

# Private Medical Insurance

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## 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 principal forms of healthcare in the European Union are the tax-financed national health service systems and those operating with social insurance in which insurance funds may be independent of the government.

However, this fundamental division between the systems is weakening. Countries such as the United Kingdom have opened up their NHS to internal competition to diversify supply and increase purchasing power. In contrast, in some traditional social insurance systems, sickness funds are being merged and cost control increased on the part of the central government.

The Member States are facing common challenges in delivering equal, efficient and high-quality health services at affordable cost in times when the amount of care to be delivered is starting to exceed the resource base. The demand for healthcare in Europe is growing as a result of demographic changes and technological developments.

**QUESTION**

The above is the scenario in most countries having a mixed system of healthcare incorporating private healthcare and public healthcare.

From a stakeholder's perspective, discuss the opportunities and challenges this mix of healthcare provision brings to the government, consumers, the insurance sector and the medical community.

(80 marks)

## **PART II**

### **Scenarios**

**Answer TWO of the following THREE questions.**

**Each question is worth 40 marks**

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#### **QUESTION 2**

##### **SCENARIO**

Mary and Gertrude are best friends. During a social gathering, they took the opportunity to catch up and update each other on their current lives.

When discussing medical insurance, they discover that they both hold a private medical insurance policy, however, Mary pays only half the amount of premium paid by Gertrude.

##### **QUESTION**

Pricing in medical insurance is dependent on a number of factors. After examining and assessing the risks and the corresponding exposures, insurers allow discounts and/or load the premium according to the circumstances.

Discuss, by providing reasons and appropriate examples, why Gertrude is paying more premium than Mary under her private medical insurance policy.

(40 marks)

### **QUESTION 3**

#### **SCENARIO**

The use of Artificial Intelligence (AI) to provide medical information is here to stay. From an insurance perspective an underwriter, through smart AI systems, is able to assess the risk better and price this in a more accurate way. This is due to the fact that AI systems can predict outcomes and probabilities in a much more accurate and efficient manner.

The advent of intelligent underwriting systems also means that what was previously excluded by insurers may now be accepted, since modern systems can accurately calculate the premium commensurate with the risk.

#### **QUESTION**

Discuss the future of medical underwriting through the use AI technology and highlight the potential benefits from an underwriting perspective and how it may be beneficial at claims stage.

Also, discuss any limitations such acquisition of information presents in the light of consumer legislation and regulation.

(40 marks)

#### **QUESTION 4**

##### **SCENARIO**

There are different types of private medical insurance products in a typical market. Their scope remains to protect the financial consequences of one's ill-health and is invaluable in the maintaining one's wellbeing in the light of various health-related circumstances.

##### **QUESTION**

If you were asked to make a presentation to the public, on the different types of private medical insurance schemes and policies, what would be included in your presentation to explain to the audience, the levels of cover and the differences between the products found in a typical insurance market.

(40 marks)

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# Private Medical Insurance Practice

27<sup>th</sup> March 2021

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## 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 Health services in the United Kingdom are mainly managed and provided by the National Health Service (NHS), a public body that provides healthcare to all permanent residents of the United Kingdom. Launched in 1948, it deals with one million patients every 36 hours and employs 1.2 million employees dedicated to serve 54.3 million people eligible for the service.

Though the public system dominates healthcare provision in the UK, private health care and a wide variety of alternative and complementary treatments are available for those willing to pay. The private sector does some subcontracting work for the NHS too. Some private hospitals are business enterprises and some are non-profit-making trusts. Private health care is sometimes funded by employers through medical insurance as part of a benefits package to employees predominantly arranged by the larger corporates. Moreover, the public at large is also a private health insurance purchaser and insurers also market their policies directly to the public.

#### QUESTION

In the light of the **NHS** and the **Private Health Care** sector providing the services in the UK, with **Health Insurers** supporting financially where applicable, discuss the role and services offered by these mentioned entities and how they interact to provide a holistic service in the health industry in the UK.

In your discussion you are also expected to outline how the interest of the healthcare user is protected by the relevant legislative and regulatory frameworks and how insurance products have been designed to suit the corresponding needs.

(80 marks)



## **PART II**

### **Scenarios**

**Answer TWO of the following THREE questions.  
Each question is worth 40 marks**

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#### **QUESTION 2**

##### **SCENARIO**

Mr Shaw works for JM Hauliers and has been employed with the firm for twenty years during which he had only one accident two years ago, falling off a goods carrying truck whilst manoeuvring a fork lifter.

Last week Mr Shaw injured his knee whilst negotiating a heavy package and since he is a member of his employer's group rated private medical scheme, he pursues to lodge a claim under this policy.

##### **QUESTION**

Describe the initial and subsequent steps that Mr Jones should take to make a claim and the process that the insurer will undertake to assess the claim indicating the additional enquiries that would need to be clarified prior to the consideration of the validity of the submitted claim.

(40 marks)







### **QUESTION 3**

#### **SCENARIO**

You have been appointed to manage the health insurance group portfolios for the firm ABC Health Insurance Company plc, at a time when the profit levels have been declining during the past 5 years.

A meeting held for the purpose of examining the reasons for such a decline, albeit consistent retention levels, point to poor pricing models and structures which remained static for the past 15 years.

Traditionally, group health at ABC Health Insurance Company plc is written according to flat-rate tables which do not seem to resonate with modern risk-based pricing principles and practices.

#### **QUESTION**

In the light of the outcome of the investigation carried out by senior management on the inadequate pricing, prepare a report which presents a new pricing policy in which the relevant risk factors are considered in the pricing process as well as the pricing mechanism and formula that will be adopted together with any practical adjustments according to the type of risk being presented.

Present your report.

(40 marks)





#### **QUESTION 4**

##### **SCENARIO**

COVID-19 and the lockdown measures imposed by the government had a major impact on the sale of personal private medical insurance of XY Health Insurance Company plc. This is because the main stream of business came from walk-in clients that bought insurance on a face-to-face basis taking advantage of the strategically located office of the company.

With such a decline and an unaffordable expensive lease of the centrally located office, the board of directors are looking at the matter seriously so much so that if a viable solution is not found, then the firm would have to shut down.

##### **QUESTION**

If you were the CEO of XY Health Insurance Company plc entrusted with trying to save the organisation from closing down, how would you redesign the distribution strategy and process to regenerate sales of private medical insurance to a cost-effective level?

Present your distribution strategy.

(40 marks)

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