INSTITUTE OF ACTUARIES OF INDIA

EXAMINATIONS

November 2026

SA1 - Health and Care

Time allowed: 3 Hours 15 Minutes

Total Marks: 100

Q.1) A large employer has about 2000 employees based in a developed country with a comprehensive state health care service. The employer plans to introduce a flexible benefits package for all staff. Each employee will be allocated annually a fund which may be used to purchase benefits. The fund will be calculated as the notional value of the current benefits given to employees. The fund can be used to purchase additional holiday, gym membership, travel insurance cover, life insurance cover and a range of health insurance benefits (excluding income protection).

Employees can increase the value of their fund by reducing their existing benefits or holiday. Any fund value not spent will be added to basic salary.

As a consulting actuary you are providing advice to the employer on the health and care benefits to the employees.

i) With a brief description of the cover, outline suitable health insurance benefits which might be included in the overall package and options that could be included in the overall package**.** **[8]**

ii) Explain why income protection cover is usually provided as a part of the basic employment rather than as a part of flexible benefits package. **[6]**

iii) Outline possible options and design features if Income Protection cover had been included in the flexible benefits package. **[9]**

Currently, its group private medical insurance is provided by an insurer based in Employer's home country.

iv) Outline a typical schedule of benefits provided under a group medical insurance scheme. **[8]**

The company has recently appointed a director from another country who is concerned that private medical insurance is being purchased for benefits which might otherwise be provided by the State Health Service.

v) Describe the points to be made to this director as to why this arrangement is provided for all employees. **[7]**

Based on his experience in his own country in group private medical insurance, the director is concerned that the premium rate for this insurance will rise in the future at a rate faster than retail price inflation.

vi) Suggest reasons why this might happen **[6]**

The company has concerns regarding the current cost of group private medical insurance and has suggested that this risk is retained internally.

vii) Discuss the key advantages and disadvantages of this approach. **[6]**

[50 Marks]

Q.2) A Stand-Alone Health Insurance company has been experiencing issues with the renewal rates of annually renewable contract. The problem is exacerbated at premium revision. When the premium is revised, policyholders who have maintained good health are not renewing their policy.

Chief Business Office of the company has suggested to sell a long-term product with 10 year term as the regulator has removed the cap on term of the Individual and Family floater products which was earlier capped at three years.

i) Discuss the advantages and disadvantages of selling long term Individual Health Insurance Product. **[7]**

CEO is of the opinion that long term product would be niche market which may not solve the issue of lower renewal rate. He has suggested to provide additional benefits to the cohort of policyholders who are lapsing their policies to increase retention.

ii) Outline the additional benefits that could be provided to increase retention. **[3]**

iii) A health insurer is considering launching a new individual insurance product for gym instructors. The product would pay out a fixed benefit of INR 5000 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.

a) Discuss this proposed underwriting approach. **[4]**

b) Suggest possible rating factors for this product. **[3]**

c) Discuss the most likely distribution methods for this product. **[3]**

d) Describe the risks arising for the insurer that are specifically associated with this product. **[6]**

e) Discuss the additional factors to consider before deciding whether to launch this product. **[12]**

[38 Marks]

Q.3) A non-life insurer specialised in individual Critical Illness cover based in a developed country is considering selling its product in a developing country.

You are a Consulting Actuary and the insurer has requested you to explain how reinsurers can assist in this venture.

Outline the points that you would like to make in your reply including alternative to reinsurance.

[12 Marks]

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