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# P62 – Life, critical illness and disability claims

## Diploma in Insurance

October 2019 Examination Guide

### **SPECIAL NOTICE**

**Candidates entered for the April 2020 examination should study this Examination Guide carefully in order to prepare themselves for the examination.**

**Practise in answering the questions is highly desirable and should be considered a critical part of a properly planned programme of examination preparation.**

## P62 – Life, critical illness and disability claims

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## IMPORTANT GUIDANCE FOR CANDIDATES

### Introduction

The purpose of this Examination Guide is to help you understand how examiners seek to assess the knowledge and skill of candidates. You can then use this understanding to help you demonstrate to the examiners that you meet the required levels of knowledge and skill to merit a pass in this unit.

### Before the examination

#### Study the syllabus carefully

This is available online at [www.cii.co.uk](http://www.cii.co.uk). All the questions in the examination are based directly on the syllabus. *You will be tested on the syllabus alone*, so it is vital that you are familiar with it.

There are books specifically produced to support your studies that provide coverage of all the syllabus areas; however, you should be prepared to read around the subject. This is important, particularly if you feel that further information is required to fully understand a topic, or an alternative viewpoint is sought. The reading list which can be found with the syllabus provides valuable suggestions.

#### Read widely

It is vital that your knowledge is widened beyond the scope of one book. *It is quite unrealistic to expect that the study of a single study text will be sufficient to meet all your requirements.* While books specifically produced to support your studies will provide coverage of all the syllabus areas, you should be prepared to read around the subject. This is important, particularly if you feel that further information is required to fully understand a topic, or an alternative viewpoint is sought. The reading list which can be found with the syllabus provides valuable suggestions.

#### Make full use of the Examination Guide

This Examination Guide contains a full examination paper and model answers. The model answers show the types of responses the examiners are looking for and which would achieve maximum marks. However, you should note that there are alternative answers to some question parts which would also gain high marks. For the sake of clarity and brevity not all of these alternative answers are shown.

This guide and previous Examination Guides can be treated as 'mock' examination papers. Attempting them under examination conditions as far as possible, and then comparing your answers to the model ones, should be seen as an essential part of your exam preparation. The examiner's comments on candidates' actual performance in each question provide further valuable guidance. You can obtain free copies of the most recent Examination Guides online at [www.cii.co.uk](http://www.cii.co.uk).

**Know the structure of the examination**

Assessment is by means of a three hour paper.

**Part 1** consists of 14 compulsory questions, worth a total 140 marks.

**Part 2** consists of 2 questions selected from 3, worth a total of 60 marks.

Each question part will clearly show the maximum marks which can be earned.

**Read the current Diploma in Insurance Information for Candidates**

Details of administrative arrangements and the regulations which form the basis of your examination entry are to be found in the current Qualifications Brochure, which is *essential reading* for all candidates. It is available online at [www.cii.co.uk](http://www.cii.co.uk).

## In the examination

### The following will help:

#### Spend your time in accordance with the allocation of marks

- The marks allocated to each question part are shown on the paper.
- If a question has just two marks allocated, there are likely to be only one or two points for which the examiner is looking, so a long answer is a waste of time.
- Conversely, if a question has 12 marks allocated, a couple of lines will not be an adequate answer.
- Do not spend excessive time on any one question; if the time allocation for that question has been used up, leave some space, go on to the next question and return to the incomplete question after you have completed the rest of the paper, if you have time.

#### Take great care to answer the question that has been set

- Many candidates leave the examination room confident that they have written a 'good' paper, only to be surprised when they receive a disappointing result. Often, the explanation for this lies in a failure to fully understand the question that has been asked before putting pen to paper.
- Highlighting key words and phrases is a technique many candidates find useful.
- The model answers provided in this Examination Guide would gain full marks. Alternative answers that cover the same points and therefore answer the question that has been asked would also gain full marks.

