



Chartered  
Insurance  
Institute

# P64

## Diploma in Insurance

### Unit P64 – Private medical insurance practice

April 2019 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.
  - (a) Outline how electronic data interchange (EDI) is used in the transaction of private medical insurance up to the point that a claim is accepted. (5)
  - (b) State **six** benefits that EDI has on the direct settlement of claims payments between private medical insurers and healthcare providers. (6)
  - (c) Outline the role of Healthcode Limited in the development of EDI. (2)
  
2. Explain the concept of prototyping and its attraction to a private medical insurer when adding to its range of products. (10)
  
3.
  - (a) State how the pooling principle affects buyers of private medical insurance. (3)
  - (b) Outline the relevance of the Consumer Insurance (Disclosure and Representations) Act 2012 to those buyers. (7)
  
4. Outline the role of a private medical insurer's:
  - (a) managing director; (4)
  - (b) chief medical officer; (4)
  - (c) finance department. (4)
  
5. Identify **six** factors that would encourage people permanently living outside the UK to buy private medical insurance. (6)

- 
6. (a) Outline the advantages that 'switch underwriting' offers an individual who is considering changing to a different private medical insurer at their policy anniversary date. (3)
- (b) State **five** considerations that would affect an insurer's decision to offer switch underwriting terms to an individual. (5)
7. (a) Describe briefly the role of the National Institute for Health and Care Excellence (NICE). (5)
- (b) State **two** ways in which NICE can be negatively perceived by the UK public. (2)
- (c) Outline NICE's impact on private medical insurers. (2)
8. Outline the main characteristics of **each** of the following types of private medical insurance policy.
- (a) Basic policy. (6)
- (b) Six-week policy. (6)
9. In connection with the Association of British Insurers:
- (a) outline the scope and purpose of its consumer guide 'Health Insurance Explained'; (3)
- (b) list **five** cover limitations, in respect of cancer, that insurers must explain to potential customers. (5)
10. Outline **six** ways in which an employer providing private medical benefits to its staff could be guilty of age discrimination under the provisions of the Equality Act 2010. (12)

QUESTIONS CONTINUE OVER THE PAGE

- 11. (a)** State **two** characteristics of an exclusive special condition that a private medical insurer might decide to apply when issuing a policy. **(2)**
- (b)** List **ten** general exclusions imposed by private medical insurers. **(10)**
- (c)** Outline why insurers would consider introducing new general exclusions from time-to-time. **(2)**
- 12. (a)** Describe briefly the Solvency II Directive and how private medical insurers are affected. **(4)**
- (b)** State why private medical insurance is regarded as 'short-tail' business. **(3)**
- 13. (a)** Outline the characteristics of an incurable condition. **(4)**
- (b)** Explain briefly a private medical insurer's likely response when a claim is made under a comprehensive policy for a newly acquired illness which later becomes incurable. **(6)**
- 14. (a)** State the basis on which International Classification of Disease (ICD) codes were set-up. **(2)**
- (b)** Outline **seven** reasons why a private medical insurer would use ICD codes as part of its claims assessment procedure. **(7)**

## PART II

Answer TWO of the following THREE questions  
Each question is worth 30 marks

15. (a) Explain the principles of managed care when applied to claims made under private medical insurance policies. (20)
- (b) Outline the impact of quality assurance networks on managed care. (3)
- (c) Describe the effect that managed care can have on a private medical insurer's relationship with its group-paid and individual-paid customers. (7)
16. (a) Identify and describe briefly the roles of the main types of independent intermediary selling private medical insurance. (8)
- (b) Describe the stages of an intermediary's sales process. (8)
- (c) Outline **three** advantages and **three** disadvantages for an insurer when selling through an independent intermediary. (6)
- (d) Explain briefly what is meant by competitor analysis and the role an insurer would expect an independent intermediary to have within that process. (4)
- (e) Explain briefly how an insurer would manage interactions with an independent intermediary to achieve its sales objectives. (4)
17. Insurer A is to commence transacting private medical insurance business for large group schemes.
- (a) Explain why a substantial minimum number of members should be specified before a large group scheme is offered to applicants. (6)
- (b) Describe briefly **two** premium calculation methods that could be used by Insurer A. (6)
- (c) State **six** business costs Insurer A will take into account when building a margin into its premium calculations for this class of business. (6)
- (d) Describe briefly **six** factors that will influence the premium that Insurer A will quote for new business. (12)

**BLANK PAGE**



**BLANK PAGE**

**BLANK PAGE**



