



Chartered
Insurance
Institute

P61

Diploma in Insurance

Unit P61 – Life, critical illness and disability underwriting

October 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 P61 – Life, critical illness and disability underwriting

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. State **six** underlying risk factors which contribute to an extra premium being placed on an applicant who has a body mass index of 35. (6)

2. Identify the specific information about cancer you would require to underwrite a life policy for an applicant who has been treated for this disease. (6)

3. (a) State **four** reasons why an insurance company would use the services of a reinsurer. (8)
- (b) Differentiate between **facultative** and **treaty** agreements between a company and a reinsurer. (6)

4. (a) Describe the immediate features you may expect to find in a person who has had a major stroke involving the left side of the brain. (6)
- (b) State **three** common ways that the cerebral circulation is damaged, causing a stroke and, in **each** case, indicate **two** possible underlying causes. (9)

5. Identify a respiratory function test commonly used in the assessment of the following conditions. In **each** case describe briefly how the test is performed and how the results can help you assess the severity of an applicant's condition.
 - (a) Asthma. (7)
 - (b) Fibrosing alveolitis. (7)

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6. Explain briefly the underwriting approach and its effect on the payments to an annuitant for the following products:
- (a) Lifestyle annuity. (3)
 - (b) Enhanced annuity. (3)
 - (c) Immediate needs annuity. (3)
7. Outline **five** functions of the liver. (10)
8. (a) Describe briefly the ejection fraction test used in the assessment of heart disease. (3)
- (b) Describe **two** circumstances when the ejection fraction result is commonly used. (6)
9. State **five** key responsibilities of a chief underwriter. (10)
10. (a) Explain briefly how the condition of keto-acidosis may arise in a person with type 1 diabetes. (4)
- (b) Describe briefly the clinical state of a person with keto-acidosis who has not been treated promptly. (4)
- (c) Explain briefly the reasons why episodes of keto-acidosis would affect your underwriting decision. (4)
11. Describe the features of gout and how they would influence your decision when underwriting an applicant for income protection. (8)

QUESTIONS CONTINUE OVER THE PAGE

- 12.** A blood test is reported as showing a macrocytic megaloblastic anaemia.
- (a)** State the meaning of **each** part of the term macrocytic megaloblastic anaemia. **(3)**
 - (b)** Describe briefly **three** ways in which macrocytic megaloblastic anaemia may occur. **(6)**
- 13.** **(a)** Identify the information you would require to underwrite a life policy for an applicant who has epilepsy. **(6)**
- (b)** Provide a brief account of the ways epilepsy can affect lifestyle. **(4)**
- 14.** Describe briefly **four** key points you would need to know when underwriting a life policy for an applicant who has had a suicide attempt. **(8)**

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 farmer, aged 50, applies for a life policy to cover a bank loan he has secured for £400,000. The loan is for the purchase of new machinery. He has a mortgage on his property, and a life policy with critical illness and income protection with another company.

Three years ago, he was diagnosed with sarcoidosis. He was off work for three months and had to employ extra labour for six months. He is a non-smoker and drinks six units of alcohol per week.

A general practitioner's report stated that he had extensive sarcoid lesions in the chest and was treated with substantial doses of corticosteroids. Treatment was gradually reduced and finally discontinued six months ago.

- (a) Discuss the financial information you would require and give the reasons you have requested it. (10)
- (b) Identify the medical information you would need to assess his sarcoidosis and its treatment. (5)
- (c) Outline the medical criteria that would have to be fulfilled to issue his policy at normal rates. (8)
- (d) Describe briefly **two** ways sarcoidosis can affect the lungs and surrounding tissues. (4)
- (e) State which organs, apart from the lungs, are characteristically involved in sarcoidosis. (3)

- 16.** A female, self-employed anaesthetist, aged 40, applies for an income protection (IP) policy. She works for different hospitals and surgeons in the UK and Europe.

For the last ten years she has spent at least two months in the year working in west Africa. She has sickle cell trait. She does not drink alcohol or take drugs and smokes ten cigarettes a day.

- (a)** Describe briefly what is meant by sickle cell trait, how it is transmitted, and the implications it may have for her children. **(5)**
- (b)** Identify the medical data an underwriter would require and how they would obtain it. **(3)**
- (c)** State the risks of travelling to west Africa for at least two months in the year. **(8)**
- (d)** Discuss how you would calculate the maximum benefit she could expect for IP, taking into account her employment circumstances. **(8)**
- (e)** Explain your approach to underwriting her application. **(6)**

- 17.** A male applicant, aged 60, has assets of approximately £3 million. He is seeking advice on reducing his inheritance tax liability.

He is a widower with two adult children. He drinks about 24 units of alcohol a week and gave up smoking three years ago.

A general practitioner's report shows that three years ago he had an episode of chest pain. He was found to be in atrial fibrillation. There was no evidence of myocardial infarction. An angiogram showed single vessel disease. A stent was inserted, and he has had no chest pain since. Episodes of atrial fibrillation continue, and he is being considered for ablation therapy. At present he is taking warfarin, amiodarone and a lipid lowering agent.

- (a)** Explain briefly the type of policy which would be advisable to mitigate the immediate inheritance tax liability for his family. **(4)**
- (b)** **(i)** State the necessary considerations when calculating the appropriate sum to be insured. **(4)**
 - (ii)** Explain briefly how you would calculate the final sum. **(3)**
- (c)** Describe briefly what is meant by ablation therapy. **(3)**
- (d)** Identify the medical data you would require to underwrite this application. **(8)**
- (e)** Explain your approach to underwriting this application. **(8)**

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