#### Tackling questions

Tackle the questions in whatever order feels most comfortable. Generally, it is better to leave any questions which you find challenging until you have attempted the questions you are confident about. Candidates should avoid mixing question parts, (for example, 1(a)(i) and (ii) followed by 2(b)(ii) followed by 1(e)(i)) as this often leads to candidates unintentionally failing to fully complete the examination paper. This can make the difference between achieving a pass or a narrow fail.

It is vital to label all parts of your answer correctly as many questions have multiple parts to them (for example, question 1(a) may have parts (i), (ii) and (iii)). Failure to fully distinguish between the separate question parts may mean that full credit cannot be given. It is also important to note that a full answer must be given to each question part and candidates should not include notes such as 'refer to answer given in 1(b)(i)'.

#### Answer format

Unless the question requires you to produce an answer in a particular format, such as a letter or a report, you should use 'bullet points' or short paragraphs. The model answers indicate what is acceptable for the different types of question.

Where you are asked to perform a calculation, it is important to show **all** the steps in your answer. The majority of the marks will be allocated for demonstrating the correct method of calculation.

Provided handwriting is legible, candidates will **not** lose marks if it is 'untidy'. Similarly, marks are not lost due to poor spelling or grammar.

**Calculators**

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 alphabetical or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.

## EXAMINER COMMENTS

### Question 1

This was a straightforward question with most candidates achieving high marks.

### Question 2

This question required candidates to think about a range of circumstances that might result in a reduced critical illness claim payment. The majority were able to answer this well.

### Question 3

Candidates' answers would have benefitted from mentioning that a fixed financial benefit may apply in these circumstances. However, most successfully outlined all other relevant considerations.

### Question 4

Some candidates provided a full and detailed medical overview of what coronary artery bypass graft surgery is, in response to part (a), but the question was specifically directed to the critical illness insurance definition requirements only. Part (b) was well answered.

### Question 5

Answers to this question were generally good although some candidates did not provide a full analysis within their response, for example, the importance of the age of any family members who had cardiac disease, what age limits were asked in the application form, and whether the insured was aware of the family history at the time he took the policy out.

### Question 6

This question was well answered by the majority of candidates, even though a small number did not provide sufficient detail to achieve the 8 marks available for part (a).

### Question 7

Candidates' answers would have benefitted from a better differentiation between the information shown on a profit and loss statement versus that shown on a balance sheet. Part (c) answers were either good, or weak, which probably reflected candidates' familiarity with this topic in their own job roles.

### Question 8

This question did not require the possible negative aspects of claimant supplied evidence, so candidates who provided detailed information regarding this wasted time and effort. A better response was provided by candidates who outlined practical ways in which claimant supplied evidence can be validated in order to complement effective assessment of a claim.

### Question 9

This question was well answered by the majority of candidates, particularly relating to medical and vocational rehabilitation opportunities. Some candidates did not mention the policy conditions that are designed to support a return to work such as the linked claims clause and proportionate/rehabilitation clauses.

**Question 10**

This question was answered reasonably well but many candidates demonstrated good knowledge of the current heart attack definition without fully exploring previous definitions and how/why the constituent parts of these have evolved over time.

**Question 11**

Few candidates gained high marks on this question. It is an unusual occurrence but nonetheless a relevant death claim procedure.

**Question 12**

Candidates were mostly able to provide a good response to this question, with adequate consideration of the implications for all parties, including any reinsurer.

**Question 13**

The majority of candidates provided a correct answer to this question, but some would have benefited from more depth of detail to achieve the 8 marks available.

**Question 14**

This question was well answered by candidates, reflecting an excellent knowledge of diabetes and its complications.

**Question 15**

This was a popular Part II question. Candidates understood the difficulties presented by a death occurring overseas. The finer complexities of this case such as whether there was occupational/travel misrepresentation and potential involvement in illegal activities received less detailed attention by some candidates. Many mentioned the exclusions that might apply to this scenario such as certain countries where death claims might not be payable or excluded activities. Such exclusions are not common for death claims, they tend to apply to disability/accident claims only.

