MCQ
Bank Book

INSURANCE AND RISK MANAGEMENT

"TAKE RISKS IN YOUR LIFE. IF YOU WIN, YOU CAN LEAD.IF YOU LOSE, YOU CAN GUIDE!"

Dr. P. Maithili,
M.com, M.Phil, PhD.,

INSURANACE AND RISK MANAGEMENT

UNIT- I

1. What is the main purpose of reinsurance?
a) To avoid loss due to claims
b) To reduce the premiums for policyholders
c) To increase the profits for insurers
d) To increase the risks for the insurer

2.A person whose risk is insured is called……
a) Insured b) merchandiser
c) marketer d) Agents

3. How does reinsurance work?
a) The insurer shares the risk with another insurer
b) The insurer transfers the risk to another insurer
c) The insurer cancels the policy and issues a new one with a new company
d) None of the above

4. What is double insurance?
a) Insuring the same risk with multiple policies from different insurers
b) Insuring different risks with multiple policies from the same insurer
c) Insuring different risks with multiple policies from different insurers
d) Insuring the same risk with multiple policies from the same insurer

5. What is the purpose of double insurance?
a) To obtain higher coverage for a single risk
b) To avoid paying higher premiums to a single insurer
c) To reduce the risks for the insurer
d) None of the above

6. What is the main disadvantage of double insurance?
a) Higher premiums
b) Lower coverage
c) Confusion in claims settlement
d) None of the above

7. Which type of insurance is more common – reinsurance or double insurance?
a) Reinsurance b) Double insurance
c) Both are equally common d) Neither is common

8. Which of the following is an advantage of reinsurance?
a) Provides higher coverage for a single risk
b) Reduces the premiums for policyholders
c) Reduces the risks for the insurer
d) None of the above

9. What is facultative reinsurance?
a) The reinsurer accepts all the risks transferred by the insurer
b) The reinsurer accepts only selected risks transferred by the insurer
c) The reinsurer accepts risks only from policyholders
d) None of the above

10. What is treaty reinsurance?
a) The reinsurer accepts all the risks transferred by the insurer
b) The reinsurer accepts only selected risks transferred by the insurer
c) The reinsurer accepts risks only from policyholders
d) None of the above

11. What is the main purpose of treaty reinsurance?
a) To provide coverage for specific risks
b) To provide coverage for all risks
c) To provide higher coverage for a single risk
d) None of the above

12. Which type of reinsurance is more common – treaty or facultative?
a) Treaty
b) Facultative
c) Both are equally common
d) Neither is common

13. What is excess of loss reinsurance?
a) The reinsurer covers only the amount exceeding a certain limit
b) The reinsurer covers only a certain percentage of the claim
c) The insurer covers only a certain percentage of the risk
d) None of the above

14. What is proportional reinsurance?
a) The reinsurer covers only a certain percentage of the claim
b) The reinsurer covers all the claims in the same

proportion as the insurer
c) The insurer covers only a certain percentage of the risk
d) None of the above

15. Which of the following is an advantage of double insurance?
a) Provides higher coverage for a single risk
b) Reduces the premiums for policyholders
c) Reduces the risks for the insurer
d) None of the above

16. Which of the following is a disadvantage of double insurance?
a) Higher premiums
b) Confusion in claims settlement
c) Difficult to obtain coverage
d) None of the above

17. What is non-proportional reinsurance?
a) The reinsurer covers all the claims in the same proportion as the insurer
b) The reinsurer covers only a certain percentage of the claim
c) The insurer covers only a certain percentage of the risk
d) None of the above

18. What is the main purpose of non-proportional reinsurance?
a) To cover specific risks
b) To cover all risks

c) To provide extra coverage for high-risk policies
d) None of the above

19. What is risk retention?
a) The insurer retains all the risks transferred by the policyholder
b) The insurer retains only a certain percentage of the risk transferred by the policyholder
c) The insurer does not retain any risk transferred by the policyholder
d) None of the above

