

556

Advanced Diploma in Insurance

Unit 556 – Life and disability claims

October 2011 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 556 – Life 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	8 compulsory questions	48 marks
Part II	1 compulsory question	50 marks
Part III	3 questions selected from 5	102 marks
- You should answer **all** questions in Part I, the compulsory question in Part II and three out of the five questions in Part III. 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 are advised to spend no more than 45 minutes 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.
- 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.
Each question is worth six marks.

Note form is acceptable where this conveys all the necessary information.

1. Outline **three** specific exclusions the Association of British Insurers Statement of Best Practice for Critical Illness Cover 2011 states, in respect of children's critical illness cover. (6)

2. (a) State the typical requirements necessary to reinstate a life policy. (2)
(b) At claims stage, explain briefly why a claims assessor needs to check if a policy has ever been reinstated. (4)

3. (a) Explain briefly the following tests:
(i) vital capacity; (2)
(ii) forced expiratory volume (FEV1). (2)
(b) Explain briefly what these tests demonstrate. (2)

4. Describe briefly the condition irritable bowel syndrome, including typical causes, treatment and functional effects. (6)

5. Distinguish between the death claim payment procedures for a 'life of another' policy with a single 'own life' policy. (6)

6. Define an unearned premium reserve. (6)

7. Outline the three main subject areas covered by the Association of British Insurers Statement of Best Practice for Income Protection Insurance. (6)

8. Describe briefly **three** criteria that are typically required for an individual within a group scheme to be accepted under 'free cover'. (6)

Part II question can be found on pages 6 and 7

PART II

Compulsory question.
This question is worth 50 marks.

9. XYZ Insurance are notified of a new claim, as detailed in the table below:

POLICY DETAILS

Name	Jim Brock	Date of birth	5 August 1969
Occupation	Sales Manager (office based)		
Policy A	Life and critical illness	Sum assured	£100,000
Policy start date	1 April 2005	Term	25 years
Underwriting summary	<ul style="list-style-type: none"> • No medical disclosures. • Disclosed 'hang gliding in the past – not done so for the last six months and has no intention of doing so in the future'. • Case accepted at ordinary rates – joint life policy with wife. 		
Policy B	Stand alone critical illness	Sum assured	£50,000
Policy start date	1 April 2009	Term	25 years
Underwriting summary	<ul style="list-style-type: none"> • No adverse disclosures on application form. • General practitioner report obtained – no adverse findings. • Case accepted at ordinary rates – joint life policy with wife. 		

Note – XYZ Insurance use Association of British Insurers standard definitions and have updated these in accordance with the Statements of Best Practice for Critical Illness over the years.

CLAIM DETAILS

Phone call with Mrs Brock, next of kin	<p>Husband involved in a serious hang gliding accident at the weekend.</p> <p>He is now in hospital in a coma and has suffered extensive head injuries.</p> <p>She has a hospital admission summary that she will send in (see below).</p> <p>Requesting a claim form for claim to be considered.</p>
----------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Hospital Admission Summary dated 1 October 2011

- 42-year-old male admitted via ambulance following a hang gliding accident.
- Severe head and facial injuries.
- Multiple bone fractures – ribs, tibia, fibula, radius.
- Glasgow coma scale 7.
- Subdural haematoma noted on CT scan.
- Paralysis of lower limbs.
- Transferred to intensive care unit.
- Next of kin warned that his condition is critical and if he does survive he will have extensive physical and neurological deficit.

- (a) Explain the potential claims this scenario could give rise to. For each give a detailed account of the assessment requirements, and any relevant policy terms and conditions. **(32)**
- (b) Discuss how you would assess and action the possibility of non-disclosure in this scenario. **(18)**

Questions continue over the page

PART III

**Answer THREE of the following FIVE questions.
Each question is worth 34 marks.**

- 10.** During the assessment of an income protection (IP) claim it becomes clear that the policyholder has changed their occupation. Explain the factors you need to take into account in the following circumstances:
- (a)** the change of occupation occurred after the date of the application form but before the policy started; **(18)**
 - (b)** the change of occupation occurred after the policy started but prior to claim; **(11)**
 - (c)** the change of occupation occurred as a result of the claimant taking up a new occupation following a period of receiving full benefit for a valid claim. **(5)**
- 11.** State the standard exclusions under the latest Association of British Insurers definition of cancer. Explain the reasons for each of the exclusions. **(34)**
- 12.** Explain the guidelines that the latest Association of British Insurers Statement of Best Practice for Critical Illness gives in respect of definitions for total and permanent disability insurance. **(34)**
- 13.** Provide an overview of the following cardiac investigation procedures and what their findings demonstrate.
- (a)** Electrocardiogram (ECG). **(10)**
 - (b)** Angiogram. **(4)**
 - (c)** Echocardiogram. **(5)**
 - (d)** Exercise ECG. **(5)**
 - (e)** Enzymes/markers. **(7)**
 - (f)** Chest x-ray. **(3)**
- 14.** An IP claimant changed his job from employed bus driver to self-employed taxi driver six months prior to the onset of his incapacity. Explain how an income protection insurer will establish the pre-disability earnings and level of benefit payable. *Assume a medically valid claim and total incapacity.* **(34)**

BLANK PAGE

BLANK PAGE

BLANK PAGE