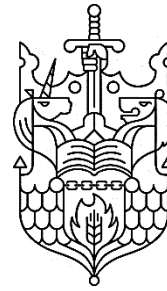
**Question 16**

Part (a) required assessment of the insurance definition and evidence sources. Long and detailed explanations as to the types of multiple sclerosis and its symptoms/prognosis/treatment etc were not required to answer the question. Candidates who did this wasted time and effort. In part (b), many candidates explored the possibility of misrepresentation with more infrequent consideration of issues such as the claim arising overseas, and the impending expiry of the policy term.

**Question 17**

This was a relatively well answered question, although some candidates did not consider the possibility of misrepresentation of Mr Javid's eye condition and how crucial this would have been given the nature of the claimant's own occupation. The financial assessment in part (b) was mostly well answered, with many candidates exploring all relevant considerations in this scenario.





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# 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 several 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)

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)

- 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

**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)

## TEST SPECIFICATION

<b>October 2019 Examination – P62 Life, critical illness and disability claims</b>	
<b>Question</b>	<b>Syllabus learning outcome(s) being examined</b>
1	3 – Understand the main claims assessment tools and their application 4 – Know how to determine the validity of claims
2	1 – Understand the claims department and the main claim types 4 – Know how to determine the validity of claims
3	1 – Understand the claims department and the main claim types 4 – Know how to determine the validity of claims 6 – Understand financial assessment of income protection claims
4	4 – Know how to determine the validity of claims 5 – Understand medical aspects of claims assessment
5	1 – Understand the claims department and the main claim types 2 – Understand the initial claim considerations 3 – Understand the main claims assessment tools and their application 4 – Know how to determine the validity of claims
6	5 – Understand medical aspects of claims assessment
7	3 – Understand the main claims assessment tools and their application 6 – Understand financial assessment of income protection claims
8	3 – Understand the main claims assessment tools and their application 4 – Know how to determine the validity of claims
9	1 – Understand the claims department and the main claim types 4 – Know how to determine the validity of claims 6 – Understand financial assessment of income protection claims 7 – Understand rehabilitation of claimants
10	1 – Understand the claims department and the main claim types 4 – Know how to determine the validity of claims 5 – Understand medical aspects of claims assessment 8 – Understand legal and regulatory issues
11	3 – Understand the main claims assessment tools and their application 4 – Know how to determine the validity of claims 8 – Understand legal and regulatory issues
12	1 – Understand the claims department and the main claim types 2 – Understand the initial claim considerations
13	1 – Understand the claims department and the main claim types 4 – Know how to determine the validity of claims
14	5 – Understand medical aspects of claims assessment
15	2 – Understand the initial claim considerations 3 – Understand the main claims assessment tools and their application 4 – Know how to determine the validity of claims
16	1 – Understand the claims department and the main claim types 3 – Understand the main claims assessment tools and their application 4 – Know how to determine the validity of claims 5 – Understand medical aspects of claims assessment
17	1 – Understand the claims department and the main claim types 3 – Understand the main claims assessment tools and their application 4 – Know how to determine the validity of claims 5 – Understand medical aspects of claims assessment 6 – Understand financial assessment of income protection claims



**NOTE ON MODEL ANSWERS**

The model answers given are those which would achieve maximum marks. However, there are alternative answers to some question parts which would also gain high marks. For the sake of clarity and brevity not all of these alternative answers are shown. An oblique (/) indicates an equally acceptable alternative answer.

**Model answer for Question 1**

- (a)
- If a death arises overseas.
  - Further evidence is needed by the insurer to get more details regarding the circumstances of death to include whether the insured event has occurred; if misrepresentation has occurred; any third party involvement or foul play; and if the evidence presented is legitimate/credible.
- (b) *Any six of the following:*
- How long was the deceased intending to be abroad?
  - Which hospitals/doctors were attended in connection with the death?
  - Any prior illness?
  - What was the purpose of their trip?
  - Place and date of registration of death.
  - What was their planned travel itinerary?
  - Was there a funeral/cremation? If so, where and who were witnesses?
  - What dates was the deceased abroad?
  - Where were they staying at the time of death?
  - Was a post-mortem carried out?
  - What was the exact location of the death?
  - Copies of passports and travel documents should be requested.
  - Full details of how the death arose with specific questions relating to accident or illness.
  - Were there any witnesses to the death?
  - Is there a police investigation in respect of the death?
  - Are any other insurance policies being claimed against?