20. What is the main purpose of risk retention?
a) To reduce the premiums for policyholders
b) To reduce the risks for the insurer
c) To provide coverage for specific risks
d) None of the above

21. What is coinsurance?
a) Joint insurance by two or more insurers
b) Single insurance by two or more policyholders
c) Multiple insurances for a single risk by different insurers
d) None of the above

22. What is the main purpose of coinsurance?
a) To reduce the risks for the insurer
b) To provide higher coverage for a single risk
c) To reduce the premiums for policyholders
d) None of the above

23. What is a cedent?
a) The insurer transferring the risk to the reinsurer
b) The reinsurer accepting the risk from the insurer
c) The policyholder insuring the risk with the insurer
d) None of the above

24. What is a reinsurer?
a) The insurer transferring the risk to another insurer
b) The policyholder insuring the risk with the insurer
c) The insurer accepting the risk from the reinsurer
d) None of the above

25. What is an underwriter?
a) The insurer accepting the risk from the reinsurer
b) The insurer transferring the risk to the reinsurer
c) The person who evaluates and accepts the risk for the insurer
d) None of the above

26. What is capacity in reinsurance?
a) The amount of risk one insurer can accept
b) The amount of risk a reinsurer can accept
c) The amount of risk one policyholder can insure
d) None of the above

27. Which type of reinsurance is more suitable for high-risk policies?
a) Treaty reinsurance
b) Facultative reinsurance
c) Proportional reinsurance
d) Excess of loss reinsurance

28. Which type of reinsurance is more suitable for low-risk policies?
a) Treaty reinsurance
b) Facultative reinsurance
c) Proportional reinsurance
d) Excess of loss reinsurance

29. What is the main disadvantage of treaty reinsurance?
a) Higher premiums
b) Lower coverage
c) Limited coverage for specific risk
d) None of the above

30. What is critical illness insurance?
a) Insurance that provides coverage for temporary illness
b) Insurance that provides coverage for long-term illness
c) Insurance that provides coverage for serious illnesses such as cancer or heart attack
d) None of the above

31. What is reinsurance accounting?
a) Accounting for the premiums paid by policyholders
b) Accounting for the claims paid by insurers
c) Accounting for the premiums paid and claims received by reinsurers
d) None of the above

32. What is the role of a reinsurance broker?
a) To provide insurance to policyholders
b) To evaluate and advise on reinsurance options for insurers

c) To settle claims for policyholders
d) None of the above

33. What is reinsurance?
a) Insurance taken out by an insurance company
b) An insurance policy taken out by an individual
c) Insurance that provides coverage for events that are outside the control of the insured
d) Insurance that is purchased by an insurance company to protect against large losses

34. In insurance, what does the term "endorsement" refer to?
a) policy cancellation b) premium refund
c) policy modification d) Claim approval

35. Why do insurance companies purchase reinsurance?
a) To transfer the risk of large losses to other companies
b) To avoid paying claims
c) To increase their profits
d) To provide additional coverage to their customers

36. What is facultative reinsurance?
a) Reinsurance that is automatically included in the primary policy
b) Reinsurance that covers all risks for an insurance company
c) Reinsurance that is purchased on a case-by-case basis
d) Reinsurance that is purchased for a specific time period

37. In double insurance, who is responsible for paying the claim?
a) The insured individual
b) Both insurance companies
c) The primary insurance company
d) The secondary insurance company

38. What is the purpose of reinsurance treaties?
a) To provide coverage for specific events
b) To set limits on the amount of reinsurance purchased
c) To establish the terms and conditions of reinsurance agreements
d) To ensure that reinsurance is purchased at a competitive price

39. What is obligatory reinsurance?
a) Reinsurance that is required by law
b) Reinsurance that is purchased at the discretion of the insurance company
c) Reinsurance that is automatically included in the primary policy
d) Reinsurance that covers all risks for an insurance company

