

EXAMINATION

6 October 2010 (pm)

Subject SA1 — Health and Care Specialist Applications

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 three 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.

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.

1 A large health insurer writes a full range of health insurance products. The marketing director has proposed offering riders to the products that would not be available as separate insurance.

- (i) Suggest a health insurance product with which each of the following riders could be offered, explaining the reason for each suggestion.
- (a) Funeral cover – the insurer would pay a fixed lump sum on death of the insured life, which could be put towards funeral costs
 - (b) Gym membership – at inception of the policy the insured life would be entitled to membership of a gym at a greatly reduced price
 - (c) Dental cover – the insured life would be insured against the costs of dental treatment, up to a specified maximum amount
 - (d) Retail discounts – at inception of the policy the insured life would be given a discount card which would entitle them to a 5% discount in a range of retail outlets.

[4]

- (ii) Discuss the objectives that the insurer may have in offering these riders to its products. [8]

The compliance director has expressed concerns that the proposal to offer these new riders may result in the insurer not meeting local regulatory requirements to act in the best interests of its policyholders.

- (iii) Outline the factors that should be considered in determining whether the riders listed would meet these requirements. [6]

The insurance company has decided to investigate further the possibility of offering the gym membership rider on one of its PMI products.

- (iv) Describe the steps that should be taken to price this rider (a description of the pricing of the main product is not required). [8]

[Total 26]

- 2** A health insurer is considering launching a new individual insurance product for gym instructors. The product would pay out a fixed benefit of £100 per week whilst the instructor was unable to work due to a work-related injury. The product would be renewable annually.

The initial underwriting for this product would be done using a short questionnaire and exclusion of pre-existing work-related conditions.

- (i) Discuss this proposed underwriting approach. [4]
 - (ii) Suggest possible rating factors for this product. [3]
 - (iii) Discuss the most likely distribution methods for this product. [3]
 - (iv) Describe the risks arising for the insurer that are specifically associated with this product. [6]
 - (v) Discuss the additional factors to consider before deciding whether to launch this product. [16]
- [Total 32]

- 3** A large overseas company is considering establishing a health and care insurance subsidiary in the UK.

- (i) List the four main objectives of the Financial Services Authority (FSA). [2]
 - (ii) Outline the FSA's financial reporting framework in the UK. (Details of the specific regulations are not required.) [10]
 - (iii) Describe the concept and requirements of Treating Customers Fairly (TCF) covered within the FSA's Principles for Business. [6]
 - (iv) Outline the other areas, apart from regulatory requirements, that the company should investigate before undertaking the proposed venture. [24]
- [Total 42]

END OF PAPER