



MUNHUMUTAPA SCHOOL OF COMMERCE
ECONOMICS AND FINANCE
MAIN EXAMINATION

BACHELOR OF COMMERCE
COURSE

PART 2 SEMESTER 2
HEALTH AND DISABILITY
INSURANCE

CODE

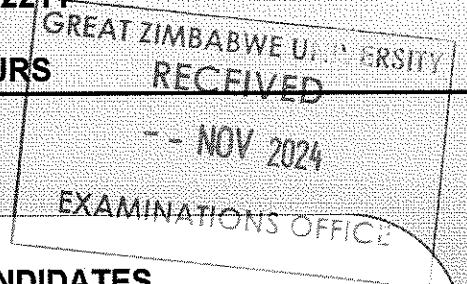
HRMI 2211

DATE

2024

DURATION

3 HOURS



INSTRUCTIONS TO CANDIDATES

- 1. THE PAPER COMPRISES 5 QUESTIONS.**
- 2. YOU ARE REQUIRED TO ANSWER ANY FOUR QUESTIONS.**
- 3. BEGIN THE ANSWER TO EACH QUESTION ON A FRESH PAGE OF THE ANSWER BOOKLET.**
- 4. NON-PROGRAMMABLE FINANCIAL OR SCIENTIFIC CALCULATORS ARE ALLOWED INTO THE EXAMINATION.**
- 5. CANDIDATES WILL OBTAIN CREDIT FOR SHOWING ALL WORKINGS.**

QUESTION 1

1.1 Advise a plan sponsor about the key advantages of a typical comprehensive private medical insurance (PMI) product. [15 Marks]

1.2 Justify the key underwriting considerations for PMI coverage. [10 Marks]

[TOTAL 25 MARKS]

QUESTION 2

2.1 Why would the state want to implement State Healthcare Provision? Describe the typical funding methods for such schemes. [13 Marks]

2.2 Provide brief descriptions of the following health insurance plans.

2.2.1 Closed fund medical aid scheme. [4 marks]

2.2.2 Dread Disease Cover. [4 Marks]

2.2.3 Personal Accident Cover. [4 Marks]

[TOTAL 25 MARKS]

QUESTION 3

3.1 Assist a newly established health insurance firm avoid the pitfalls of adverse selection and moral hazard by outlining the risks associated with providing health and disability insurance. Furthermore, show the insurance company how to address these concerns. [15 Marks]

3.2 Over 110,000 people have enrolled in the plan offered by ABC Medical Insurance Company. In 2023, its members were anticipated to make the following claims:

(i) 12,000 claims of \$360 each.

(ii) 4,200 claims of \$1,200 each.

(iii) 980 claims of \$3,600 each.

At a rate of 12.5% per year, the scheme can invest all of its premiums. What amount does the medical insurance company need to charge its members for a one-year premium before other loadings, assuming that claims are paid at the end of the year and premiums are paid at the beginning? [5 Marks]

3.3 What additional considerations does ABC Medical Insurance have to make when determining premium rates? [5 Marks]

[TOTAL 25 MARKS]

QUESTION 4

4.1 Discuss the risk management strategies that a health insurance company should use when providing income protection insurance. [8 Marks]

4.2 Consider yourself a marketing executive for a Zimbabwean health insurance startup. Write a brief report for your CEO to help her understand the rationale behind the objectives of various commission structures for health and disability insurance products. [12 Marks]

4.3 Critique Zimbabwe's regulatory framework for health insurance. [5 Marks]

[TOTAL 25 MARKS]

QUESTION 5

5.1 A health and disability cash plan is being proposed by an insurer for mining workers. Explain and describe the possible policy design, including the following:

5.1.2 The benefits that could include [5 Marks]

5.1.3 Conditions for claiming. [5 Marks]

5.1.4 Possible underwriting considerations [5 Marks]

5.2 Support the view that Long-Term Care Insurance (LTCI) is necessary for the Zimbabwean market.

[10 Marks]

[TOTAL 25 MARKS]

END OF EXAMINATION PAPER