

INSTITUTE AND FACULTY OF ACTUARIES



EXAMINATION

3 October 2013 (am)

Subject ST1 – Health and Care Specialist Technical

Time allowed: Three hours

INSTRUCTIONS TO THE CANDIDATE

1. *Enter all the candidate and examination details as requested on the front of your answer booklet.*
2. *You have 15 minutes before the start of the examination in which to read the questions. You are strongly encouraged to use this time for reading only, but notes may be made. You then have three hours to complete the paper.*
3. *You must not start writing your answers in the booklet until instructed to do so by the supervisor.*
4. *Mark allocations are shown in brackets.*
5. *Attempt all seven questions, beginning your answer to each question on a separate sheet.*
6. *Candidates should show calculations where this is appropriate.*

AT THE END OF THE EXAMINATION

Hand in BOTH your answer booklet, with any additional sheets firmly attached, and this question paper.

<p><i>In addition to this paper you should have available the 2002 edition of the Formulae and Tables and your own electronic calculator from the approved list.</i></p>
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- 1**

 - (i) List incentives that the State can use to encourage self-provision of healthcare funding. [2]
 - (ii) Explain ways in which these incentives might be applied to a pre-funded long term care insurance product. [4]
 - (iii) Suggest product features that might be used to define whether a long term care insurance product is eligible to qualify for State incentives. [4]

[Total 10]

- 2**

 - (i) Outline the new business sales analyses that a health insurer might perform. [7]

A health insurer that sells long term health and care insurance business has just calculated its current embedded value, but has since decided that its future new business sales volumes are likely to be lower than it had previously expected.

 - (ii) Explain how lower than expected future new business volumes might impact the current and future embedded value of the insurer. [3]
 - (iii) Suggest ways by which the insurer could attempt to increase sales of its income protection insurance business. [6]

[Total 16]

- 3**

A health insurer currently sells individual and group private medical insurance (PMI) and health cash plan business through insurance intermediaries and specialist brokers.

The marketing director has proposed that the insurer starts to sell its business using the internet.

Discuss this proposal. [15]

- 4**

Discuss the relative merits of offering individual critical illness insurance policies on guaranteed and reviewable premium rates. [7]

- 5**

 - (i) Suggest possible reasons why group health insurance is purchased. [3]
 - (ii) Describe the benefits that may be provided under group income protection insurance. [5]
 - (iii) Describe the typical reserves and reserving methodologies for group income protection insurance contracts. [14]

[Total 22]

- 6** ABC Health is a health insurer based in the country of Actuarial. It writes income protection and critical illness insurance business on a mutual basis (i.e. it has no shareholders).

For the last ten years it has reinsured 50% of the sum insured on all of its business using risk premium reinsurance. The reinsurer has just informed ABC Health that it intends to cancel the reinsurance treaty for new business, although existing policies will continue to be reinsured.

- (i) Discuss the possible implications for the insurer of this intended cancellation, if the reinsurance protection cannot be replaced. [13]

ABC Health has subsequently heard a rumour that the reinsurer is in financial difficulties and may default on payment of reinsurance claims.

- (ii) Outline the additional considerations for the insurer. [3]
[Total 16]

- 7** In the country of Actuarial, the presenter of a television programme on consumer affairs has recently been very critical of the health and care insurance industry.

She has drawn attention to the practice of declining to pay claims in some situations and has stated that this is not acceptable.

- (i) Outline the points that the insurance industry should make in response to this statement. [6]

She has also said that she does not believe there to be any need for a health and care insurance industry, as Actuarial has a State healthcare service which is free to all residents.

- (ii) Discuss this comment. [8]
[Total 14]

END OF PAPER

