1	–	B	**(1)**

4	–	**The only correct answer is C** ***A*** *is not correct because if consumers were good at computation they would calculate the benefits of switching and be more likely to switch* ***B*** *is not correct because if they maximised utility they would switch to the cheaper deal* ***D*** *is not correct because if consumers feel valued by alternative providers they would switch to them*	**(1)**

2	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** **A** is not correct because if consumers felt undervalued they are more likely to leave **B** is not correct because if consumers have good computational skills they will calculate the fact they are paying £108 more **C** is not correct because the free-rider problem relates to the underprovision of public goods	**(1)**

5	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** **A** is not correct because if consumers experienced habitual behaviour they would remain with their existing supplier **C** is not correct because if consumers are poor at computation, they would not be able to calculate their savings from switching **D** is not correct because a rational consumer maximises utility	**(1)**

2		**The only correct answer is B-** Consumers aiming to maximise utility **A** is not correct because being valued by the original supplier would mean they would not change supplier **C** is not correct because being poor at computation would mean they cannot calculate the benefit from changing supplier and would not change **D** is not correct because changing supplier will save money that can be used to gain utility from purchasing other goods	**(1)**

1	–	**The only correct answer is B** **A** is not correct because statement 2 is normative and not positive **C** is not correct because statement 1 is positive and not normative **D** is not correct as statement 1 is positive and statement 2 is normative	**(1)**

Question	In October 2024, 475 000 consumers switched energy suppliers in the UK as they searched for the best energy deals. This was a 76% increase compared to October 2023.However, 15% of UK consumers have never switched energy suppliers. With reference to the above information, explain the difference between rational behaviour and habitual behaviour. **Answer**	Mark
8	**Knowledge 2, Application 2** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** 1 mark for definition of rational behaviour e.g.: • Consumers switch to maximise utility **(1K)** 1 mark for definition of habitual behaviour e.g. • Consumers do not switch because they repeat their decision-making actions / remain loyal to a business / inertia **(1K)** **Application** 1 mark for applying rational behaviour to stem e.g.: • The 475 000 consumers switched energy suppliers in October 2024 showed rational behaviour **(1AP)** 1 mark for applying habitual behaviour to stem e.g.: • 15% of consumers have never switched energy suppliers demonstrating habitual behaviour **(1AP)**	**(4)**

Question	With reference to switching banks, explain the difference between 'herding' and 'inertia'. **Answer**	Mark
8	**Knowledge 2, Application 2** Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** 1 mark for understanding of 'herding' • Where consumers make choices based on the decisions of others /friends/family **(1)** 1 mark for understanding of 'inertia' • Where people think the effort of switching is too great / are too lazy to switch **(1)** **Application** 2 marks for reference to data • Herding - 39% use the same bank as their parents **(1)** • Inertia - 13% said that switching was too much time and effort **(1)**	**(4)**

Question	Explain **one** microeconomic reason why people might have unnecessary operations in the USA. **Answer**	**Mark**
9	**Knowledge 1, Application 1, Analysis 2** Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** 1 mark for understanding e.g.: • Asymmetric information- where one economic agent has more information than another/ where the producer has more information than the consumer **Or** • Information gap- where information is not available to the consumer **Application** 1 mark for applying to unnecessary operations e.g.: • $200 billion per year spent on unnecessary operations **(1AP)** **Analysis** up to 2 marks for linked expansion • Doctors use their superior knowledge **(1AN)** to recommend surgeries/operations that the patient may not need **(1AN)** • Consumers are not aware of whether they need the operations **(1AN)** as they do not have medical training **(1AN)** • The private health insurance model in the USA provides an incentive to complete unnecessary operations **(1AN)** as it is an insurance company, not the patient who will pay/ which will increase revenue for the health provider **(1AN)** • Consumers may be more willing to have operations **(1AN)** as their insurance provider is paying **(1AN)** **NB moral hazard is a reason for people taking more risks leading to more operations and not more unnecessary operations**	**(4)**

Question Number	Answer	Mark
8	**Knowledge 2, Application 2** **Knowledge** 1 mark for defining 'positive statement.' • Value free/ can be verified with evidence/ objective/ based on facts **(1)** 1 mark for defining 'normative statement.' • Based on value judgement/ cannot be verified or proven/ subjective **(1)** **Application** 2 marks for applying to the statements e.g.: • Statement 1 is positive as you can verify whether $140bn was spent on renewable subsidies / $260bn was spent on non-renewable subsidies/ check if the government subsidised **(1)** • Statement 2 is normative as the word 'should' shows it is a value judgement/ suggests a course of action based on a person's value judgement **(1)**	**(4)**