40. What is the difference between pro rata reinsurance and excess of loss reinsurance?
a) Pro rata reinsurance covers a specific portion of a claim, while excess of loss reinsurance covers the entire claim
b) Pro rata reinsurance is a type of obligatory reinsurance, while excess of loss reinsurance is facultative

c) Pro rata reinsurance is a form of proportional reinsurance, while excess of loss reinsurance is non-proportional
d) Pro rata reinsurance is only used in property insurance, while excess of loss reinsurance is only used in casualty insurance

41. What is meant by coinsurance in reinsurance?
a) Reinsurance that is purchased by multiple insurance companies
b) Reinsurance that is sold in small increments
c) Reinsurance that is shared by multiple insurance companies
d) Reinsurance that is sold in large increments

42. Which type of reinsurance provides coverage for all risks for an insurance company?
a) Facultative reinsurance b) Obligatory reinsurance
c) Pro rata reinsurance d) Excess of loss reinsurance

43. In double insurance, what happens if one insurance policy has a clause stating "other insurance" is not valid?
a) Both insurance policies are still valid and coverage is provided by both companies
b) Only the policy with the exclusion clause is valid
c) Both insurance policies are void and no coverage is provided
d) Only the policy without the exclusion clause is valid

44. What is the process of ceding in reinsurance?
a) The insurance company pays the reinsurer for coverage

b) The reinsurer pays the insurance company for coverage
c) The insurance company transfers a portion of the risk to the reinsurer
d) The reinsurer transfers a portion of the risk to the insurance company

45. What is the main reason for an insurance company to engage in reinsurance?
a) To avoid paying claims
b) To transfer risk and reduce exposure to large losses
c) To provide additional coverage to their customers
d) To increase their profits

46. What is excess of loss reinsurance also known as?
a) Cat reinsurance b) Catastrophe reinsurance
c) Both a and b d) None of the above

47. What determines the amount of loss covered by an excess of loss reinsurance policy?
a) The policy limits of the primary insurance policy
b) The loss ratio of the insurance company
c) The occurrence of a specific event, such as a natural disaster
d) The retention level set by the insurance company

48. What is the purpose of a retention in reinsurance?
a) To determine the amount of loss covered by the policy
b) To set the level of risk the insurance company is willing to retain
c) To transfer the risk of large losses to other companies
d) To determine the cost of the reinsurance policy

49. Which type of reinsurance agreement provides coverage for specific types of risks or events?
a) Proportional reinsurance
b) Non-proportional reinsurance
c) Facultative reinsurance
d) Treaty reinsurance

50. Which type of reinsurance agreement provides coverage for a specific percentage of all risks covered by the primary insurance policy?
a) Proportional reinsurance
b) Non-proportional reinsurance
c) Facultative reinsurance
d) Treaty reinsurance

51. What is the difference between pro rata and surplus reinsurance?
a) Pro rata reinsurance covers all risks for an insurance company, while surplus reinsurance covers a specific portion of the risk
b) Pro rata reinsurance is a form of proportional reinsurance, while surplus reinsurance is non-proportional
c) Pro rata reinsurance is only used in property insurance, while surplus reinsurance is only used in casualty insurance
d) Pro rata reinsurance is a type of obligatory reinsurance, while surplus reinsurance is facultative

52. How does reinsurance impact the ceding company's financial statements?
a) Reinsurance has no impact on the ceding company's

financial statements
b) Reinsurance increases the liabilities of the ceding company
c) Reinsurance decreases the liabilities of the ceding company
d) Reinsurance decreases the assets of the ceding company

53. What is the purpose of facultative reinsurance?
a) To provide coverage for specific risks or events
b) To provide coverage for all risks for an insurance company
c) To automatically include reinsurance in the primary policy
d) To cover all losses in excess of a specific amount

54. Which type of reinsurance agreement provides coverage for all risks for an insurance company, subject to a specific limit?
a) Proportional reinsurance
b) Non-proportional reinsurance
c) Facultative reinsurance
d) Surplus reinsurance

55. In double insurance, what is the application of the "other insurance" clause?
a) The policy without the clause provides primary coverage
b) The policy with the clause provides primary coverage
c) The policy with the clause provides excess coverage
d) Neither policy provides coverage

