Life, Critical Illness and Disability Claims Examination

4th September 2022

Instructions to candidates

Read the instructions below before answering any questions

Three hours are allowed for this paper which carries a total of 160 marks, as follows:

Part I
1 compulsory question (case study) 80 marks
Part II
2 questions selected from 3 (scenarios) 40 marks each for a total of 80marks

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- You should answer the question in Part I, and two out of the three questions in Part II.
- You are advised to spend no more than 90 minutes on Part I and 45 minutes on each question selected in Part II.
- It is recommended that you spend 15 minutes reading and planning your answer to the case study and 75 minutes answering it, and that you spend 10 minutes reading and planning your answer to each scenario and 35 minutes answering it.
- A case study tests extensively across syllabus learning outcomes, whilst a scenario will be more focused on specific learning outcomes.
- 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.
- Answer each question on a new page. If a question has more than one part, leave six lines blank after each part.

PART I

Case study

This question is worth 80 marks

You should include relevant examples and further reading in your answer where applicable

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QUESTION 1

CASE STUDY

The insurance industry is witnessing shifting trends across policy administration and claims; the two core functions in insurance.

The claims process is the defining moment in insurance business and insurers are consistently finding ways to retain and grow market shares and improve their processes to become more efficient and cost effective.

In a highly competitive insurance market, differentiation through new and more effective claims management practices is one of the most important and effective ways to maintain market share profitability.

In particular, insurers try to transform the claims processing by leveraging modern claims systems that are integrated with robust business intelligence, document and content management systems. This will enhance claims processing efficiency and effectiveness.

QUESTION

In the context of the comments above, discuss how insurers today set up and manage their claim processes for life, critical illness and disability claims to benefit operationally and strategically by enabling them to reduce claims costs, to improve their combined ratio and step up their claims processing efficiency.

(80 marks)

PART II

Scenarios

Answer TWO of the following THREE questions.

Each question is worth 40 marks

QUESTION 2

SCENARIO

a) On his way home from a night out drinking, Tony fell into a ditch and seriously injured himself. He is now permanently disabled in a wheelchair and unable to do any work. (9 marks)

b) Greta, a Parkinson's disease patient, went to Alaska where she took up permanent residency. Her doctor had previously advised her to stay in a warm country and to avoid strenuous trips. On one occasion, Greta dies whilst a passenger in a powerboat, after the driver lost control of the vessel. (13 marks)

c) Three friends were travelling from Sicily to North Africa on a private Cessna plane. The plane lost contact with the control tower and no trace of the plane or the passengers was found 10 years on. (9 marks)

d) Bob suffers a heart attack whilst at work. His doctor had earlier prescribed drugs to make his blood less viscous as tests were indicating high risk factors being experienced by Bob. (9 marks)

QUESTION

For each of the above scenarios, comment on the claims assessment of the persons involved explaining how a Life, Critical Illness and Disability claims manager would deal with these situations.

QUESTION 3

SCENARIO

Under Life, Critical Illness and Disability insurance, one finds numerous terms and wording to the standard cover, that could have a bearing on the validity of a claim or the amount due as payment, under an otherwise valid claim.

QUESTION

You were asked to explain to a layman (who is not conversant with insurance), terminology used in conjunction with Life, Critical Illness and Disability claims. Using examples, explain the following:

(a) Family income policies

(b) Deferred period

(c) Waiver of premium

(d) Escalator benefits

(e) Limitation of benefit clause

(f) Ex-gratia payments

(g) Commuted value

(h) Partial benefit

(5 marks each)

QUESTION 4

SCENARIO

The way an insurance company handles claims influences the customer experience. Claimants are concerned about receiving their payments on top of the stress caused by the claim itself, which may include physical pain, medical procedures and / or death.

Efficient decision making and communication during this time is critical in the achievement of overall customer claims satisfaction.

QUESTION

If you were giving a presentation to a group of junior claim handlers, explain how a typical claims decision involving Life, Critical Illness and Disability is reached by insurers in determining the payment outcome and how these decisions are communicated, settled and possibly litigated.

(40 marks)