

GEN 3B (PERSONAL) EXAMINATION PAPER

INSTRUCTIONS TO CANDIDATES

Two hours are allowed for this paper, which is in two parts.

The paper carries 150 marks.

PART A

Answer 6 questions in Part A.

Each question carries 10 marks.

60 marks are available.

PART B

Answer 2 questions from Part B.

Each question carries 45 marks.

90 marks are available.

PART A – THIS PART OF THE PAPER CARRIES 60 MARKS.

ANSWER 6 OF THE FOLLOWING SHORT QUESTIONS. EACH QUESTION CARRIES 10 MARKS.

1. Summarise the duties of the motor insurance policyholder as found in the general conditions of a policy wording.
2. State the two main differences between the policy cover supplied under a private motor and motor cycle policy.
3. List five perils against which cover is not provided if a house is left unoccupied for more than 30 days.
4. Outline three common extensions to cover under a household insurance policy.
5. State three sections of cover provided under pet insurance.
6. Recent socio-cultural and technological changes have led to the development of some new personal insurance products. Briefly outline two examples of the coverage provided by these new personal insurance products.
7. In order to increase the appeal of their legal protection insurance policies some insurers offer their policyholders a 24-hour helpline. Describe the services which are typically available from such help-lines.
8. Explain the basis of cover and the cover options available under a specialist photographic equipment insurance policy to your new client.

PART B – THIS PART OF THE PAPER CARRIES 90 MARKS

ANSWER 2 OF THE FOLLOWING ESSAY QUESTIONS. EACH QUESTION CARRIES 45 MARKS.

9.

(a) Outline to your friend, the types of Private Medical Insurance (PMI) products which are available in the Personal Insurance market in Ireland.

(35 marks)

(b) Describe TWO potential advantages of having purchased one of these products.

(10 marks)

10. Describe six perils which apply to household buildings insurance cover.

11. Sarah, a young student who is a client of yours, is heading off to do some travelling in Australia. She has purchased a travel insurance policy from you, but is still a little unclear as to what exact coverage is provided. She comes to your offices and asks that you describe the scope of cover given under the following specific sections of her travel insurance policy :

- Medical Expenses;
- Cancellation, Curtailment and Change of Itinerary;
- Personal Baggage.

12. Mr and Mrs McKenzie have been reading recent newspaper articles on the growing '*claims culture*' in Irish society and are worried about the financial repercussions which a claim taken by or against them or one of their family members might have on their financial situation. They are exploring the option of purchasing a Family Legal Protection policy and come to you for advice. Explain the cover given under this policy by stating the insured events or incidents.

Students should note that the solutions below contain the text material which should be included in an examination answer. The solutions, however, do not reflect the style of answer to be provided by the student. The key word in the examination question (e.g. differentiate, state, outline, discuss etc.) indicates how the material should be presented by the student. Reference the page entitled *'Module Examination Information'* at the start of this text for more details on the definitions of these key words. The provision of the answer in the format requested by the key word is strongly linked to the awarding of full marks.

1. The duties of the motor insurance policyholder are found in the general conditions of a policy wording as follows:
 - the policyholder must observe and fulfil the terms of the policy;
 - the information in the proposal form must be true and correct to the best of the policyholder's knowledge and belief;
 - the policyholder must take reasonable steps to prevent a loss arising, including maintaining the vehicle in an efficient and roadworthy condition;
 - the insurer has the right to examine the vehicle at any reasonable time.

2. The two main differences between the policy cover supplied under a private motor and motor cycle policy are :
 - **Fire and theft** : This section of the motor cycle policy does not cover theft or accessories or spare parts unless the motor cycle itself is stolen at the same time.
 - **Operative Clause** : The motor cycle policy operative clause does not offer the range of policy extensions normally given for private motor cars i.e. there is no personal accident benefits, medical expenses, personal effects cover. There can be, however, extensions in respect of side cars, trailers, indemnity to employer, driving other cycles and more than one cycle insured.

