



Chartered
Insurance
Institute

P62

Diploma in Insurance

Unit P62 – Life, critical illness and disability claims

October 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 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. (a) Explain briefly why an insurer might issue a death abroad questionnaire. (5)
- (b) Identify **six** appropriate questions that might be included in a death abroad questionnaire. (6)

2. Outline **four** reasons why a claim under a critical illness policy might be paid for an amount less than the original sum insured. (8)

3. An income protection policyholder becomes unemployed shortly before sustaining a disabling injury.

Explain how the assessment of a resulting claim may be affected by their employment status. (7)

4. (a) Outline the circumstances in which coronary artery bypass graft (CABG) surgery will typically give rise to a valid critical illness claim. (3)
- (b) Identify **two** ways of treating ischaemic heart disease other than CABG. (2)

5. A 45-year-old male policyholder has died as a result of a sudden heart attack three years after the start of his policy. A doctor's report has confirmed that he had no adverse medical history or lifestyle risk factors. However, it implied a significant family history of early cardiac death. The policyholder's widow has submitted a death claim.

Explain how misrepresentation:
 - (a) should be assessed in respect of this claim; (8)
 - (b) might impact the outcome of the claim. (7)

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6. (a) Describe the medical condition ulcerative colitis. (8)
- (b) Identify **two** treatment options for ulcerative colitis. (2)
- (c) Explain how a taxi driver's ability to undertake their occupation might be affected by ulcerative colitis. (4)
7. (a) Explain briefly what a profit and loss statement shows. (5)
- (b) Explain briefly what a balance sheet shows. (4)
- (c) Describe briefly how the information contained in a self-employed hairdresser's profit and loss statement, and balance sheet is relevant to the assessment of their income protection claim. (5)
8. State the guidelines that should be followed when assessing a critical illness claim based only on medical evidence that has been supplied by the claimant. (8)
9. Explain how an income protection insurer can support a claimant who is keen to return to work but is currently unable to return to the full duties of their former occupation. (10)
10. Outline, in relation to the Association of British Insurers definition for heart attack:
- (a) **how** it has changed since it was first introduced; (4)
- (b) **why** it has changed since it was first introduced. (6)
11. (a) Outline the circumstances when an insurer might make a payment into court. (3)
- (b) Describe the requirements for an insurer to make a payment into court. (6)

QUESTIONS CONTINUE OVER THE PAGE

- 12. (a)** Outline the role of the underwriting department when misrepresentation has been detected in the course of assessing a death claim. **(4)**
- (b)** A critical illness claim for lung cancer has been assessed to be medically valid. However, it has been detected in the course of assessing the claim that the policyholder declared themselves to be a smoker, but the underwriters failed to note this and issued the policy on non-smoker rates.
- Outline the consequences of this error. **(3)**
- 13.** State the similarities and differences associated with the assessment of a waiver of premium claim compared with the assessment of an income protection claim. **(8)**
- 14. (a)** Outline the following:
- (i)** Type 1 diabetes. **(3)**
- (ii)** Type 2 diabetes. **(3)**
- (b)** Explain briefly **four** complications commonly occurring in a diabetic patient. **(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.** Mr Lasa aged 38, holds a £500,000 single life term assurance policy with Thatz Life Insurance which commenced on 1 January 2019. The policy was accepted at standard rates.

Underwriting summary:

- Medically no adverse features were noted on the application form and no medical evidence was obtained.
- The reason for the policy was stated to be to cover business loans.
- Mr Lasa's occupation was described as a UK-based internet consultant.

The British Embassy in Uganda have confirmed that Mr Lasa was killed in a helicopter crash while on a business trip. Newspaper reports suggest that he lived an extravagant lifestyle and was known to enjoy alcohol and take illegal drugs. There are suggestions that the helicopter was being flown by a business associate, rumoured to be a drug dealer, at the time of the crash.

Explain how this claim should be assessed, referencing the information that needs to be requested, and the factors that will influence the validity of the claim.

(30)

- 16.** Mrs Beale aged 55, holds a £200,000 critical illness policy with My Life Insurance. This policy commenced in December 2014, at ordinary rates, based on an application form with no adverse disclosures. The policy term is five years.

Mrs Beale has contacted My Life Insurance enquiring about a potential critical illness claim. She has been told by her doctor that she probably has multiple sclerosis (MS), although she has some further tests to undergo in the next couple of months to confirm the diagnosis. She also requested that any correspondence is e-mailed to her as she moved to Egypt last year.

- (a)** Explain the typical definition requirements to satisfy a critical illness claim for MS and what evidence is required to assess this.

(15)

- (b)** Explain what other factors might influence the validity of Mrs Beale's claim, if the definition of MS is met.

(15)

- 17.** An income protection (IP) claim has been submitted to Workday Life Insurance by Mr Javid who is a 35-year-old business owner, operating as a self-employed sole trader. He owns four large lorries, one of which he drives himself, and the others are driven by his employees.

His IP policy commenced in October 2018 at which point he was accepted at ordinary rates based on no adverse disclosures on his application form. The sum insured is £1,000 per month, the deferred period is 13 weeks, and the definition is:

'Unable to perform the material and substantial parts of his own occupation' for the first 24 months, and 'unable to perform any occupation whatsoever' thereafter.

The policy expires on Mr Javid's 65th birthday.

Mr Javid has indicated that he has a degenerative eye condition and is starting to find it hard to drive. As a result of this, he has recently stopped driving the lorry and has employed an additional driver.

A profit and loss account for Mr Javid's business in the year ending September 2019 shows a net profit of £40,000.

Explain how Mr Javid's claim will be assessed:

- (a)** medically; **(15)**
- (b)** financially. **(15)**

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