56. In the context of reinsurance, what is pure premium?
a) The amount of premium charged for reinsurance coverage
b) The portion of the premium retained by the ceding company
c) The loss ratio of the insurance company
d) The aggregate losses divided by the exposure base

57. What are the two main types of reinsurance agreements?
a) Surplus and facultative
b) Proportional and non-proportional
c) Obligatory and treaty
d) Cat and catastrophe

58. What is the main advantage of reinsurance for an insurance company?
a) It allows the company to charge higher premiums
b) It reduces the company's financial risk exposure
c) It guarantees full coverage for all insured events
d) It increases the company's profit margin

59. What is the purpose of excess of loss reinsurance?
a) To cover all risks for an insurance company
b) To cover a specific portion of the risk for an insurance company
c) To cover all losses in excess of a specific amount
d) To cover losses due to natural disasters

60. In a reinsurance treaty, what is the function of a quota share?

a) To by open to the primary insurance company
b) To provide coverage for all risks for the primary insurance company
c) To provide only a specific portion of the coverage for the primary insurance company
d) Only ceding primary insurance company to select certain lines or classes of insurance

ANSWERS

1.a,2.a,3.b,4.a,5.a,6.c,7.a,8.c,9.b,10.a,11.b,12.a,13.a,

14.b,15.a,16.b,17.b,18.c,19.b,20.b,21.a,22.a,23.a,24.a,

25.c,26.b,27.d,28.c,29.a,30.c,31.c,32.b,33.d,34.c,35.a,

36.c,37.b,38.c,39.a,40.c,41.c,42.b,43.b,44.c,45.b,46.c,

47.d,48.b,49.c,50.a,51.b,52.c,53.a,54.d,55.a,56.d,57.b,

58.b,59.c,60.c

UNIT – II

1.What does IRDA stand for?
a) Insurance Regulatory and Development Authority
b) International Regulatory and Development Authority
c) Indian Regulatory and Development Authority
d) Insurance and Development Authority

2. IRDA was established in which year?
a) 1999 b) 2000
c) 2001 d) 2002

3. What is the main role of IRDA?
a) Regulating and promoting the insurance industry in India
b) Regulating and promoting the insurance industry worldwide
c) Providing insurance products directly to consumers
d) None of the above

4. Which body is IRDA subordinate to?
a) Government of India b) United Nations
c) World Bank d) None of the above

5. IRDA regulations are primarily concerned with
a) Ensuring fair practices by insurers
b) Protecting the interests of policyholders
c) Maintaining stability in the insurance market
d) All of the above

6. How often are IRDA regulations updated?

a) Every year b) Every 2 years
c) Every 5 years d) Whenever required

7. Which organization is responsible for drafting IRDA regulations?
a) Insurance companies b) IRDA employees
c) Government of India d) IRDA board of directors

8. What is the purpose of IRDA licensing regulations?
a) To ensure only qualified entities operate in the insurance market
b) To limit the number of insurance companies in the market
c) To regulate the commissions paid to insurance agents
d) None of the above

9. Which of the following entities require a license from IRDA?
a) Insurance companies b) Insurance agents
c) Insurance brokers d) All of the above

10. What is the maximum penalty for operating without a valid license from IRDA?
a) INR 10 lakhs b) INR 1 crore
c) INR 10 crores d) INR 100 crores

11. Which of the following is not a type of insurance license issued by IRDA?
a) Life insurance license b) General insurance license
c) Health insurance license d) Motor insurance license

12. How often must insurance agents renew their license with IRDA?
a) Every year b) Every 2 years
c) Every 3 years d) Every 5 years

13. Which of the following statements about IRDA guidelines on Insurance Marketing Firms (IMFs) is true?
a) IMFs cannot distribute policies of multiple insurance companies
b) IMFs can only distribute policies of one insurance company
c) IMFs need to register with IRDA before operating in the market
d) All of the above