3. Cover not provided if a house is unoccupied for more than 30 days is:
 - damage caused by the peril stealing or attempted stealing;
 - damaged caused by the peril vandalism and malicious damage;
 - damage caused by the peril escape of water from or the bursting of any fixed domestic water or heating installation etc.;
 - damaged caused by the peril, escape of oil from any fixed domestic heating installation;
 - accidental breakage of fixed glass in windows, doors or roofs or fixed sanitary ware in the home.

4. An outline should be given of any three of the following extensions to household insurance :
 - boats and small craft;
 - caravans;
 - personal accident;
 - family legal protection;
 - all risks;
 - sports equipment;
 - pedal cycles;
 - extended accidental damage;
 - emergency assistance.

5. Any three of the following sections of cover under pet insurance will suffice:
- all reasonable and customary costs for veterinary fees in respect of injury and illness;
 - complimentary treatment (carried out under vet's direction);
 - emergency boarding kennels and cattery fees;
 - advertising and reward / recovery costs;
 - theft or straying.
- 6.
- Golf insurance provides cover against theft, personal accident, public liability, membership fees, accidental damage to property and other golfing equipment. This product is designed to protect both the insured and their liability to other golfers. An additional factor is if clubs are stolen from a clubhouse or locker room, it is unlikely that the club will have suitable insurance to replace expensive items. It was these factors which led to the demand for golf insurance initially.
 - Mobile phone insurance can cover an individual's mobile phone, cell phone or PDA against water damage, theft, loss, fraudulent calls and accidental cover both at home and abroad. Mobile phone insurance was designed to provide flexible cover to protect personal property. The policy is designed to cover everything from loss and theft, to airtime abuse for all the common networks including O2, Three, Vodafone and Meteor.
 - Wedding insurance: the following risks are examples of the setbacks which this policy is designed to cover:
 - The planned reception has to be cancelled because the hotel can't honour the booking.
 - The wedding dress gets damaged.
 - The rings are lost.
 - The wedding transport fails to turn up.
 - Gap insurance is designed to complement existing motor insurance cover and bridge the 'gap' between the market value of the car and the original purchase price. The types of losses covered and the extent of coverage vary depending on the company providing the gap insurance. Gap insurance only provides coverage if the claim for the theft or 'writing off' of a vehicle is covered under the insured's motor insurance policy.
7. The typical areas of advice offered to legal protection insurance policyholders through 24-hour helplines include:
- Advice on personal legal problems which are subject to the laws of the Republic of Ireland or the UK (all policies).
 - The provision of emergency assistance in respect of a wide range of home related problems like plumbing, heating, glazing, building repairs and many other areas the service user is responsible for the contractor's costs (family legal protection policies).
 - Drivers' assistance in the event of breakdown or accident in the Republic of Ireland or the UK - the legal expenses insurer will typically arrange suitable assistance which is paid for by the policyholder (motor legal protection policies).
8. Whether an individual is an amateur or professional photographer, working from home, a studio or occasionally overseas, there are specialist camera equipment insurance policies to suit the proposer's circumstances. Again, cover is on an 'All Risks' basis and some cover options of the policy are:
- Amateur cover for photographic equipment not used for business purposes or to earn an income;
 - Professional cover for equipment used to earn an income from photography ;
 - Unattended Vehicle Cover and Unlimited Worldwide Cover optional extensions;
 - Public Liability cover up to a maximum of approximately €2 million per incident available.

9.

(a) The types of Private Medical Insurance (PMI) products available in the Personal Insurance market in Ireland.

COMPREHENSIVE POLICIES

Comprehensive policies are invariably the 'flagship' product within a PMI insurer's product portfolio. They correspond, very broadly, to Quinn-healthcare's *HealthManager* and *HealthManager Gold* products, Vhi Healthcare's Plans C, D, and E and Hibernian Health's Level 3 to 5 plans. They are the most expensive to purchase because they offer a wide range of benefits and services to members. In addition to covering the cost of private in-patient, out-patient and day-case treatment of eligible medical conditions, they may include all or some of the following benefits:

- repatriation home in the event of a medical emergency;
- alternative or complementary medicine;
- dental treatment provided by a specialist in an emergency (up to a specified annual amount). These are often referred to as oro-surgical operations;
- optical care (up to a specified annual amount).

