



Chartered  
Insurance  
Institute

# P64

## Diploma in Insurance

### Unit P64 – Private medical insurance practice

April 2018 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. Outline the checks that a private medical insurer will make when it receives an individually-insured patient's claim for treatment. (12)
  
2. Describe briefly **four** categories of buying groups within the private medical insurance market. (8)
  
3. Outline, in connection with intermediated sales:
  - (a) **four** features of an intermediary network; (4)
  - (b) **four** reasons an intermediary would want to maintain contact with its customer after a private medical insurance product has been purchased. (4)
  
4. State **eight** policy benefits that would normally be included in a comprehensive private medical insurance policy purchased by an individual. (8)
  
5.
  - (a) Explain briefly what is meant by an immediate needs long-term care (LTC) insurance plan. (2)
  - (b) Explain briefly how an immediate needs LTC insurance plan is funded. (2)
  - (c) State the assessment criteria insurers would normally use to determine whether a claim under an immediate needs LTC insurance plan is valid. (7)
  
6.
  - (a) Explain the relevance of the Insurance Act 2015 to employers of groups applying for private medical insurance. (8)
  - (b) Explain briefly why, and when, claims are 'screened' by insurers under group-rated private medical insurance policies. (4)

- 
7. Explain briefly genetic testing and its significance to private medical insurance. (9)
8. Outline what is meant by the following treatments and the extent to which they are provided by the National Health Service (NHS) and covered by private medical insurers.
- (a) Dental treatments. (4)
  - (b) Maternity treatments. (4)
  - (c) Alternative and complementary treatments. (4)
9. (a) Outline **three** components that make up the basic premium when insurers set a price for private medical insurance. (6)
- (b) State **three** types of data an insurer would collect and study in order to determine that its premium structure is set at the correct level. (3)
10. Describe briefly **seven** ways in which the individually-paid market is segmented by private medical insurers. (14)
11. State **five** ways in which private medical insurers are vulnerable to fraud when claims are received. (10)
12. Identify **seven** reasons preventing free on demand State provision of all aspects of healthcare in the UK. (7)
13. (a) Identify and describe briefly **four** types of organisations underwriting private medical insurance products. (8)
- (b) Outline **seven** reasons why such organisations might prefer to distribute their products directly to potential customers rather than using intermediaries. (7)

QUESTIONS CONTINUE OVER THE PAGE

14. State **five** ways in which the Financial Reporting Standard (FRS 102) impacts insurers and employers purchasing private medical benefits for staff. (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.** Claire is the group company secretary for a large corporation that intends providing its staff with employer-paid private medical insurance. She will become the administrator for the private medical insurance scheme.
- (a)** Outline the steps that the insurer and Claire would take to set up the scheme. **(4)**
  - (b)** Describe Claire's role in relation to the scheme once it has commenced. **(8)**
  - (c)** Outline the membership related changes that would be communicated through Claire during the lifetime of the scheme. **(10)**
  - (d)** Describe the functions that Claire would have to oversee at the policy anniversary, to renew the policy for a further year, or to transfer the scheme to a different insurer. **(8)**
- 16.** Insurer Z is a leading provider of individual-paid private medical insurance offering moratorium and full medical underwriting.
- (a)** Explain the purpose and effect of these underwriting methods at the:
    - (i)** point of sale; **(9)**
    - (ii)** point of claim. **(9)**
  - (b)** Outline the effect of the Equality Act 2010 on Insurer Z's treatment of proposers of different:
    - (i)** age; **(4)**
    - (ii)** gender; **(4)**
    - (iii)** disability. **(4)**



- 17.** Insurer X is an established provider of private medical insurance and related healthcare products in the UK.
- (a)** Identify the bodies whose remit includes the statutory regulation of healthcare insurance and describe how Insurer X's activities are likely to be impacted. **(10)**
- (b)** Explain briefly how the purchase of reinsurance can assist Insurer X in providing the security demanded by the regulators in relation to:
- (i)** capacity; **(3)**
- (ii)** capital; **(3)**
- (iii)** spread of risk. **(3)**
- (c)** Insurer X has noted a significant reduction in renewal take-up, and customer exit surveys indicate that self-funding of treatments, in preference to renewal of its product offerings, is a key reason for this.
- Discuss the advantages of self-pay strategies for Insurer X's ex-customers. **(11)**

**BLANK PAGE**