**Model answer for Question 2**

*Any four of the following:*

- Misrepresentation (could be of age or other risk factor) – so the sum assured is reduced in line with the premium that should have been paid.
- Some illnesses are relatively less severe and only warrant a partial payment.
- Decreasing sum insured – decreases over the term of the policy.
- Payment under a child's critical illness – typically a percentage of the sum assured up to a stated maximum.
- Ex-gratia payment – where the insurer chooses to pay a lesser amount for commercial reasons.
- Claim under an additional benefit – e.g. hospital cash.

**Model answer for Question 3**

The policy conditions might stipulate that if the policyholder becomes unemployed the definition of disability switches e.g. to 'any' occupation or 'activities of daily work/living'. They may also stipulate that the benefit will be payable at a fixed level rather than a percentage of salary.

Unemployed claimants may have less motivation to return to work; have no salary on which to base the limitation of benefit; and have no 'own occupation' upon which to judge their level of disability. Assessors need to ensure that absence from work is due to an inability to work not lack of availability of work.

**Model answer for Question 4**

- (a) The critical illness definition will typically require:
- The advice of a cardiologist.
  - A median sternotomy (i.e. not minimally invasive).
  - One or more diseased arteries.
- (b) *Any two of the following:*
- With medication.
  - By angioplasty.
  - Lifestyle/diet/exercise.

**Model answer for Question 5**

- (a)
- Need to obtain full facts i.e. which relatives, their ages, year of diagnosis and when did the deceased know of the family history.
  - Need to determine what was asked and/or declared on the application form and, as a result, what was misrepresented.
  - Need to determine what the underwriting terms would have been had full disclosure been made.
  - Need to consider evidence sources e.g. next of kin/widow.
- (b) Need to determine the category of misrepresentation:
- Innocent – pay in full.
  - Careless – amend in line with retro underwriting terms i.e. proportionate outcome.
  - Deliberate – decline with return of premiums.
  - Fraudulent – decline without return of premiums.

**Model answer for Question 6**

- (a) Ulcerative colitis involves inflammation of the lining of the colon, which may also give rise to widespread ulceration and a tendency to bleed. This reduces the bowel's ability to absorb water resulting in diarrhoea that may contain blood and mucus. The condition may be confined to the rectum where it is referred to as proctitis or it may spread with time from the rectum up the length of the bowel. The condition is subject to remissions and exacerbations, which if severe may be life-threatening. Lesions outside the alimentary tract may be occasional complications.
- (b) *Any two of the following:*
- A modified diet.
  - Medication.
  - Surgery.
- (c) It will depend on the extent of the disease. If mild, they should be able to work but less able as severity increases. They may be limited by pain and fatigue and need ready access to toilet facilities. Their ability to work will depend on frequency and extent of exacerbations.

**Model answer for Question 7**

- (a) A profit and loss statement shows:
- Business structure e.g. sole trader/partnership/limited company.
  - Sales/revenue.
  - Amount and nature of costs incurred by the business.
  - Resulting profit typically covering a 12 month period.
- (b) A balance sheet represents a financial summary of the business at a single point in time detailing the exact level of the business assets versus liabilities at that time. A balance sheet will indicate the financial strength of a business on the day that it is drawn up.
- (c) Relevant information in a profit and loss account includes:
- Business structure – in order to determine if others are involved and what proportion of the finances relate to the claimant.
  - Pre disability earnings – in order to apply limitation of benefit.
  - If the business is profitable or loss making – as this may influence motivation to return.
  - Costs that indicate the business might continue in the claimant's absence e.g. increased wages.

A profit and loss account may include figures from previous years which could demonstrate a downturn/upturn in business.

The relevant information in a balance sheet includes whether the financial strength of the company is weak which might be influencing the claimant's working activities and circumstances.

