- 17.** A private medical insurer is reviewing its approach to the pricing and underwriting of large commercial schemes.
- (a)** State **five** business costs the insurer will take into account when calculating premiums for the product portfolio. **(5)**
 - (b)** Discuss the pricing options the insurer can offer when calculating the risk premium for the product portfolio. **(10)**
 - (c)** Outline **three** risk assessment factors on which the insurer's premium quotations may be based when considering the renewal of an existing commercial scheme. **(3)**
 - (d)** Discuss the strategic factors that the insurer should take into account when producing a pricing model that is attractive to both insurer and the potential customer. **(6)**
 - (e)** Outline what is meant by the following premium calculation methods:
 - (i)** Experience rating. **(2)**
 - (ii)** Cost plus. **(2)**
 - (iii)** Community pricing. **(2)**

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