



Chartered  
Insurance  
Institute

# P62

## Diploma in Insurance

### Unit P62 – Life, critical illness and disability claims

April 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 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. Explain how the following documents are useful for assessing an income protection claim.
  - (a) P60. (5)
  - (b) Profit and loss account for a sole trader. (5)
  
2. (a) State the definition requirements for a critical illness (CI) claim for loss of hands or feet within the latest Association of British Insurers Statement of Best Practice for Critical Illness. (3)  
  
(b) Explain how the validity of a CI claim for loss of hands or feet might be affected by an exclusion. (6)
  
3. Discuss how potential misrepresentation relating to an income protection claim will be assessed where medical records obtained at claims stage indicate that:
  - prior to the policy start date the claimant did not regularly consume alcohol but, on the occasions where he did drink, he typically consumed 20-30 units in a night;
  - these occasions typically happened about once or twice a month for a period of many years;
  - he had been repeatedly advised by his doctor to refrain from excessive drinking. (10)
  
4. Outline how the assessment of an income protection (IP) claim will be affected, when the claimant has multiple IP policies with different insurers and is claiming under each. (8)

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5. (a) State the function of the heart valves. (2)
- (b) Name the **four** valves of the heart. (4)
- (c) Identify **two** causes of heart valve disease. (2)
- (d) Outline the effect heart valve disease might have on:
- (i) the functioning of the heart valves; (2)
- (ii) an individual's ability to work. (4)
6. (a) Name the **four** main types of multiple sclerosis (MS) and outline the characteristics of **each**. (12)
- (b) State **three** requirements for a valid critical illness claim for MS within the latest Association of British Insurers Statement of Best Practice for Critical Illness. (3)
7. An engineer, unable to work due to post traumatic stress disorder, has submitted a claim for total permanent disability (TPD). Benefit is payable if she is permanently unable to perform her occupation as an engineer, or any occupation to which she is suited by training, and experience.
- State **three** evidence tools that could be used to determine the validity of this claim and outline the purpose and use of **each**. (12)
8. (a) Define insurable interest. (2)
- (b) State when insurable interest, in connection with a life insurance policy, must exist. (1)
- (c) State **two** examples of relationships where insurable interest exists. (2)

QUESTIONS CONTINUE OVER THE PAGE

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9. (a) According to the latest Association of British Insurers Statement of Best Practice for Critical Illness definition of cancer, outline:
- (i) which type of skin cancer will meet the definition; (2)
  - (ii) which types of skin cancer will be excluded. (3)
- (b) Outline how an assessor will determine if a policyholder suffering from skin cancer meets the insurance definition of terminal illness. (6)
10. (a) Outline the nature and purpose of a post mortem. (5)
- (b) Explain why a post mortem report might be of use when considering the validity of a death claim. (8)
11. Provide an overview of the medical condition type 1 diabetes mellitus. (10)
12. Describe briefly how an insurer should make settlement in respect of a death claim when the policy owner of a life policy is known to be bankrupt. (5)
13. (a) Explain the 'reasonable steps' clause within an income protection (IP) policy wording. (4)
- (b) Discuss how the 'reasonable steps' clause should be applied, when considering an IP claim for a claimant, whose treating specialist has advised that his limitations from a severe back injury:
- (i) are highly likely to be improved with surgery, but the surgery carries a small risk of paralysis; (4)
  - (ii) would definitely be improved if he attended physiotherapy and undertook a rehabilitation programme of gentle exercises. (4)
14. Explain the implications for a critical illness claim for Alzheimer's disease, when a claims assessor detects that an incorrect age was declared when the policy commenced. (6)

**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 Chapman is a 52-year-old self-employed painter and decorator. His critical illness policy with ABC Life is summarised below:

Policy type	Stand alone critical illness including 'any occupation' total and permanent disability (TPD)
Commencement date	1 April 2008
Sum assured	£200,000
Expiry date	1 April 2018
Disclosures made at application stage	Painter and decorator – internal work only
Acceptance terms	Ordinary rates

Mr Chapman suffered multiple injuries including a severe brain haemorrhage on 23 March 2018. His wife called ABC Life on 28 March 2018 to notify them of this and submit a claim under the above policy. She said he fell from scaffolding whilst at work, but they do not know if the fall caused the head injury, or if he had a stroke which caused him to fall. His doctors have advised he is critically ill and they are unsure if he will ever walk again.

- (a) Outline the critical illness definitions that Mr Chapman may have a valid claim under. (10)
- (b) Explain how a claim in these circumstances will need to be considered by the insurer. (20)



16. XYZ Insurers have been notified of the presumed death of Mr Tyler, aged 48.

Mr Tyler had taken out £600,000 of life insurance in April 2017 to cover a business loan. Medical evidence obtained at the time of application confirmed him to be acceptable at ordinary rates. A financial questionnaire completed by Mr Tyler indicated he was running a profitable recruitment agency and was looking to expand his business interests.

Newspaper reports suggest that Mr Tyler's business collapsed in mid-2017. Since that time, he had separated from his wife and become depressed and homeless.

Mr Tyler was reported to be sheltering in the basement of a high-rise building on the night of 2 February 2018 when a terrorist attack destroyed the building.

Mr Tyler's family have made extensive enquiries regarding his whereabouts, but now believe that Mr Tyler died that night when the building collapsed. Police have confirmed that not all bodies have been identified so far and this may take significant time.

Explain how a claim in these circumstances would need to be considered by the insurer.

**(30)**

17. Mrs James is a 32-year-old dentist, running a self-employed dental practice as a sole trader in a remote part of Scotland. She has developed severe back and neck pain as a result of slipping on ice in February 2018 and has been unable to work since that time.

She holds an income protection policy with Denteeth Life and has contacted them to notify her intention to submit a claim. The sum assured is £2,000 per month, payable after a deferred period of 13 weeks, if she is unable to perform the material and substantial parts of her own job or any to which she is suited.

A medical report, written by her brother, who is an osteopath, suggests that Mrs James will never be able to work as a dentist again.

(a) Explain how a claims assessor will determine the medical validity of this claim.

**(15)**

(b) Outline the financial assessment of a claim such as this, making reference to typical policy conditions, and evidence required.

**(15)**

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