**Model answer for Question 8**

- Evidence must be validated as originating from both the signatory and the medical establishment.
- Checks must validate the medical content of the report in line with the insured definition.
- Claimant supplied evidence should only be utilised if it contains sufficient detail to assess the insured event and relevant risk factors.
- All checks should be documented with contact details of third parties who have verified the information.
- Extra caution should apply if the claimant has links to a hospital or has other opportunities to access medical records.
- Claimant supplied evidence from an overseas institution is very unlikely to be acceptable.
- A sum assured limit might apply.

**Model answer for Question 9**

- Policy conditions allow for proportionate/rehabilitation benefit if a claimant returns to work at a reduced salary.
- The insurer could pay for non-contractual assistance such as taxis, workplace modifications to overcome the parts of the role that a claimant can no longer do.
- The insurer could pay for private medical treatment or rehabilitation interventions to improve functioning.
- The insurer could offer vocational support such as retraining courses, assistance with a curriculum vitae (CV) and interview skills to facilitate new employment.
- The insurer could offer a commuted value to enable a claimant to start a new business.

**Model answer for Question 10**

- (a)
- A severity level has been introduced.
  - Reference is made to troponins rather than the previous reference to enzymes.
  - Troponin levels have changed over time.
  - An exclusion of acute coronary syndrome/angina has been introduced.
- (b)
- An improved clarity as to what is/isn't covered.
  - Medical advances mean troponins are more commonly tested rather than cardiac enzymes and doctors can diagnose smaller infarcts than previously. Unless less severe heart attacks were excluded the premiums would have had to rise significantly.
  - The exclusion of less severe heart attacks is also consistent with only paying for more 'critical' illnesses.

**Model answer for Question 11**

- (a) When an insurer is faced with conflicting claims, and it is not clear about who has good title to the policy proceeds, it can pay the claim proceeds into court. A payment into court is not possible if legal action has already started relating to payment of the policy proceeds unless the leave of the court has been obtained in advance.
- (b) If the insurer intends to pay the money into court, it must swear an affidavit confirming: a description of the policy and the persons who may be entitled; a statement of the notices received during the claim proceedings; a statement that, in the opinion of the board of directors, no sufficient discharge can be obtained other than by payment into court; and an agreement to pay into court such further money, if any, as the court may direct together with the court costs.

In such circumstances the receipt of the court officer is adequate discharge for the life office to proceed with the payment.

Where payment into court is made, the life office should give notice to any person who might be entitled to the policy monies.

**Model answer for Question 12**

- (a) The information that has been misrepresented should be reviewed by the underwriters. The underwriter should advise what terms would have been offered had full disclosure been made. The underwriter must use the underwriting guidance that was applicable at the time the policy started – not current guidelines. The underwriting opinion should be formally recorded on the claims file.
- (b) The policyholder cannot be penalised for the underwriter's error. An internal investigation may follow on the underwriter. A process review might be carried out. Reinsurance recovery might be compromised.

**Model answer for Question 13**Similarities

- It is based on a claimant's inability to work or perform tasks.
- It requires medical assessment periodically.
- It involves a regular payment/premium waiver.
- It is subject to a deferred period and expiry date.

Differences

- No financial assessment is required.
- No actual payment to the claimant (just waived premiums).
- The sum assured is usually much lower.
- Investigations may be less extensive due to lower liability.
- Active/expensive rehabilitation measures may not be warranted.
- Simpler policy conditions (no proportionate or rehabilitation benefit clauses).