STANDARD POLICIES

Structurally, standard policies - broadly Quinn-healthcare's *Essential* and *Essential Plus*, Vhi Healthcare's Plans A and B, First Plans and Family Plans and Hibernian Health's *Me*, *I* and *We* plans Level 1 and 2 are similar to and offer many of the benefits available from comprehensive policies. However, certain benefits are reduced, or excluded completely, in order to contain treatment costs and to reduce premiums. For example, in order to provide comprehensive out-patient guaranteed cover under their new *LifeStage* plans, Vhi Healthcare severely reduced cover for the Blackrock and Mater Private hospitals under these plans. Standard policies may require patients to receive treatment in a pre-specified hospital, with which the insurer has negotiated favourable rates for accommodation and services. Out-patient benefits may be made available only when the course of treatment is directly related to an in-patient stay or day-case episode.

SPECIALIST POLICIES

Since the entry of Hibernian Aviva Health into the Irish marketplace, the concept of "tailored" health insurance plans has become a reality with the introduction of two new PMI plans called the *Nurses* plan and the *Teachers* plan by Hibernian Health. These plans are specifically designed for particular segments of the market with benefits that are tailored to meet the needs of these specific professional groups. For instance, the *Nurses* plan has most of the benefits of the other core plans but includes specific benefits like **stress counselling** and the provision of cover for **specialised orthopaedic footwear**. It could also be argued that the range of "stage of life" plans launched by both Vhi Healthcare and Hibernian Health, in October 2004, are specialist plans in that they appeal to and target people with specific plans designed towards their stage in life, i.e. single, just getting first job, just married, families etc.

(35 marks)

(b) Potential advantages of holding this cover:

1. **Tax Relief on PMI** : PMI policies attract tax relief at the standard rate (currently 20%) on their premiums, provided that their benefits meet strict criteria laid down by the Revenue Commissioners. Currently, tax relief is given at source from renewals on or after April 2001.
2. **International Policies** : The Health Insurance (Amendment) Act 2001 permits Vhi Healthcare to provide international cover for Irish residents working abroad. In order to provide effective and reasonably priced cover, insurers usually negotiate agreements with foreign hospitals to provide accommodation at guaranteed rates. Also, facilities are arranged to enable the insurer to pay claims directly to providers in their local currency.

(10 marks)

10. Any six household buildings insurance perils will suffice:

1. **Fire, smoke, lightning, explosion or thunderbolt and earthquake** : The cover provided under this peril is self-explanatory. Smoke damage caused by agricultural or industrial operations, smog or any gradually operating cause is excluded under some policies in the Irish market. The first €200 of each incident of loss or damage may not be covered.
2. **Storm and tempest** : Under Storm and Tempest or Flood, damage to gates, fences or hedges is not usually covered. Damage caused by frost and wear and tear or gradual deterioration are normally excluded too. In addition there may be an excess of €200 for each incident of loss or damage.
3. **Subsidence or ground heave of the site on which the buildings stand or landslip** : In the case of cover for Subsidence or Ground heave of the site on which the buildings stand or Landslip, the following destruction or damage is not generally insured. Loss or damage
 - caused by settlement due to building load, bedding down, coastal, lake or river erosion, structural alterations or repairs or demolition, defective design and/or construction, defective or inappropriate foundations and the use of faulty materials;
 - caused by building on made-up ground or filled in land;
 - walls, gates, fences, hedges, terraces, patios, drives, paths, tennis hard courts unless liability is admitted under the policy for damage to the home from the same cause occurring at the same time;
 - to floor slabs unless the foundations beneath the walls are damaged at the same time by the same cause;
 - to the Contents unless liability is admitted under the policy for damage to the walls of the home from the same cause occurring at the same time;
 - caused by subsidence or ground heave but arising prior to payment of premiums for the period of insurance in which a claim may arise.
 - or destruction if any part of the buildings suffered previous damage by subsidence, ground heave or landslip unless same has been disclosed to and accepted by the insurer.