14. Which of the following is not a requirement for a company to operate as an IMF?
a) Minimum net worth of INR 10 crores
b) Qualified staff with relevant experience in insurance
c) Approval from the Securities and Exchange Board of India (SEBI)
d) None of the above

15. What is the maximum commission an IMF can receive from insurers?
a) 10% of the premium paid by policyholders
b) 20% of the premium paid by policyholders
c) 30% of the premium paid by policyholders
d) No maximum limit on commissions

16. Which of the following is not a requirement for an insurance broker license?
a) Minimum capital requirement of INR 75 lakhs
b) Professional indemnity insurance
c) Mandatory training and examinations for employees
d) None of the above

17. What is the main role of insurance brokers in the market?
a) To sell insurance policies to policyholders
b) To advise policyholders on insurance options from multiple insurers
c) To regulate the insurance industry
d) None of the above

18. Which of the following statements about insurance brokers is true?
a) They receive commission from insurers for policies sold
b) They receive commission from policyholders for policies sold
c) They do not receive any commission for policies sold
d) None of the above

19. How often must insurance brokers renew their license with IRDA?
a) Every year b) Every 3 years
c) Every 5 years d) Every 10 years

20. Which of the following is not a requirement for a composite insurance broker license?
a) Minimum capital requirement of INR 5 crore
b) Minimum assets under management of INR 500 crores
c) At least 5 years of experience as an insurance broker
d) None of the above

21. What is bancassurance?
a) Distribution of insurance products by banks
b) Distribution of banking products by insurance companies
c) Distribution of insurance products by insurance brokers
d) None of the above

22. Which body regulates bancassurance in India?
a) Reserve Bank of India (RBI)
b) Securities and Exchange Board of India (SEBI)
c) IRDA
d) None of the above

23. What is the maximum shareholding a foreign company can have in an Indian insurance company?
a) 26% b) 49%
c) 51% d) 100%

24. Which of the following is not a requirement for an insurer to obtain IRDA approval for launching a new insurance product?

a) Actuarial valuation of the product
b) Pre-sales advertisements for the product
c) Product approval from the company's board of directors
d) None of the above

25. Which of the following statements about insurance marketing firms is true?
a) IMFs can distribute insurance policies to both individuals and corporate clients
b) IMFs can distribute insurance policies only to individuals
c) IMFs can distribute insurance policies only to corporate clients
d) None of the above

26. Which of the following statements about insurance repositories is true?
a) Insurance repositories are responsible for issuing policies to policyholders
b) Insurance repositories are responsible for maintaining records of policies issued by insurers
c) Insurance repositories are responsible for selling insurance policies to policyholders
d) All of the above

27. What is the maximum number of insurance repositories allowed to operate in India?

a) 1 b) 2
c) 3 d) 4

28. Which of the following is not a responsibility of insurance repositories?
a) Issuing policies to policyholders
b) Maintaining records of policies issued by insurers
c) Maintaining records of claims made by policyholders
d) None of the above

29. Which of the following statements about health insurance regulations is true?
a) Health insurance policies must cover pre-existing diseases after a waiting period
b) Health insurance policies cannot cover pre-existing diseases
c) Health insurance policies must cover pre-existing diseases without any waiting period
d) None of the above

30. What is the maximum waiting period allowed for coverage of pre-existing diseases in health insurance policies?
a) 1 year b) 2 years
c) 3 years d) No waiting period allowed

31. Which of the following statements about microinsurance is true?

a) Microinsurance is aimed at providing insurance to low-income individuals and households
b) Microinsurance is aimed at providing insurance to high-income individuals and households

c) Microinsurance is not regulated by IRDA
d) None of the above

32. Which principle requires the insured to disclose all relevant information to the insurer?
a) principle of subrogation
b) principle of utmost good faith
c) principle of contribution
d) Principle of Indemnity

33. The Actuarial Standards Board (ASB) is a committee of which organization?
a) The Society of Actuaries (SOA)
b) The Casualty Actuarial Society (CAS)
c) The American Academy of Actuaries
d) The Insurance Institute of America

