CHUKA UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 445: HEALTH INSURANCE

STREAMS: BCOM (Y4S2) (ODEL) **TIME: 2 HOURS**

DAY/DATE: WEDNESDAY 07/08/2024 **2.30 P.M. – 4.30 P.M.**

INSTRUCTIONS

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

Question one

(a) Describe a contemporary income disability insurance, clearly demonstrating where they converge with the personal accident policy offered in the Kenyan Market (12 Marks)

(b) James is a family man with one wife and 6 children (4 boys and 2 girls). He works with Capital industries Ltd as a production manager. Capital industries Ltd has a comprehensive health insurance scheme for its employees covering both inpatient and outpatient for Kshs 3,000,000/= and ksh100,000/= respectively. However, because of equity and cost control, the scheme covers up to a maximum of 5 people (a principal member, a spouse and three dependants) per family for all employees. The scheme is with Wellness Insurance Company Ltd whose premium schedule is as follows;

Premium schedule per limit of cover

Family size	Ksh 1m Outpatient (100,00/=)	Ksh. 2m Outpatient (100,000/=)	Ksh. 3m Outpatient (100,000/=)	Ksh. 4m Outpatient (100,000/=)
M	3,800	3,800	4,600	6,200
M+1	5,600	4,800	6,400	7,800
M+2	6,800	12,600	19,400	25,200
M+3	8,400	14,800	24,200	30,600
M+4	10,200	18,900	28,600	36,200
M+5	12,800	23,600	37,200	48,200
Extra person	4,200	6,400	7,400	8,400

The above rates are inclusive of an outpatient cover of Ksh.100, 000 irrespective of the limit chosen on inpatient.

James is in a dilemma as the scheme will not cover all the family members and yet they require insurance.

Required:

With the knowledge gained from health insurance and the information provided above, illustrate the best alternatives available to James. (6 Marks)

(c) Demonstrate your understanding of ‘health trust policies' (4 Marks)

(d) Discuss the rationale behind health insurance in Kenya (8 Marks)

Question two

(a) Assume you have been employed in the underwriting department of a health insurance company, clearly explain the factors you would use in risk selection. (10 Marks)

(b) Illustrate the critical steps an insured should take to avoid problems in claims and maximize health insurance payouts. (10 Marks)

Question three

(a) Health insurance in Kenya is a loss making class. Discuss the factors which have led to this high loss ratios. (10 Marks)

(b) Evaluate the scope of coverage offered in Long Term Care Insurance (10 Marks)

Question four

a) Bring to understanding chronic and acute illness, clearly showing how each is handled in health insurance underwriting (10 Marks)

b) Evaluate the components of the medical expense insurance benefits of a typical health insurance policy. (10 Marks)

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