Under this cover for household buildings insurance, there is usually an excess which may be a fixed monetary amount, like €1,300, or an amount the greater of:

- €1,300 and
- 3% of the full rebuilding cost of all the buildings as new at the date the claim as notified in writing.

Under this cover for household contents insurance, there is usually an excess of €200.

4. **Leakage of oil from any fixed domestic heating installation** ; For the peril, Leakage or Escape of oil from any fixed domestic heating installation, the following are not insured:
 - damage caused after the home is left unfurnished or unoccupied for more than 30 consecutive days;
 - damage due to wear and tear, rust or gradual deterioration of the fixed domestic heating installation.
5. **Trace and Access** : In the event of damage by water leaking from any tank, apparatus or pipe, the insurer will cover the insured for costs necessarily and reasonably incurred by him in locating the source of the damage to effect repairs and the costs of making good. An excess (approximately €1,250) may apply or a maximum amount of say, €2,000 may be available under this extension.
6. **Impact or Collision (by any aircraft, other aerial devices, road or rail vehicles, or articles dropped from them, or by animals)**; For the peril, Collision or Impact by any aircraft.' the first €200 of each incident of loss or damage is not normally insured. Loss of or damage to buildings or contents caused by animals owned by the insured or a member of the household are also not covered.

11. The scope of cover given under the following specific sections of her travel insurance policy is as follows :

MEDICAL AND ADDITIONAL EXPENSES

This section covers expenses reasonably incurred in respect of the following:

- Medical treatment. This includes medical and surgical fees, hospital charges, emergency dental treatment. Cover under this section is approximately €2 million.
- Any additional hotel and travelling expenses of the patient or of a friend or member of the family or a nurse to travel with the patient provided they are necessarily incurred.
- The additional cost of bringing the patient home including the use of an air ambulance. There are now a number of firms specialising in the repatriation of people who are injured or ill. Insurers often link up with these specialists because they have systems already in place i.e. *Europ Assistance*, *FirstAssist* etc. The policy cover also includes the cost of bringing back the body or ashes and that insured person's personal baggage (€1,500 - €2,000 is the maximum amount payable for cremation, burial and transport of body / ashes).

The **medical expenses** cover usually excludes medical expenses incurred in Ireland as a result of an injury or sickness experienced whilst overseas. It is the travel insurers' intention that these costs and expenses would be paid by Irish private health insurers. In the case of EU countries, reciprocal health care and accident and emergency arrangements apply. This means that, as a national of an EU Member State, a person (and members of their family) is entitled to free or reduced cost emergency medical treatment in any EU country (and also Iceland, Norway, Liechtenstein and Switzerland). Only publicly funded treatment is included in the European Health Insurance Card scheme (the old E111 form) and each country operates its own rules for medical provision. In some countries, medical treatment is free, in others the person pays part of the cost; in others a person pays the total cost and then claims a refund. Travellers to other EU countries from Ireland are encouraged to obtain the European Health Insurance Card from their local health board. However, treatment is provided on the same terms as for local residents and this may be less than that provided under public health arrangements in Ireland. Travellers will, therefore, need to effect insurance to cover any possible shortfall. An excess, ranging from €65 - €150 depending on the policy generally applies to this section to avoid payment for very minor ailments.