34. What is the primary role of an actuary in the insurance industry?
a) Selling insurance policies
b) Analyzing financial data
c) Marketing insurance products
d) Claim settlement

35. The Society of Actuaries (SOA) was founded in which year?

a) 1935 b) 1949
c) 1957 d) 1962

36. Which of the following is not a typical responsibility of an actuary in the insurance industry?
a) Pricing insurance policies

b) Reserving for future claims
c) Developing marketing strategies
d) Evaluating risk exposure

37. What term is used to describe the process of calculating premiums for insurance policies based on the potential risks involved?
a) Actuarial valuation b) Underwriting
c) Premium pricing d) Risk assessment

38. Which type of mathematical modeling is commonly used by actuaries to analyze and predict future insurance risks?
a) Linear regression b) Stochastic modeling
c) Time series analysis d) Factor analysis

39. What is the term for the process of setting aside reserves by an insurance company to meet its future obligations to policyholders?
a) Underwriting b) Actuarial valuation
c) Claim settlement d) Reserving

40. The Society of Actuaries (SOA) primarily focuses on which of the following areas?
a) Life and health insurance
b) Property and casualty insurance
c) Reinsurance d) Actuarial ethics

41. What is the primary objective of the Actuarial Standards Board (ASB)?
a) Providing professional training for actuaries
b) Developing actuarial standards and guidelines

c) Promoting actuarial careers
d) Representing actuaries in legislative matters

42. What is the term for the process of analyzing and evaluating the financial risks faced by an insurance company?
a) Risk assessment b) Actuarial modeling
c) Underwriting d) Reserving

43. The Actuarial Profession Ethics and Code of Conduct is primarily based on the principles of
a) Justice and equality
b) Integrity and competence
c) Diligence and excellence
d) Honesty and transparency

44. What is the main focus of mortality studies conducted by actuaries in the life insurance industry?
a) Predicting the life expectancy of individuals
b) Analyzing the causes of death in a certain population
c) Evaluating the impact of lifestyle factors on mortality rates
d) Calculating the probability of death at different ages

45. Which of the following areas does the Society of Actuaries (SOA) not primarily focus on?

a) Retirement benefits
b) Health insurance
c) Property and casualty insurance
d) Enterprise risk management

46. The Actuarial Standards Board (ASB) is an independent organization that establishes actuarial standards for which of the following?
a) Insurance companies b) Actuarial employers
c) Regulators d) The actuarial profession

47. What is the term for the statistical method used by actuaries to analyze past data and predict future financial events?
a) Regression analysis b) Time series modeling
c) Stochastic simulation d) Predictive modeling

48. Actuaries often work closely with which department within an insurance company to determine appropriate premium rates and coverage terms based on the applicant's risk profile?
a) Marketing b) Claims
c) Underwriting d) Product development

49. What is the primary focus of the Casualty Actuarial Society (CAS)?
a) Life and health insurance
b) Property and casualty insurance
c) Actuarial education
d) Reinsurance

50. The Actuarial Profession Ethics and Code of Conduct promotes which of the following professional principles?
a) Accountability and transparency
b) Confidentiality and fairness

c) Competence and integrity
d) Loyalty and independence

51. Which of the following is a common actuarial examination offered by the Society of Actuaries (SOA)?
a) Financial Mathematics
b) Claim Settlement Techniques
c) Insurance Marketing Strategies
d) Underwriting Principles

52. Actuaries use mortality tables to analyze and predict
a) Causes of illness
b) Probability of disability
c) Longevity and death rates
d) Prevalent medical conditions

53. What is the primary objective of an insurance actuary's role?
a) To assess an individual's health
b) To calculate premium rates
c) To handle claim settlements
d) To develop marketing strategies

54. Which area is not typically within the scope of the Society of Actuaries (SOA)?
a) Retirement benefits b) Health insurance
c) Property and casualty insurance d) Reinsurance

