

P64

Diploma in Insurance

Unit P64 – Private medical insurance practice

October 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. Describe briefly the advantages for a private medical insurer advertising its products directly to potential customers using:
 - (a) telesales; (3)
 - (b) the internet; (3)
 - (c) social media. (3)

2.
 - (a) Explain briefly the advantages to a private medical insurer of using a third party administrator (TPA). (6)
 - (b) State **eight** examples of functions that could be performed by a TPA. (8)

3.
 - (a) State **four** methods of premium payment offered by insurers to employers purchasing group private medical insurance and outline **one** advantage **OR one** disadvantage for the insurer associated with **each** method. (8)
 - (b) Explain briefly how an insurer typically would treat a request from an employer that premiums be paid by employees through a salary sacrifice arrangement. (3)

4. Describe the actuarial objectives that an insurer will set when managing its private medical insurance portfolio. (10)

5. Explain briefly the tax implications for a UK-based applicant having private medical insurance:
 - (a) as an individual; (2)
 - (b) as a member of an employer-paid scheme. (3)

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6. Outline the changes made to the provision of healthcare services in England by the Health and Social Care Act 2012. (7)
7. Outline the additional benefits that apply when a group private medical insurance scheme is extended to include:
- (a) well-being and occupational health benefits; (5)
 - (b) income protection insurance; (5)
 - (c) personal accident and sickness insurance. (5)
8. Outline the main benefits that private medical insurers offer under:
- (a) provider helplines; (4)
 - (b) patient helplines. (4)
9. Describe the principles under the Data Protection Act 1998 that apply to customers of private medical insurers regarding personal information held by the insurer. (8)
10. (a) Explain briefly the operation of flexible benefit (flex) schemes within the employer benefit environment. (5)
- (b) List **four** examples of insurance related benefits and **one** example of a non-insurance related benefit that could be included within a flexible benefit (flex) scheme. (5)

QUESTIONS CONTINUE OVER THE PAGE

- 11.** Explain briefly the likely cover available when claiming under individual comprehensive private medical insurance in the following situations:
- (a)** Andrew has early-stage testicular cancer that was diagnosed after his policy started and at present is treatable. His specialist has suggested that a course of experimental treatment, alongside traditional medicine, would enhance the possibility of a complete recovery. **(5)**
 - (b)** Beth damages a cartilage in her knee when falling awkwardly during a volleyball tournament. **(5)**
 - (c)** Charlotte develops asthma although she has no previous history of breathing difficulties. **(5)**
- 12.** Explain briefly, in the context of claims made under private medical insurance policies, what is meant by:
- (a)** a second opinion service; **(5)**
 - (b)** an open referral. **(5)**
- 13.** Outline how the savings element under a medical savings plan combines with conventional private medical insurance when a claim is paid. **(6)**
- 14.** Explain briefly how reinsurance can benefit a private medical insurer in achieving:
- (a)** increased capacity to accept and retain business; **(3)**
 - (b)** security and stability; **(3)**
 - (c)** protection against a catastrophic event; **(3)**
 - (d)** improved expertise to conduct its business more effectively. **(3)**

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.** Hugh is considering buying private medical insurance from an insurer offering moratorium underwriting. He is currently in reasonable health despite having been unwell in the past. The insurer also offers discounts to new and existing customers.
- (a)** Discuss moratorium underwriting and its likely effects on Hugh and the insurer. **(24)**
- (b)** Describe briefly how the following discounts operate, should Hugh become a customer of the insurer:
- (i)** Initial discount. **(2)**
- (ii)** No claim discount. **(2)**
- (iii)** Loyalty discount. **(2)**
- 16.** Jennifer lives in the UK and has private medical insurance. She has become troubled by bouts of depression that seem at odds with her healthy lifestyle.
- (a)** Describe briefly the steps that Jennifer can take to achieve a diagnosis. **(4)**
- (b)** Discuss the cost implications and treatment options that are available to Jennifer within the public and private healthcare sectors once a diagnosis has been obtained. **(22)**
- (c)** Outline the financial considerations for Jennifer if she elects to pursue treatments not available in the public healthcare sector or covered by her insurer. **(4)**

- 17.** Company X is a newly-formed UK insurer set up to transact private medical business for both individual and group insureds.
- (a)** Outline how the regulation of firms writing private medical insurance will impact Company X. **(6)**
 - (b)** State and explain briefly the **two** main types of data that Company X can use to research the needs of its potential customers. **(4)**
 - (c)** Explain how Company X can use alternative risk assessment and underwriting strategies to differentiate itself from its competitors to gain market share. **(10)**
 - (d)** Explain briefly how ‘anti-selection’ arises in the context of voluntary and group private medical insurance, and the measures that Company X can take to combat it. **(6)**
 - (e)** Explain briefly why Company X will make its products subject to standard exclusions. **(4)**

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