

THE CHARTERED INSURANCE INSTITUTE

P64

Diploma in Insurance

Unit P64 – Private medical insurance practice

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 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) Describe briefly the process of prototyping within the insurer's development cycle of a new private medical insurance product. (4)
- (b) Identify **six** reasons why the insurer may decide to distribute the product using the internet. (6)
2. Explain briefly **each** of the terms below and outline the extent to which they are covered by private medical insurance.
 - (a) Chronic illness. (4)
 - (b) Acute illness. (4)
 - (c) Mental illness. (4)
3. Outline **four** ways of covering surgeons' and anaesthetists' fees under private medical insurance. (8)
4. (a) Identify **ten** elements of cover which a typical health cash plan provides that are not normally available under a private medical insurance policy (PMI). (10)
- (b) State **two** examples of how the basis of settlement differs under health cash plans compared to PMI. (4)
5. Identify **seven** factors that affect the extent to which people pay for healthcare in European countries outside of the UK. (7)
6. A fully medically underwritten private medical insurance policyholder has made a claim, where the insurer discovers that the policyholder failed to disclose his medical history at policy inception.

Explain briefly the position of the policyholder when the non-disclosure becomes apparent to the insurer at the point of receiving the claim. (13)

7. (a) (i) Explain briefly why employers offer employee assistance programmes under group private medical insurance. (5)
- (ii) Describe the ways in which these programmes operate.
- (b) List **five** examples of the services that employees can access under such a programme. (5)
8. (a) Outline the role of third party administrators (TPAs) in private medical insurance. (6)
- (b) State the advantages that a private medical insurer would gain from using the services of a TPA. (6)
9. Explain briefly the role of the Association of British Insurers in relation to the guidance it gives to private medical insurers. (6)
10. (a) Identify **five** categories of persons permitted to access an individual's health records by the Data Protection Act 1998 (DPA). (5)
- (b) Outline how the privacy of the employee is protected by the DPA when submitting a claim under a group private medical insurance scheme. (2)
11. (a) Explain briefly what is meant by the term 'continued personal medical exclusions' (CPME) underwriting in the context of group private medical insurance business. (4)
- (b) Identify **seven** factors that an insurer would consider when deciding whether to offer CPME. (7)
12. In the context of private medical treatment:
- (a) (i) outline what is meant by self-funded surgery; and (2)
- (ii) list **two** associated risks of self-funding for the patient. (2)
- (b) Outline the features of self-funded surgery that may benefit the self-paying patient. (8)

Questions continue over the page

13. Angela holds a comprehensive private medical insurance policy that includes typical benefits for cancer.

Explain briefly the extent of cancer cover that is likely to be available in the following circumstances.

- (a) Angela requires screening treatment to detect cancer at an early stage. (3)
- (b) Angela develops breast cancer at some point in the future. (3)
- (c) Her cancer becomes terminal. (1)

14. Describe **four** types of organisation that provide private medical insurance products. (8)

PART II

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

- 15.** Mr Smith has a recurrent knee injury. He works for a small company and is a member of his employer's group-rated private medical insurance scheme.
- (a)** Describe the initial and subsequent steps that he should take to claim under the scheme, and each stage of the insurer's typical claims assessment process, before payment is made to the treatment provider. **(15)**
 - (b)** Describe the information that the insurer will need and additional enquiries that may have to be made before the validity of the claim can be considered. **(15)**
- 16.**
- (a)** Discuss the ways in which insurers and providers of private healthcare have interacted with the National Health Service (NHS) in providing integrated healthcare services. **(24)**
 - (b)** Identify, within the NHS, the key features of the role of the National Institute for Health and Clinical Excellence and its implications for private medical insurers. **(6)**
- 17.** Mrs Jones is considering buying comprehensive private medical insurance (PMI) from an insurer that offers cover subject to moratoria. She is currently in good health and wants to know whether this underwriting method is best for her. The insurer also provides a choice of policy excesses.
- (a)** Discuss moratorium underwriting and its likely effect on Mrs Jones and the insurer. **(22)**
 - (b)** Describe briefly how excesses are used as effective ways of reducing the incidence and cost of losses under PMI policies. **(8)**

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