



Chartered
Insurance
Institute

P64

Diploma in Insurance

Unit P64 – Private medical insurance practice

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 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) Explain briefly the features of hospital treatment insurance. (5)
- (b) Outline **three** ways that surgeons' and anaesthetists' fees may be paid by private medical insurance. (6)
2. (a) State **eight** reasons why an employer would consider providing its staff with company-paid private medical insurance (PMI). (8)
- (b) Identify **six** ways an employer could vary the company-paid PMI benefits it offers to different categories of staff. (6)
3. (a) Explain briefly what is meant by continued personal medical exclusions (CPME) and its application to group private medical insurance underwriting. (5)
- (b) State **seven** factors that would affect an insurer's decision to offer CPME terms. (7)
4. Describe briefly **three** features of **each** of the following types of direct product promotion used by private medical insurers.
 - (a) Newspaper advertising. (3)
 - (b) Telesales. (3)
 - (c) The insurer's website. (3)
 - (d) Worksite marketing. (3)
 - (e) Social media. (3)

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5. (a) State **three** ways in which overseas healthcare providers and professionals interact with the National Health Service (NHS). (3)
- (b) Outline how regulations applying in some overseas countries can affect the operations of UK-based private medical insurers in those territories. (3)
6. State the purpose of the Consumer Rights Act 2015 and its application to private medical insurance. (5)
7. Explain briefly **four** actuarial objectives of a private medical insurer when managing its risk portfolio. (8)
8. Insurer A is considering adding a book of private medical insurance (PMI) business which is being offered by Insurer B to Insurer A's current PMI portfolio.
- (a) Describe briefly the factors Insurer A would consider when deciding whether to accept the transfer. (6)
- (b) Outline **three** ways in which the transfer could be accepted by Insurer A. (6)
9. Describe briefly the proposition that a private medical insurer would typically offer its customers under a:
- (a) senior policy; (4)
- (b) four-week scheme; (4)
- (c) mid-range policy. (4)

QUESTIONS CONTINUE OVER THE PAGE

- 10.** In connection with group-paid private medical insurance:
- (a)** list **five** examples of the services that employees can access under an arrangement providing wellbeing and occupational benefits; **(5)**
 - (b)** explain briefly why an employer would purchase wellbeing and occupational benefits. **(5)**
- 11.** List **six** factors that can be used to compare the effectiveness of healthcare systems internationally. **(6)**
- 12.** Explain briefly, in relation to a private medical insurer's managed care principles, what is meant by:
- (a)** a closed referral; **(4)**
 - (b)** an open referral. **(4)**
- 13.** **(a)** Explain briefly the role of a third party administrator (TPA). **(2)**
- (b)** Outline **three** advantages and **three** disadvantages to a private medical insurer when using the services of a TPA. **(6)**
 - (c)** List **seven** functions that could be performed by a TPA on behalf of the insurer. **(7)**
- 14.** Identify **six** responsibilities typically undertaken by a private medical insurer's finance department. **(6)**

PART II

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

- 15.** Philip is considering buying comprehensive private medical insurance (PMI) from an insurer that offers cover subject to moratoria. He is in good health and would like to know whether moratorium underwriting is best for him. The insurer's offer of cover would be subject to a policy excess.
- (a) Discuss moratorium underwriting and its likely effect on both Philip and the insurer. (22)
- (b) Describe how the application of an excess can be used by the insurer as a way of reducing the incidence and cost of losses under Philip's PMI policy. (8)
- 16.** Susan has informed her private medical insurer that she is leaving her job in telesales and relocating to a different part of the UK to become a care home assistant.
- (a) Explain the view Susan's insurer might take on her change in occupational risk. (7)
- (b) Outline how Susan's relocation might impact her premium. (5)
- (c) Explain how Susan's premium could be made more affordable without any significant loss of cover. (18)
- 17.** A company plans to form a start-up insurer to exclusively transact group-paid private medical insurance in the UK.
- (a) Outline the ownership structure and aims of the insurer. (4)
- (b) Describe briefly **three** ways in which insured groups and members might share the cost of premium payment. (6)
- (c) Summarise **three** commercial elements that contribute to the insurer's process of pricing group-paid private medical insurance. (6)
- (d) State how the insurer will be impacted by Solvency II regulations. (4)
- (e) Describe briefly how the insurer can benefit from the use of reinsurance in its early years of trading. (5)
- (f) Outline the effect of the General Data Protection Regulation (GDPR) on the insurer's operations. (5)

