



Chartered  
Insurance  
Institute

# P64

## Diploma in Insurance

### Unit P64 – Private medical insurance practice

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 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. Explain a private medical insurer's likely conditions of acceptance when a member asks for her new-born and older children to be included in the policy cover. **(10)**
  
2.
  - (a) State **six** advantages available to a private medical insurer from investing in customer service technology. **(6)**
  
  - (b) Outline what is meant by computerised telephony integration and why it is attractive to an insurer. **(6)**
  
3.
  - (a) Outline the features of independent sector treatment and diagnostic centres, and their role when operating under contract with the National Health Service (NHS). **(9)**
  
  - (b) List **three** other healthcare services where private and public sectors overlap. **(3)**
  
4.
  - (a) Outline **one** example of circumstances in which a UK resident might buy an international private medical insurance (IPMI) policy. **(2)**
  
  - (b) List **five** types of cover found under an IPMI policy which would not usually be available under a policy that only provided cover in the UK. **(5)**
  
  - (c) Identify and describe briefly **two** types of policy, other than an IPMI policy, which could accommodate healthcare needs for a UK subject travelling overseas. **(4)**
  
5.
  - (a) Describe briefly the characteristics of a pre-existing medical condition in the context of private medical insurance (PMI). **(3)**
  
  - (b) Discuss how insurers deal with pre-existing medical conditions in the group paid PMI market. **(8)**

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6. State the strategic responsibilities of a private medical insurer's:
- (a) executive director; (2)
  - (b) non-executive director; (2)
  - (c) business manager. (2)
7. Explain the action an insurer should take when a complaint is received from a large employer in respect of its group private medical insurance scheme. (8)
8. (a) State **five** definitions for Total Permanent Disability (TPD) found in the Association of British Insurers' Statement of Best Practice for Critical Illness Cover. (5)
- (b) Outline **five** ways in which the benefits resulting from a valid TPD claim could be used by an individual claimant. (5)
9. (a) State the original basis on which health cash plans were set-up. (2)
- (b) List **six** types of benefit usually found under a typical health cash plan. (6)
- (c) Outline **three** features which typically distinguish a health cash plan from private medical insurance. (3)
10. Describe briefly, when calculating a price for a large commercial private medical insurance scheme, why the insurer would include adjustments for:
- (a) specific stop loss factors; (2)
  - (b) aggregate stop loss factors; (2)
  - (c) profit or risk share; (2)
  - (d) a longer term contract. (2)

QUESTIONS CONTINUE OVER THE PAGE

- 11. (a)** State **three** values listed in the National Health Service (NHS) Constitution. **(3)**
- (b)** Outline **five** responsibilities imposed upon NHS patients by its Constitution. **(5)**
- 12.** Describe briefly, within a managed care environment, how the following operate:
- (a)** Hospital networks. **(4)**
- (b)** Consultant networks. **(4)**
- (c)** Quality assurance networks. **(4)**
- 13.** Explain briefly **each** of the following terms and the extent to which they are covered by private medical insurance.
- (a)** Acute illness. **(3)**
- (b)** Emergency surgery. **(3)**
- (c)** Elective surgery. **(3)**
- 14.** Outline the activities carried out by a private medical insurer's product marketing department in respect of the following:
- (a)** Sales analysis. **(3)**
- (b)** Competitor analysis. **(3)**
- (c)** Product design. **(3)**
- (d)** Product promotion. **(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.** A member of an employer paid private medical insurance scheme is about to submit a claim for treatment.
- (a)** Explain the actions that the member would be required to take before the claim is submitted to the insurer. **(10)**
  - (b)** Describe the information that the insurer will need and additional enquiries that may have to take place in order to determine the validity of the claim. **(20)**
- 16.** An insurer has agreed to act as a third party administrator on behalf of a large employer wishing to set-up a healthcare trust designed to provide medical benefits for its workforce.
- (a)** Outline the services the insurer would be contracted to provide. **(10)**
  - (b)** Summarise the advantages that the employer would gain from the trust, and the insurer's involvement. **(5)**
  - (c)** Summarise the drawbacks that could be associated with the use of a healthcare trust instead of buying private medical insurance. **(5)**
  - (d)** Describe briefly the circumstances in which the trust could recover monies from other parties after a claim has been paid. **(5)**
  - (e)** Describe briefly the tax implications for the employer and employee when the employer decides to set-up a trust. **(5)**



- 17.** Lionel has chosen the intermediated sales route in order to obtain individual private medical insurance. He is currently not in the best of health and requires certainty in respect of medical conditions his policy will cover and those to be excluded. A priority for Lionel is that he is able to access treatment close to his home.
- (a)** Explain briefly why approaching an intermediary is a better option for Lionel than a direct approach to an insurer. **(4)**
  - (b)** Describe the method of underwriting that is most likely to offer the certainty Lionel requires. **(10)**
  - (c)** Describe briefly **two** principles of postcode rating and **two** principles of hospital banding and state, with justification, which outcome would be better for Lionel. **(4)**
  - (d)** Explain briefly the insurer's likely underwriting terms when Lionel's application for cover reveals the following medical conditions:
    - (i)** A recent asthma attack although there has been no previous history. **(3)**
    - (ii)** Bronchitis possibly caused by exposure to tobacco smoke. **(3)**
    - (iii)** Removal of a mole. **(3)**
    - (iv)** Sciatica causing spasms in the lower back. **(3)**

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