**Model answer for Question 14**

- (a) (i) Type 1 diabetes – accounts for about 15% of diabetics, usually starting abruptly in children or young adults. The degree of insulin deficiency is severe, and all patients need insulin treatment. The underlying cause is an immunological attack on the cells that produce insulin. Eventually, the capacity to secrete insulin becomes impaired and may cease altogether.
- (ii) Type 2 diabetes – is the commonest form of diabetes. It usually occurs in obese people over the age of 40, and those who are physically inactive. Lifestyle and genetics are influential risk factors. The onset is much more gradual than in type 1 diabetes and patients may have the disease for long periods before being aware of it. Treatment can often be by diet.
- (b) *Any four of the following:*
- Hypoglycaemic attacks occur where blood glucose falls to subnormal levels. If left untreated, the patient may become unconscious and may have a fit or sustain irreversible brain damage.
  - In cases of severe insulin deficiency, acid ketone bodies may form causing a condition known as diabetic ketoacidosis. The patient becomes dehydrated and ill and, if untreated, will lapse into a coma and die.
  - Accumulation of atheromatous plaques in the walls of arteries is particularly likely to occur in diabetic patients, giving rise to stroke, heart attacks and problems with the circulation in the legs. Ischaemia of the vessels in the lower limbs can lead to ulceration or gangrene. Amputation of toes or a major part of a limb is not uncommon.
  - Diabetic retinopathy is a condition affecting the small blood vessels of the retina. Early signs of background retinopathy are tiny lesions called micro-aneurysms scattered about the retina, followed by minute haemorrhages. Later, there may be abnormalities of vessels and larger haemorrhages (proliferative retinopathy) resulting in visual impairment.
  - Urinary infections are fairly common, can be persistent and can give rise to renal impairment. Disease of the small blood vessels of the renal glomerulus may give rise to diabetic nephropathy. An early sign is the appearance of minute amounts of protein in the urine (microproteinuria). Eventually, renal damage can lead to end stage renal failure.
  - Damage to the nerves (neuropathy) is common in long-standing diabetics. Peripheral neuropathy gives rise to symptoms of muscular weakness, pain, tingling and the impairment of sensation.

**Model answer for Question 15**Evidence required

- Formal notification of claim – although Thatz Life Insurance may choose to start making enquiries ahead of this.
- Basic details of event from Estate/informant all relevant information needs to come from official sources.
- Death abroad questionnaire – required to establish details such as why Mr Lasa was overseas, how long for, where he was staying, when the trip was planned, witnesses, the hospital he was seen at, investigating authorities e.g. the police.
- A review of the questions asked, and the answers given on the application form. Check specifically drugs and alcohol questions and the intention for overseas travel.
- Medical report from the general practitioner (GP) – there might be risk factors documented on Mr Lasa's GP records that might not have been disclosed.
- Occupational enquiries – to ascertain if he described his occupation and travel intentions accurately.
- Passport to check for previous travel/visas/entry stamps.
- Financial enquiries – to check if any loan details and any income figures given at underwriting were accurate.
- Interview of next of kin or other associates that might be appropriate to obtain details to validate what was declared at underwriting in respect of lifestyle risk factors, travel, occupation and finance.
- Death certificate – giving exact location and cause of death.
- Police/investigation reports from Uganda describing the events and possibly any criminal/drug involvement.
- An Association of British Insurers circular should be issued to check for other insurance policies.
- Legal advice and reinsurer involvement should be considered given the potential complexity of this claim scenario.

The insurer needs proof that the insured event has occurred. They will need to be sure that the documentation provided is legitimate as this can sometimes be fraudulently obtained in some overseas countries.

Misrepresentation is also a concern in a number of possible ways. If it is proven, then the assessor needs to consider what the acceptance terms should have been, what category the misrepresentation falls into, and therefore what the claim outcome should be e.g. pay in full, pro rata, or decline outright.

If Mr Lasa was involved in criminal activity e.g. drug dealing, legal advice should be sought as the claim payment might be compromised if death arose as a result of criminal activities.

**Model answer for Question 16**

- (a) Typically, a critical illness definition for multiple sclerosis (MS) will require a definite diagnosis, by a consultant neurologist, of MS with current clinical impairment of motor or sensory function which must have persisted for a continuous period of at least six months.

The assessor will need to determine if the diagnosis is definite. To do that they will require medical reports, from a relevant specialist e.g. neurologist, detailing the investigations that have been undertaken to date. These will typically include a magnetic resonance imaging (MRI) scan, lumbar puncture checking for oligoclonal bands in the cerebro spinal fluid and visual evoked responses.

The neurologist is likely to use the results of these tests along with a description of the symptoms in making their definition in line with the McDonald criteria.

