

THE CHARTERED INSURANCE INSTITUTE

P61

Diploma in Insurance

Unit P61 – Life, critical illness and disability underwriting

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 P61 – Life, critical illness and disability underwriting

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 **three** important factors, giving an example of **each**, which influence an underwriting decision on whether to offer total and permanent disability with an own occupation definition. (9)

2. Describe the possible medical effects of exposure to asbestos fibres on the respiratory system and state how these influence terms offered for life cover. (12)

3.
 - (a) Describe briefly **four** important features of acute schizophrenic breakdown which may be found in a young adult. (8)
 - (b) State the possible eventual outcomes following such an episode. (4)

4.
 - (a) Describe the purpose and features of supplementary questionnaires in the context of life and disability underwriting. (6)
 - (b) State who may complete supplementary questionnaires. (4)
 - (c) List **five** categories of supplementary questionnaire. (5)

5. State **five** main functions of the kidney. (10)

6.
 - (a) Explain briefly the main limitations to the practice of applying the numerical rating system to a life policy. (4)
 - (b) State how these limitations can be minimised. (4)

7.
 - (a) Explain the symptoms that may be caused by the presence of gall stones. (4)
 - (b) State how you would underwrite an application for income protection in the following cases.
 - (i) An applicant, who had their stones and their gall bladder removed. (2)
 - (ii) An applicant who has not had surgery but has had attacks of abdominal pain, the last one a year ago, and who has been shown to have gallstones. (2)

8. An applicant for life, critical illness and income protection declares that two months before making an application, suddenly developed weakness of the muscles on one side of their face. The weakness has improved a little but is still present.
 - (a) Explain the most likely cause of this condition. (2)
 - (b) State another possible cause giving rise to a similar condition. (1)
 - (c) State the implications for underwriting this applicant for life, critical illness and income protection. (4)

9.
 - (a) Explain how diabetes may affect the eye. (5)
 - (b) Describe important medical measures which should be taken to minimise the risk of a diabetic person becoming blind. (6)

10. A male applicant, aged 28, was diagnosed with ankylosing spondylitis ten years ago.
Describe briefly **four** major features of this disease which would influence an underwriting decision for disability insurance. (8)

11.
 - (a) Draw a diagram of a cross-section of the brain and label the cerebral hemispheres, cerebellum and subarachnoid space. (4)
 - (b) List the common causes of subarachnoid haemorrhage. (4)

12. Describe briefly **three** major medical risk factors which must be considered when underwriting an applicant who has had an aortic valve replacement. (9)

13.
 - (a) State **three** major types of disease to which smoking is a contributory cause. (3)
 - (b) Describe how smoking is a contributory cause to each disease given in **part (a)** above. (6)

14.
 - (a) State the typical clinical and haematological presentation of chronic lymphatic leukaemia. (10)
 - (b) State which applicants, if any, with this disease can be offered life, critical illness or income protection. (4)

Questions continue over the page

PART II

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

- 15.** A female applicant, aged 31 who is a solicitor, applies for a life policy to cover a mortgage loan. She also requires critical illness and own occupation total and permanent disability benefit.

Her application states she had an episode of depression 12 years ago which prolonged her university career.

A general practitioner's report (GPR) is issued which reveals she had a further episode of depression 18 months ago, which required a month off work. She lost weight during this episode and has not regained it.

It is decided to arrange an independent medical examination (IME). The findings of which showed a body mass index of 19 and a lump palpable in the right lobe of the thyroid gland.

- (a)** State your initial underwriting response in light of the GPR and IME. **(5)**
- (b)** Outline the possible significance of the thyroid lump. **(9)**
- (c)** Explain the significance of depression to the risk in this case. **(6)**
- (d)** The result of a subsequent endocrine referral shows she has normal thyroid function. A scan reveals multiple nodules in both thyroid lobes. A needle biopsy of the largest nodule shows benign histology.

The appearance is compatible with non-toxic multinodular goitre. A follow up is recommended but no treatment is needed at present.

A psychiatric questionnaire reveals that she took an overdose of drugs as a student and had to take a year away from her studies.

Discuss how you would underwrite this applicant. **(10)**

- 16.** A male applicant, aged 28, applies for a life policy for 25 years to cover a mortgage loan of £125,000.

Five years ago, his younger brother died suddenly at the age of 15. As a result of this event, the applicant had some investigations and was told he himself had hypertrophic obstructive cardiomyopathy (HOCM).

- (a)** Describe the main features of HOCM. **(8)**
- (b)** State the measures that can be taken to reduce the risks from HOCM. **(6)**
- (c)** Outline the necessary further evidence you would collect and explain how this information would assist in assessing the risk. **(16)**

17. A male applicant, aged 44, applies for a life cover for 10 years for £2,000,000.

He is the Chief Executive Officer of a long established hotel company owning hotels in game parks in Africa and Asia. He wishes to take a share in a management buy-out of a company that has recently struggled to make any profits. He has managed to raise a large loan for this purpose from a reputable venture capital company.

On his application form, he states that he had a single stent inserted about three years ago and has felt perfectly well since. His father died from a stroke at the age of 64. The applicants body mass index is 30, he has been a non-smoker for three years and drinks 30 units of alcohol per week. He takes simvastatin and ramipril.

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|-----|---|------|
| (a) | State the financial information you would require taking into account the background provided so far. | (8) |
| (b) | Explain the financial risk factors you would be particularly interested in, to underwrite this case. | (6) |
| (c) | State the approach required to assess the travel risk. | (4) |
| (d) | Discuss the main medical risks of his applicant that might be present and how those risks may affect the terms offered. | (12) |

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