55. What is the primary focus of property and casualty actuaries?

a) Pricing of casualty policies
b) Underwriting risk for property insurance
c) Calculating mortality rates
d) Evaluating investment risks

56. Insurance actuaries use mathematical models to
a) Predict and analyze policyholder behavior
b) Set premium rates
c) Process insurance claims
d) Develop product marketing strategies

57. What is the primary role of the Casualty Actuarial Society (CAS)?
a) Rating and underwriting property and casualty insurance
b) Analyzing mortality experience
c) Calculating insurance reserves
d) Pricing life insurance products

58. Which of the following is not typically a traditional area of focus for an insurance actuary?
a) Risk assessment b) Premium underwriting
c) Claims adjustment d) Financial forecasting

59. What is the primary objective of actuarial exams administered by the Society of Actuaries (SOA)?

a) Assessing practical experience in the industry
b) Testing theoretical knowledge of actuarial science
c) Demonstrating leadership skills
d) Evaluating communication and interpersonal skills

60. In the context of actuarial work, what is the term for the process of developing and pricing new insurance products based on statistical analysis?
a) Product development b) Underwriting
c) Risk assessment d) Claim adjustment

61. Which of the following is not a typical area of actuarial practice?
a) Predictive modeling
b) Adjusting insurance claims
c) Establishing policyholder reserves
d) Measuring and managing risks

62. What is the main focus of the Retirement Benefits track offered by the Society of Actuaries (SOA)?
a) Designing and implementing pension plans
b) Calculating life insurance premiums
c) Predicting mortality rates
d) Assessing health insurance risks

63. What term is used to describe the process of evaluating and managing the financial risks faced by an insurance company?
a)Risk assessment b) Actuarial modeling
c) Underwriting d) Reserving

64. What is the primary role of an insurance actuary in the underwriting process?
a) Setting premium rates

b) Marketing insurance policies
c) Assessing risk and determining coverage terms
d) Handling policyholder claims

65. Which of the following is a common area of focus for health insurance actuaries?
a) Reserving for future claims
b) Predicting mortality rates
c) Setting premium rates
d) Reinsurance pricing

66. What is the primary objective of the Fellowship exams offered by the Society of Actuaries (SOA)?
a) Assessing practical experience in the field
b) Demonstrating leadership skills
c) Testing theoretical knowledge of actuarial science
d) Evaluating communication and interpersonal skills

67. In the context of actuarial work, what is the term for the act of estimating the financial losses that an insurance company may be liable for?
a) Reserving b) Risk assessment
c) Underwriting d) Predictive modeling

68. What is the main focus of the Health and Retirement Benefits track offered by the Society of Actuaries (SOA)?
a) Designing health and retirement plans
b) Calculating property and casualty insurance premiums

c) Predicting mortality rates
d) Assessing risks for reinsurance products

69 . What is the primary role of an actuary in the reinsurance industry?
a) Setting premium rates for reinsurance contracts
b) Designing new reinsurance products
c) Analyzing and managing reinsurance risks
d) Evaluating policyholder claims for reinsurance contracts

70. Which actuarial organization primarily focuses on setting standards and guidelines for the actuarial profession?
a) Society of Actuaries (SOA)
b) Casualty Actuarial Society (CAS)
c) Actuarial Standards Board (ASB)
d) American Academy of Actuaries

71. In the context of actuarial work, what is the term for the process of evaluating an insurance company's current and future financial liabilities?
a) Reserving b) Risk assessment
c) Underwriting d) Predictive modeling

72. What is the primary focus of the Actuarial Standards Board (ASB)?
a) Developing actuarial standards and guidelines
b) Providing educational resources for actuaries

c) Representing actuarial interests in legislative matters
d) Conducting actuarial research and analysis

73. Actuarial models commonly used by insurance actuaries to predict future claims and losses include all of the following except:
a) Stochastic simulation b) Time series analysis
c) Linear regression d) Factor analysis

