

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 445: HEALTH INSURANCE

STREAMS: BCOM Y4S2

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 08/04/2020

8.30 P.M. – 4.30 P.M.

INSTRUCTIONS:

- **Answer question ONE and any other TWO questions.**
- **Do not write on the question paper.**

QUESTION ONE

- (a) The experience of the insurance industry in Kenya has been that the health insurance is a difficulty class of business with high loss ratios. Explain why. (12 marks)
- (b) Explain the rationale behind Long Term Care Insurance. (10 marks)
- (c) Oteki got involved in an accident when he was hit by Ojuku's motor vehicle. He suffered severe leg injuries and was taken to Uzima Hospital, where he was amputated and stayed for four months before he was discharged. The hospital bills rose to Kshs. 1 million, but health insurance cover had a limit of Kshs. 500,000/=. On inquiry, it is discovered that Ojuku had a third party policy whose limit on any one person was Kshs. 2 million. Explain how the bill will be settled, giving reasons for your answer. (8 marks)

QUESTION TWO

- (a) Illustrate how critical illness and acute illness are handled in a permanent health insurance programme. (10 marks)
- (b) Evaluate the critical steps that a health insurance customer will be required to take in order to avoid problems and maximize his/her health care indemnification in case of a claim. (10 marks)

QUESTION THREE

- (a) Using the benefits available in the personal accident insurance cover offered in Kenya, show where this policy converges with the disability income insurance. (10 marks)
- (b) Explain the measures to be taken to ensure profitability in underwriting of health insurance. (5 marks)
- (c) Evaluate the concept of health trusts. (5 marks)

QUESTION FOUR

- (a) Assume you have been employed as an underwriter in one of the Health Insurance Companies in Kenya and given a responsibility of risk selection. For purpose of profitable underwriting, evaluate the factors you would consider before issuing a health insurance policy. (10 marks)
- (b) Write brief notes on the following policies, pointing out the relevant target market for each.
- (i) Employee paid schemes. (4 marks)
- (ii) Comprehensive policies. (6 marks)
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