



Chartered
Insurance
Institute

P62

Diploma in Insurance

Unit P62 – Life, critical illness and disability claims

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 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. State the current definition of Parkinson's disease contained in the Association of British Insurers Statement of Best Practice for Critical Illness. (7)

2. (a) State why it is necessary to carry out a review of an income protection claim once it is in payment. (3)
(b) Provide **six** factors that should be considered when such a review is undertaken. (6)

3. (a) State the time limits a claimant must adhere to when referring a complaint to the Financial Ombudsman Service (FOS). (3)
(b) Outline whether decisions made by the FOS are binding on **both** the claimant **and** the insurer. (4)

4. (a) Explain why claims for total and permanent disability (TPD) generally take longer to assess than claims for other critical illnesses. (10)
(b) Explain briefly why insurers typically decline a higher percentage of TPD claims compared to death claims. (5)

5. Explain briefly why a person might be accepted for critical illness insurance under their employer's group scheme but declined for an individual application they make at the same time. (6)

6. (a) State what a disabled life reserve (DLR) is. (3)
(b) Outline the factors that would be taken into account when calculating a DLR. (8)
(c) Explain briefly why an insurer takes the DLR into account when considering whether to fund rehabilitation for a claimant. (3)

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7. State the current definition of major organ transplant contained in the Association of British Insurers Statement of Best Practice for Critical Illness. (8)
8. Describe the potential benefits of arranging for an insurance representative to visit a claimant in their own home during the assessment of an income protection claim. (10)
9. Explain why a claimant might have been told by their doctor that they have had a heart attack, but their insurer concludes they do not meet the critical illness definition of heart attack. (15)
10. (a) Describe what a stroke is, including how it can occur and its typical symptoms. (10)
- (b) List **six** risk factors that could increase the chance of a stroke occurring. (6)
11. Identify **three** verdicts that might be given as a result of a coroner's inquest, and outline for **each** the circumstances that will prompt a coroner to reach that verdict. (9)
12. Explain briefly the nature of a key person life assurance policy. (5)
13. (a) Explain briefly **three** ways in which an income protection claimant could:
- (i) overstate their pre-incapacity earnings; (3)
- (ii) understate their post incapacity earnings. (3)
- (b) Explain briefly how a claimant might benefit if they misrepresent their earnings when submitting an income protection claim. (4)
- (c) State **three** ways an insurer can reduce the risk of obtaining inaccurate information regarding a claimant's earnings. (3)

QUESTIONS CONTINUE OVER THE PAGE

14. Identify **six** examples of why an insurer might involve a reinsurer when assessing a claim.

(6)

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 Greaves, aged 28, has submitted an income protection (IP) claim to the Staywell Life Insurance Company.

The policy details are as follows:

Commencement date	14 February 2017
Sum assured	£2,000 per month
Deferred period	4 weeks
Expiry	Age 60
Definition of incapacity	Unable by reason of illness or injury to perform the material and substantial duties of their occupation, and unable to follow any other occupation to which suited by reason of training, education, or experience.

The basic details that were provided when Mr Greaves called to notify the claim are as follows:

- He has sustained a broken leg and a fractured wrist in a road traffic accident that occurred on 1 October 2018.
- He is expected to have to wear a plaster cast on these injuries for 6-8 weeks.
- He is also traumatised about the circumstances of the crash as a passenger in the rear of the car that he was driving was killed in the accident.
- A police investigation is underway regarding the accident.
- He is employed, and earns £4,000 a month as an IT consultant, travelling to clients within a 100-mile radius of his home.
- He holds another IP policy with the Livelong Life Insurance Company, for a sum assured of £1,000 per month after a deferred period of 13 weeks.

- (a)** Explain how a claims assessor will determine if the definition of incapacity has been satisfied. **(15)**
- (b)** Outline how the amount of benefit payable will be determined if the claim is valid. **(15)**

- 16.** Mr Partridge has submitted a terminal illness claim for lung cancer. When submitting the claim in September 2018, he admitted to being a lifelong heavy smoker and said he had been given in the region of 12 months left to live.

His term assurance policy commenced in April 2016 for a term of 20 years. The policy was issued on non-smoker rates.

(a) Explain why it is necessary to review the application and underwriting of this policy, and how the outcome of this review might influence the assessment of the claim. **(18)**

(b) Explain how the claims assessor should determine whether the policy requirements relating to terminal illness have been satisfied. **(12)**

- 17.** Miss Thomas, aged 57, has contacted the Bad-day Insurance Company asking to make a claim for total and permanent disability following a recent diagnosis of fibromyalgia. She last worked as a head teacher of a large senior school in January 2018 and has now been dismissed on medical grounds.

The sum assured under her policy, taken out in 2006, is £150,000. The policy expires at age 60.

The definition of incapacity is 'total and permanent inability to perform the material and substantial duties of your usual occupation'.

(a) Provide an overview of the medical condition fibromyalgia. **(15)**

(b) Explain how this claim should be assessed, referencing the information that needs to be requested, and the factors that will influence the outcome of the claim. **(15)**

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