

## P62

### Diploma in Insurance

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

April 2017 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) State the exclusions under the current Association of British Insurers (ABI) Statement of Best Practice for Critical Illness (SOBPCI) cancer definition. (11)  
(b) Explain briefly why the ABI SOBPCI cancer definition contains exclusions. (4)
2. Explain briefly how income protection policy conditions might allow for benefits to escalate and why some policyholders would choose for this to happen. (6)
3. Identify and describe briefly **three** medical tests that can be performed to assess an individual's respiratory function. (6)
4. Explain the circumstances in which HIV is covered under the latest Association of British Insurers Statement of Best Practice for Critical Illness. (10)
5. Outline how the following would be treated when calculating the limitation of benefit for an income protection claim:
  - (a) A lump sum compensation payment received from an employer in respect of a work related accident. (2)
  - (b) State benefits awarded in respect of a disability causing absence from work. (2)
  - (c) Drawings taken by the claimant from his self-employed business. (2)
  - (d) Commission payable as a result of work undertaken prior to the period of disability. (2)
  - (e) A military pension that the claimant was in receipt of prior to the period of disability. (2)

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6. (a) Explain briefly why a life insurer makes a payment into court in respect of a death claim. (2)
- (b) Describe the procedure a life insurer needs to follow in order to make a payment into court. (7)
7. (a) Explain briefly the function of the kidneys. (4)
- (b) Outline how kidney disease may impact an individual's ability to work. (8)
- (c) Outline the circumstances in which kidney disease may give rise to a valid critical illness claim. (3)
8. Explain why a claims assessor needs to review the application documents, underwriting evidence and acceptance terms, when first considering a new total permanent disability (TPD) claim. (10)
9. (a) State the current legislation that governs the treatment of misrepresentation arising in the context of a critical illness or death claim. (2)
- (b) Outline the categories of misrepresentation set out in the legislation referred to in **part (a)** above, and the corresponding remedies. (8)
10. Outline **four** ways in which the handling of a group income protection claim differs from the handling of a claim under an individual income protection policy. (12)
11. State **three** ways an insurer might detect if a deceased policyholder had other life policies and explain why they would want to do so. (6)

QUESTIONS CONTINUE OVER THE PAGE

12. A critical illness claim has arisen under a policy that commenced in 2014.

Explain the implications for the assessment of the claim when misrepresentation of a short episode of pins and needles in 2012 has been detected if:

- (a) the claim is for breast cancer diagnosed in 2017; (3)
- (b) the claim is for multiple sclerosis diagnosed in 2017. (8)

13. (a) State what the following represent on a normal electrocardiogram (ECG) tracing:

- (i) P wave. (1)
- (ii) QRS complex. (1)
- (iii) T wave. (1)

(b) Identify the characteristic changes on an ECG that typically occur when an individual suffers a heart attack. (4)

14. (a) Outline **three** activities of daily living (ADL) that an income protection insurer might use to define a level of disability. (6)

(b) Explain briefly why an income protection insurer would use ADL as a definition of disability instead of an occupational definition. (2)

(c) Explain briefly how ADLs will be assessed in the event of an income protection claim. (5)

**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 Cameron has submitted a terminal illness claim under his policy which commenced in July 2008 and expires in July 2018.

It provides a lump sum of £250,000 if Mr Cameron dies, or is deemed to be terminally ill in accordance with the policy conditions.

Mr Cameron was diagnosed with motor neurone disease in 2013 and has recently had to give up work as a result of increasing disability.

- (a) Explain the medical condition motor neurone disease, including its nature, how it is treated and what effects it has on the sufferer. (15)
- (b) Explain the typical criteria for a terminal illness claim to be valid and how such a claim will be assessed for Mr Cameron. (15)

16. XYZ Insurers (XYZ) have been notified of the recent death of Mrs Brown, aged 47.

Mrs Brown held a joint life policy with XYZ for a sum assured of £500,000 which has been in force since April 2014. This policy was accepted at non-smoker ordinary rates on receipt of an application form and medical examination with no adverse disclosures or findings.

A post mortem report sent to the insurer indicates the cause of death was a sudden heart attack, and that Mrs Brown was a long-term smoker of 20 cigarettes per day, having tried and failed on many occasions to give up. She was also noted to have a history of raised cholesterol.

- (a) Explain:
- (i) the issues this claim presents that require investigation; (7)
- (ii) the steps that will need to be taken to assess the claim. (15)
- (b) Discuss possible claims decisions that might be made following the assessment. (8)



- 17.** Mrs Black, aged 42, has submitted a claim for income protection to her insurer WatterLife.

Mrs Black states that she has been suffering from fibromyalgia since March 2017, which has prevented her from carrying out most of the tasks associated with her usual occupation as an employed car salesperson. Mrs Black still attends her place of work on days she feels well enough, but she cannot do anything other than sit at a desk for a maximum of three hours a day, so her ability to interact with customers and make sales is compromised. Mrs Black's husband owns the car showroom and allows her to work flexible hours depending on how she feels.

Mrs Black's policy commenced in March 2010 and was accepted at standard rates. It provides a benefit of £2,000 per month after a deferred period of 13 weeks if she is unable to perform the material and substantial duties of her occupation.

- (a)** Describe the medical condition fibromyalgia, including its nature, how it is treated, and what effects it has on the sufferer. **(10)**
- (b)** Explain the actions that are needed to assess the medical validity of Mrs Black's claim. **(20)**

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