The definition also requires current clinical impairment of motor or sensory function for a continuous six months. To assess this, the assessor should ask Mrs Beale for an overview of her symptoms. They also need to establish how long these symptoms have been present. This information regarding symptoms should be validated by medical reports. Some insurers will waive the full duration of symptoms or will add separate periods of symptoms together if they add up to the required six months.

Referral to a chief medical officer might be helpful to determine if the definition is met.

- (b) Other aspects that might influence validity include a possibility of misrepresentation. A diagnosis of MS is often preceded by symptoms of neurological dysfunction e.g. visual disturbance, pins and needles that may not be associated with MS at the time but in hindsight could be an early exacerbation. If such a history exists, checks need to be made to see if the application form asked about such episodes and was completed accurately.

This policy expires in December 2019. The definition must be satisfied within the term of the policy so the ongoing tests must be completed by then. Technically, the six months symptoms should also have elapsed before the policy expires although some insurers may consider this aspect with leniency.

Mrs Beale is living overseas. The policy conditions may have geographical limits. These may insist that the diagnosis is made in the UK, or that Mrs Beale is not covered if she is living outside of the UK. The assessor should also be wary of the validity of medical documents originating from overseas, and that their medical procedures may not be in line with those undertaken in the UK.



**Model answer for Question 17**

- (a) It will be necessary to determine the extent of disability/limitations as a result of Mr Javid's eye condition and what the material and substantial parts of his own occupation are.

Firstly, a teleclaim with Mr Javid will be useful to get his own account of what his limitations are. How bad is his eyesight, what difficulties does it cause for driving, has he had medical advice not to drive a lorry, will his licence to drive a lorry be revoked? It will also be useful to ask when he first started experiencing problems with his vision as there is a possibility of misrepresentation if his problems pre-date the policy and a relevant question was asked on the application form.

It will be important to determine what the material and substantial duties of Mr Javid's job are. If his job mainly involves driving and his eye condition prevents that then the definition of disability (in the first 2 years) will be fulfilled. However, if driving is only an occasional part of the job then it is possible it could be argued that he can carry on with the rest of it, running the business and overseeing the other drivers. If this is the case, then the claim will not be valid.

To determine the above, it will be necessary to obtain:

- A claim form – preferably by phone interview.
- A job description/occupational overview.
- A general practitioner's report detailing history (to check for misrepresentation) and current status, along with any other existing conditions that might add to Mr Javid's limitations.
- A specialist report detailing extent of visual loss, and what that means now and in the future regarding his ability to drive a lorry.
- A visit to the workplace to get an overview of his duties, the business set up, the extent of limitations.

The validity of the claim after 24 months will depend on Mr Javid's ability to do any occupation so his inability to drive will not influence the claim. If his condition allows him to run the business with employees in place, then the claim will not be valid at that point.

- (b) If the claim is accepted the limitation of benefit will apply to determine what level of benefit will be payable.

This will typically be 50% of Mr Javid's pre disability earnings less deductions for any continuing income, other insurance, state benefits and pension.

Pre disability earnings will be the net profit of the company in the 12 months prior to disability. It is noted that September 2019 accounts are available so they should be a good indicator, albeit profits might be reduced if his vision problems have meant reduced earnings in recent months. Accounts for previous years could be checked to see if this is the case. A review by a forensic accountant might also be useful.

As Mr Javid has employees it would be necessary to check if the business continues in his absence. If so, there will be ongoing income which will need to be deducted from the earnings figure. This continuing income might be hard to calculate and monthly accounts might be required. The amount will depend on whether turnover is down due to his absence, whether extra costs are incurred e.g. someone else to drive his lorry, and whether the other drivers continue as normal in his absence.

State benefits are unlikely to be received if he is continuing to work in a supervisory role.

Mr Javid should be asked if he has any other insurance and if he is receiving a pension.

Payment might have to be made 'on account' to reflect the fact that exact figures are difficult to obtain. These would be adjusted once it becomes clearer what the financial loss from Mr Javid's absence actually is.