

THE CHARTERED INSURANCE INSTITUTE

P62

Diploma in Insurance

Unit P62 – Life, critical illness and disability claims

October 2013 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 how the requirements for a terminal illness claim are typically defined in life insurance policies. (6)
- (b) Identify the medical information a claims assessor will typically obtain to determine if a claimant meets the definition of terminal illness. (4)
2. (a) Explain briefly the importance to a life and disability insurer of management information derived from claims experience. (4)
- (b) Outline **two** specific examples of management information and state how each could lead to a change in practice. (4)
3. Explain briefly:
 - (a) how a dentist working as a partner in a dental practice with two other dentists will typically be remunerated; (5)
 - (b) how a dentist's remuneration from the dental practice might be affected during a period when he or she is unable to work. (5)
4. (a) Identify **four** reasons why a private investigator (PI) might be appointed during the assessment of an income protection claim. (4)
- (b) Outline **four** key considerations when deciding which PI company to use for this purpose. (4)
5. Explain how a life insurer should respond to a death claim arising from assisted suicide. (10)
6. (a) State what an aortic aneurysm is and explain how it arises. (6)
- (b) Explain the circumstances in which a diagnosis of aortic aneurysm will lead to a valid critical illness claim. (6)
7. Explain how the Consumer Insurance (Disclosure and Representations) Act 2012:
 - (a) changes the legal framework in respect of what an applicant for insurance must disclose; (6)
 - (b) specifies how misrepresentations will be classified. (6)

8.
 - (a) Explain what a commuted value is. (4)
 - (b) Outline **two** examples for each of the following circumstances where an income protection insurer:
 - (i) might consider paying a commuted value; (4)
 - (ii) should not consider paying a commuted value. (4)
9. Explain what a claims assessor should seek to establish in order to determine if a claimant meets the definition of stroke under a critical illness policy. (11)
10.
 - (a) Describe the condition multiple sclerosis. (11)
 - (b) Identify the tests that are commonly undertaken to establish the diagnosis of multiple sclerosis. (4)
11. Explain what action should be taken when, during the assessment of a valid death claim, it becomes clear that the insured's age was incorrectly given when the policy was taken out. (6)
12.
 - (a) Explain how the Association of British Insurers (ABI) assists its member companies to share information relating to individual claims. (6)
 - (b) Explain briefly how this sharing of information might be useful when assessing a claim. (4)
13. Outline **three** situations where an interim death certificate may be sufficient evidence of death to admit a death claim. (6)
14.
 - (a) Identify **two** examples of critical illness definitions that may typically include an age limit. (2)
 - (b) Explain why such an age limit is used. (3)
 - (c) State how the age limit must be included within policy documentation. (2)

Questions continue over the page

PART II

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

- 15.** Mr Jones, a 35-year-old self-employed plumber, holds an income protection (IP) plan with your company with a deferred period of four weeks.

Mr Jones has been totally unable to work since 1 September 2013, following surgery for a slipped disc and his consultant has told him not to undertake any work for the rest of the year. His claim is medically valid.

Mr Jones is a sole trader, but is hopeful of returning to work in January 2014 so has asked a friend to keep his business running and carry out work for him whilst he is incapacitated.

Write a letter to Mr Jones to explain what **financial** information is required, and how his entitlement to IP benefit will be calculated in respect of this current period of incapacity.

(30)

- 16.** Miss Raymond was a 27-year-old pop star who held a term assurance policy with ABC Insurance Company. The sum assured was £1,000,000 and the policy commenced in December 2012 to cover a mortgage.

At underwriting, a medical examination and a report from Miss Raymond's doctor revealed no adverse medical history.

Miss Raymond was found dead, in her house on 1st October 2013 and the insurer was contacted by her representatives seeking to claim the life proceeds.

(a) Explain how the insurer will establish Miss Raymond's cause of death.

(15)

(b) Discuss how the manner of her death could influence the outcome of the claim.

(15)

- 17.** Mr Howitt holds two policies with XYZ Insurance Company. One policy taken out in 2002 provides payment on terminal illness or death and the other is a critical illness policy that commenced three years ago.

Mr Howitt has contacted XYZ Insurance Company to advise he has recently been diagnosed with a brain tumour and would like to know if he can claim under either policy.

Outline the potential claim scenarios, and describe how these should be assessed with reference to the appropriate policy definitions.

(30)

