UNIVERSITI UTARA MALAYSIA

FINAL EXAMINATION
SEMESTER APRIL SESSION 2014/2015

COURSE CODE/NAME : BWRR3043 EMPLOYEE BENEFITS MANAGEMENT
DATE : 16 AUGUST 2014 (SATURDAY)
TIME : 9.00 – 11.30 AM (2 ½ HOURS)
VENUE : AKADEMI ETIQA

INSTRUCTIONS:
1. This examination paper contains SIX (6) questions in SIX (6) printed pages excluding the cover page.
2. Candidates are required to answer ALL questions in the answer booklet provided.
3. Candidates are NOT ALLOWED to take both examination question and the answer booklet out of the examination hall.
4. Candidates are bound by the UUM's RULES AND PROCEDURES ON ACADEMIC FRAUD.

MATRIC NO.:

(in words) (in numbers)

IDENTIFICATION CARD NO.:

LECTURER'S NAME: DR. HABIBAH TOLOS

GROUP: W TABLE NO.:

DO NOT OPEN THIS EXAMINATION PAPER UNTIL INSTRUCTED

“PERATURAN BERKENAAN KECURANGAN AKADEMIK ADALAH TERPAKAI DALAM PEPERIKSAAN INI”

CONFIDENTIAL
QUESTION ONE (10 MARKS)

a) Analyze TWO (2) advantages that government may receive from the "private employee benefits" system.

(2 marks)

b) Point out the types of employee benefits offers under the following categories by giving the FOUR (4) real names of the benefits:
[Example: “Paid time off benefits”: the answers are Sick leave, Maternity leave, Vacation and Sabbatical leave]

i) Extra cash payment to employees

(4 marks)

ii) Cost of services to employees

(4 marks)

QUESTION TWO (10 MARKS)

a) Explain THREE (3) reasons why employee benefits is included in the compensation packages in any companies?

(6 marks)

b) Other than "active full time employees" and "dependents" of employees", who could also receive employee benefits? [List FOUR (4) only]

(4 marks)
QUESTION THREE (20 MARKS)

a) Comments on the following as regards to the characteristics of the group insurance contract:

i) Is the contract of group insurance is a single or multiple type?  
   (1 mark)

ii) Is the requirement on the evidence of insurability needed in the group insurance contract?  
    (1 mark)

iii) How is the rating of the premium is subject to?  
     (2 marks)

iv) Explain the main reason for the group existence?  
    (2 marks)

v) Complete the table below if a group insurance policy has a per-occurrence deductible of RM1 million and a stop loss provision of RM3 million attached to it.  
   (5 marks)

<table>
<thead>
<tr>
<th>No</th>
<th>Loss amount</th>
<th>Amount of deductible</th>
<th>Accumulated amount of deductible</th>
<th>Amount assumed by policyholder</th>
<th>Amount paid by insurer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>2.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>2.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>2.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL**
b) Generalized your ideas by answering the following questions as regard to disability benefit:

i) Under the disability income insurance, the benefit received by employee (insured) will be offset with other type of disability income benefits. This is to reduce malingering and moral hazard, and also to ensure that the sum of disabled income benefits plus income received by the disabled employee from “other sources” does not exceed pre-disability earnings. Named FIVE (5) of these “other sources”.

(5 marks)

ii) Explain TWO (2) principles of eligibility requirements needed under the workmen’s compensation laws.

(4 marks)

QUESTION FOUR (20 MARKS)

a) Healthcare benefits is an important type of employee benefits to Malaysian employees. Apply your health benefits knowledge in the following questions:

i) Healthcare systems has three major players. One of them is “the employees/individual who seek and consume healthcare services. Named the other TWO (2).

(2 marks)

ii) Explain the TWO (2) common exclusions under Health Insurance policies?

(4 marks)

iii) List any FOUR (4) type of deductibles in the Major Medical Plans

(4 marks)
b) Aion is analyzing two options of group health insurance plans offered by her employer as follows.

**Aion’s Choice 1:** The first group health insurance plan consists of a medical plan plus a supplemental major medical plan. The annual limit for basic medical plan is RM10,000 meanwhile the annual limit for supplemental major medical plan is RM50,000. The insured will be subject to a deductible of RM1,500 before the benefits under the supplemental major medical plan are payable. The supplemental major medical plan is a plan with 70 percent coinsurance.

**Aion’s Choice 2:** The second group health insurance plan is a comprehensive major medical plan. The comprehensive major medical plan has an annual limit of RM60,000. The insured will be subject to a deductible of RM1,500 which can be accumulated from any illnesses or accidents giving rise to eligible claimable medical expenses. The comprehensive major medical plan is an 70 percent coinsurance plan.

Based on the information given, calculate the claim amount payable from the following medical plans for a covered medical expense of RM25,000:

i) Basic medical plan plus supplemental major medical plan  
   (3 marks)

ii) Comprehensive major medical plan  
   (3 marks)

iii) Based on the calculations above, which plan would Aion prefer? Justify your answer.  
   (2 marks)

iv) You try to advice Aion on what is “Managed Care Plan”. Give TWO reasons why Managed Care Plan emerged.  
   (2 marks)
QUESTION FIVE (20 MARKS)

a) Analyze the objectives of the social security through the macro and micro views. Give THREE (3) objectives on each view.  

(6 marks)

b) Complete table below on the differences between Social insurance and Private insurance:  

(4 marks)

<table>
<thead>
<tr>
<th>Social Insurance</th>
<th>Private Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) ?</td>
<td>Voluntary</td>
</tr>
<tr>
<td>Min Floor of income protection</td>
<td>ii) ?</td>
</tr>
<tr>
<td>iii) ?</td>
<td>Benefits establish by legal contract</td>
</tr>
<tr>
<td>iv) ?</td>
<td>(contractual right)</td>
</tr>
<tr>
<td></td>
<td>Competition</td>
</tr>
</tbody>
</table>

c) A group-dental insurance generally pays for the cost of both preventive and basic restorative treatments. Named FOUR (4) types of these treatments.  

(4 marks)

d) You have been asked to do an assignment on the employee benefits practices in your organization.

i) What is the name of your selected type of employee benefits in your report?  

(1 mark)

ii) Explain that benefit in i) above.  

(3 marks)

iii) Is your selected benefit belongs to the mandated (by law) benefits or to the discretionary type of benefits? Explain your reasons.  

(2 marks)
QUESTION SIX (20 MARKS)

a) Compose your understanding on the Malaysian retirement systems by answering the followings:

i) Give an example of the Defined Benefits (DB) Plan in Malaysia  
   (1 mark)

ii) Explain TWO (2) advantages of DB plans as opposed to DC plans.  
    (4 marks)

iii) Give an example of the Defined Contribution (DC) Plan in Malaysia  
     (1 mark)

iv) Explain TWO (2) advantages of DC plans as opposed to DB plans.  
    (4 marks)

v) Who bears the investment risk in the DC plans?  
   (1 mark)

vi) What is the percentage of a guaranteed minimum annual dividend promised to be paid out by Employees Provident Fund (EPF) in Malaysia?  
    (1 mark)

vii) What are the percentages of employer and employee contributions to EPF fund based on the portion of employee’s salary?  
     (2 marks)

b) You are given the following information related to Syasya’s house and EPF saving account:
   - Cost of house = RM130,000
   - Balance in EPF Account II = RM29,000
   - Loan amount = 80% of the house price

What is the amount that Syasya could withdraw under the housing-withdrawal scheme of her EPF account.

[Hint: Formula = (Cost of house - Loan amount) + 10% of cost house]

(6 marks)

END OF QUESTIONS