CANCELLATION, CURTAILMENT AND CHANGE OF ITINERARY

This section provides for reimbursement of irrevocable deposits and payments made, or due to be made, for transport and accommodation booked for, but not used by, the insured person directly arising from the necessary and unavoidable cancellation of the holiday or journey prior to the date of departure, due to causes beyond their control. Travel insurance is usually taken out at the time of booking a holiday because an occurrence leading to a claim under the loss of deposits section could take place at any time after the holiday has been booked. The sum insured in respect of this section could be up to €3,500 and €6,500 for the insured person. The possible causes may be specified in the policy or may be limited by stated exclusions. Causes usually included are as follows:

- death, illness or accident of the insured person, any person with whom he intends to travel or a close business associate. Complications in pregnancy are included, subject to the pregnancy commencing after the date of booking. Alternatively, some insurers provide cover subject to the expected date of confinement being more than two months after the return date;
- the insured persons being called for jury service, or as a witness or being subject to quarantine;
- scheduled public transport being cancelled or curtailed because of adverse weather conditions, industrial action / mechanical breakdown;
- unemployment through redundancy (without prior notice) or qualifying for redundancy under relevant legislation;
- theft at home or place of business, or fire or damage at home requiring the insured person's presence.

PERSONAL BAGGAGE

Baggage cover includes the loss of or damage to personal baggage, including clothing and personal effects taken with the insured person, purchased during the trip or sent in advance. The extent of cover and terms applying vary widely. The sum insured is likely to be around €2,000 – €3,500. There is usually a single article limit of €250 – €350, and there may be a limit on valuables. Some insurers provide cover on a *'new for old'* basis, provided the article concerned is not more than two years old at the date of the loss. The items included under a baggage section may of course be included under the *'all risks'* section of a household policy. Many holidays produce minor losses; sunglasses left on the beach, sweaters left at the barbecue. Insurers do not want to be swamped with claims for small amounts and so an excess of between €50-€100 is imposed. The sum insured must be adequate.

12. A typical family legal expenses policy will provide for the insurer to negotiate the following *'insured incidents'*:

- **Bodily Injury:** legal costs incurred in pursuing the insured's legal rights or members of their family who live with them to recover damages or other legal remedy after an event which causes the death of, or bodily injury to, the insured or members of their family who live with them.
- **Employment Disputes:** arising out of a Contract of Employment. Cover is provided for the cost of legal defence in the following situations:
 - If the insured is prosecuted in a criminal court;
 - If civil action is taken against the insured under the **Employment Equality Act 1998**;
 - If the insured wish to appeal against the imposition or terms of an Enforcement or Transfer Prohibition Notice or refusal or withdrawal of Registration Notice under the **Data Protection Acts**.
 - If a civil action is taken against the insured as a trustee of their employer's pension fund;
 - If the insured is prosecuted for an offence connected with the use or driving of a vehicle either at work or privately.
- **Tax Protection:** Legal costs or accountant's fees to represent the insured if they are subject to an in-depth investigation by the Revenue into their personal tax matters arising from their normal work as an employee.
- **Jury Service:** Insurers will pay the insured's normal wage or salary if they are called to serve on a jury and their wages or salary cannot be recovered from the court or from their employer;
- **Consumer Contract Disputes:** If the insured or a member of their family become involved in a dispute arising from the purchase or sale of goods or the purchase of services, provided the amount in dispute is more than €126, Insurers will try to recover compensation or negotiate a legal remedy or defend the legal rights if another person is making a legal claim against the insured. If insurers agree that legal action is required, they will pay for a lawyer to represent the insured (or the member of the family).
- **Property Protection:** Insurers will negotiate the legal rights of the insured in a civil action relating to material property (including the principal home) following:
 - an event, which causes or could cause physical damage to such material property, provided the amount in dispute is more than €127.
 - any nuisance or trespass provided that the insured is responsible for the first €350 of every claim.

If an appointed lawyer is used, the insurer will pay the legal costs of this. There is a limit on the amount an insurer will pay for all claims resulting from one or more event arising at the same time or from the same cause. Typically this limit is €65,000 for the period of insurance, for fees and expenses of solicitors, barristers, expert witnesses and court costs and opponent's costs if awarded against the insured in a civil case.