

P64

Diploma in Insurance

Unit P64 – Private medical insurance practice

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 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) Explain briefly what is meant by an incurable condition. (4)
- (b) Outline the extent to which incurable conditions may be covered by private medical insurance. (6)

2. Identify **six** factors that influence the extent to which persons who are permanent residents of countries outside the UK, are prepared to pay for private medical provision. (6)

3. (a) Explain the importance of continued personal medical exclusions (CPME) underwriting when applied to group private medical insurance business. (6)
- (b) State **six** considerations that would affect an insurer's decision to offer CPME terms. (6)

4. (a) Explain:
 - (i) how a quota share reinsurance treaty operates; (2)
 - (ii) the benefits of a quota share reinsurance treaty to a newly formed private medical insurer. (6)
- (b) An insurer has a maximum per policy exposure of £800,000 and total annual premium income of £2,000,000. It arranges an 85% quota share treaty.
Calculate:
 - (i) the maximum net risk retention per policy; (1)
 - (ii) the retained gross premium income. (1)

5. Identify **six** responsibilities typically undertaken by the human resources function of a private medical insurer. (6)
6. Outline the cover proposition that a private medical insurer would typically offer its customers under a:
- (a) menu-based policy; (4)
 - (b) limited benefit policy; (4)
 - (c) senior policy. (4)
7. In connection with the Association of British Insurers Statement of Best Practice for Sales of Individual and Group Private Medical Insurance:
- (a) state **four** ways in which it is intended to assist potential purchasers to make the right choice about which plan is most suited to their needs; (4)
 - (b) state the common definition for cancer that insurers must use in their policy documents; (2)
 - (c) list **five** headings that insurers are required to use to clearly explain the cover offered for cancer. (5)
8. Insurer A has elected to withdraw from the private medical insurance market and has offered its book of business to Insurer B.
- Explain:
- (a) the factors Insurer B will need to consider in deciding whether to accept the transfer; (6)
 - (b) the various ways in which the transfer can be implemented by Insurer B. (6)

QUESTIONS CONTINUE OVER THE PAGE

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9. (a) Outline **three** reasons why private medical insurers seek contractual relationships with hospitals. (3)
- (b) Identify and explain briefly **four** types of pricing agreement between private medical insurers and hospitals. (12)
10. Describe the extent to which home nursing is covered by private medical insurance. (8)
11. Outline the relevance of the Consumer Insurance (Disclosure and Representations) Act 2012 to individuals applying for private medical insurance. (7)
12. (a) State **three** ways in which the National Health Service (NHS) interacts with overseas healthcare providers and professionals. (3)
- (b) Outline how international private medical insurance policies benefit UK expatriates living and working overseas. (6)
13. Outline **four** main stages of a typical process followed by intermediaries when selling private medical insurance. (8)
14. (a) Explain briefly why private medical insurers medically underwrite applications from new individual customers. (5)
- (b) Explain briefly why insurers consider customers' lifestyle factors for rating purposes. (4)
- (c) List **five** examples of relevant lifestyle factors an insurer might consider. (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. (a)** Discuss the operation of managed care when applied to claims made under private medical insurance policies. **(20)**
- (b)** Outline the impact of quality assurance networks on managed care. **(3)**
- (c)** Justify why the principle of managed care is perceived differently between group and individual private medical insurance markets. **(7)**
- 16.** Jessica works as a policy wording technician for a UK-based private medical insurer. She is responsible for the design and construction of the insurer's new basic policy which will be used as a template for its product offerings in both the individual and group markets.
- (a)** Outline the impact of the Consumer Rights Act 2015 on Jessica's work. **(6)**
- (b)** Explain the terms and conditions that Jessica will need to consider under the following key contract design stages:
- (i)** Enrolment. **(4)**
 - (ii)** Renewal. **(4)**
 - (iii)** Premiums. **(4)**
 - (iv)** Contract termination. **(4)**
 - (v)** Claims. **(4)**
 - (vi)** Alterations to the contract. **(4)**

- 17.** SJT plc has purchased private medical insurance and related benefits for its staff from Insurer C for many years. As a result of pre-renewal discussions with its intermediary, it is apparent that this year's renewal premium will show a substantial increase on previous years.
- (a)** Describe, with justification, the key elements that contribute to the premium to be requested by Insurer C. **(7)**
 - (b)** Outline the financial and non-financial costs that SJT plc will incur if it decides to continue providing private medical insurance benefits to its staff. **(4)**
 - (c)** Explain how SJT plc can reduce its premium commitment when renewing the scheme whilst retaining the core benefit. **(9)**
 - (d)** Explain how new members are affected by the Access to Medical Reports Act 1988. **(10)**

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