9	**Knowledge 2, Application 2** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** 1 mark for definition of normative statements e.g.: • Statements that contain value judgements/ cannot be proven/ not based on fact/ subjective **(1K)** 1 mark for definition of positive statements • Statements that are value free/ can be proven/ based on fact/ objective **(1K)** **Application** Up to 2 marks for applying to stem e.g.: • Statement 1 is positive **(1AP)** • Statement 2 is normative **(1AP)**	**(4)**

Question	Many consumers do not buy travel insurance before going on holiday abroad despite substantial costs if they need medical care. Many car drivers do not provide complete and accurate information to car insurance companies when insuring their cars. Evaluate the microeconomic effects of imperfect information on insurance markets. **Indicative content**
14	**Quantitative skills assessed** **QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, application and analysis (12 marks) – indicative content** • Information failure- where economic agents lack the information to make optimal decisions • Asymmetric information- where economic agents have different levels of informtion • Market failure- where the market leads to an inefficient allocation of resources • Many consumers holiday abroad without travel insurance despite substantial costs when they need medical care e.g. many are unaware of the possible large costs if they need to be returned home in an emergency • This results in underconsumption of travel insurance • When taking out health insurance policies many consumers fail to declare all information. This means the policy offered does not take account of the risks for the individual- it means that the insurance company may end up paying out more in claims • Incomplete information may result in claims being rejected • For example, on medical or health insurance they may not declare they smoke or drink alcohol regularly which increases the risk of a claim • Car drivers don't tell the whole truth on applications- meaning that the driver is a higher risk and therefore more likely to claim • When making claims the consumer may leave information out that would result in a lower or no payout- for example, they left the car or house unlocked or without the security alarm set • Imperfect information results in insurance companies making larger payouts increasing costs • These higher costs result in consumers having higher premiums / paying more for their insurance policy

Level	Mark	Descriptor
	0	No rewardable material.

Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content • Market failure may be reduced as the insurance company can gain permission to find medical records/ contact doctor • Information can be provided about costs of medical evacuation so consumers can take account of these costs • Consumers may have the information but with the chance of it happening being so small they calculate that is a risk worth taking not having the insurance • Consumers not taking out medical/ health insurance may be because they cannot afford the premium • The internet may help close the information gap that results in the market failure • Market failure in insurance markets may be the result of irrational behaviour rather than the result of imperfect information (habitual behaviour, inertia, herding and calculation problems) • Insurance companies may share information on consumers who may say they have not claimed in 5 years. This can be checked by the insurance company	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches.

		Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

14	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, application and analysis (12 marks) – indicative content** • Asymmetric information- where one party has more information than another • Information gap- where consumers lack information about the risks of being uninsured • 10 million consumers not taking out travel insurance may lack information to make decision to be insured • 30% of consumers have to make a claim, yet many do not take out insurance – consumers may not be aware about the numbers that need to claim • £5 620 average medical bill claim-consumers unlikely to be aware of these costs when travelling abroad • The lack of information could lead to underconsumption compared to social optimum quantity of output • Without insurance if someone had a plane cancelled they would have to pay for replacement travel/if injured they would have to pay for their own medical treatments • Consumers may lack funds/ face high opportunity costs- have to give up consumption of other goods • Rational consumers maximise utility • The decision not to insure may be based on the assessment of risks, benefits and costs of insurance - may be rational behaviour • It may be rational decision given high costs associated with taking out travel insurance • Irrational consumers do not maximise utility • Decision not to insure may be due to computational issues/ inertia/ herding/ habitual behaviour in not purchasing • Lack of perfect information means consumers unable to assess decision	

<table>
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<tr><td>Level 2</td><td>4–6</td><td>Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models.
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A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.</td></tr>
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Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer.
Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.</td></tr>
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Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question.
Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.</td></tr>
<tr><td></td><td colspan="2">Evaluation (8 marks) – indicative content
• Information gaps may be filled by insurance companies and governments sharing information on costs
• Internet helps provide better information on likely costs if a consumer has an accident on holiday
• Some of the 10 million not taking insurance may be on low risk/ short holidays and be less likely to insure
• May be rational as some may perceive the likelihood of successfully making a claim to be low
• Magnitude- 10 million is a large number of consumers not taking out insurance/ may be a smaller numbers compared to the number of travellers in a given year</td></tr>
</table>

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
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