74. What is the primary role of an actuary in the context of reinsurance?
a) Analyzing and pricing reinsurance risks
b) Developing marketing strategies for reinsurance products
c) Handling claims adjustment for reinsurance contracts
d) Setting premium rates for reinsurance treaties

75. Which actuarial organization primarily focuses on property and casualty insurance?
a) Society of Actuaries (SOA)
b) Casualty Actuarial Society (CAS)
c) Actuarial Standards Board (ASB)
d) American Academy of Actuaries

76. What is the primary role of an actuary in the context of life and health insurance?
a) Analyzing and pricing reinsurance risks
b) Developing marketing strategies for insurance products
c) Assessing mortality and morbidity risks

d) Handling claims adjustment for insurance policies

77. What is the primary focus of the Fellowship modules offered by the Society of Actuaries (SOA)?
a) Marketing and sales strategies
b) Assessing actuarial experience
c) Demonstrating theoretical knowledge and practical skills
d) Evaluating mathematical and statistical proficiency

78. Which of the following is a typical role of an insurance actuary?
a) Selling insurance products to potential clients
b) Drafting legal contracts for insurance policies
c) Analyzing and pricing risks for insurance products
d) Managing investment portfolios for policyholders

79. In the context of actuarial work, what is the term for the process of determining the probability of an event occurring and its potential financial impact?
a) Actuarial valuation b) Reserving
c) Risk assessment d) Underwriting

80. Actuarial standards and guidelines developed by the Actuarial Standards Board (ASB) are primarily aimed at promoting which of the following in the actuarial profession?
a) Professional training and development
b) Uniform practices and ethical behavior

c) Actuarial advocacy in legislative matters
d) Research and innovation in actuarial science

81. What is the primary role of the American Academy of Actuaries in the actuarial profession?
a) Setting standards for actuarial education and exams
b) Representing the actuarial profession in legislative matters
c) Administering professional development programs for actuaries
d) Conducting actuarial research and analysis

82. Actuarial exams offered by the Society of Actuaries (SOA) primarily focus on testing candidates' proficiency in which of the following areas?
a) Practical experience and leadership skills
b) Theoretical knowledge and practical skills
c) Communication and interpersonal skills
d) Mathematical and statistical proficiency

83. When were private players allowed to enter the Indian insurance market?
a) 1947 b) 1956
c) 1991 d) 2000

84. Which regulatory body governs the entry of private players into the Indian insurance market?
a) IRDAI b) SEBI
c) RBI d) FIPB

85. What is the term used to describe the process of granting licenses to private players to operate in the Indian insurance market?
a) Marketization b) Deregulation
c) Liberalization d) Privatization

86. Which type of insurance was opened to private players in 2000?
a) Life insurance b) Health insurance
c) General insurance d) Reinsurance

87. What is the key benefit of allowing private players into the Indian insurance market?
a) Increased competition b) Government control
c) Lower premiums d) Restricted products

88. Who issues licenses to private players wanting to enter the Indian insurance market?
a) Government of India b) IRDAI
c) Ministry of Finance d) SEBI

89. What was the maximum foreign equity allowed in private insurance companies when they were first allowed?
a) 26% b) 49%
c) 51% d) 74%

90. Who is responsible for regulating and supervising the activities of private insurance companies in India?
a) Ministry of Finance b) SEBI
c) IRDAI d) FICCI

91. Which of the following is not a type of insurance business allowed for private players in India?
a) Life insurance b) Health insurance
c) General insurance d) Reinsurance

92. What is the rationale behind allowing private players into the Indian insurance market?
a) Higher taxes b) FDI influx
c) Increased competition d) Government control

93. How many private insurers were initially granted licenses to operate in India?
a) 10 b) 12
c) 15 d) 20

94. What proportion of foreign direct investment (FDI) was allowed in private insurance companies in India in 2000?
a) 26% b) 49%
c) 51% d) 74%

95. Who is responsible for formulating the policies related to private insurance players in India?
a) Ministry of Commerce
b) IRDAI
c) SEBI
d) Ministry of Corporate Affairs

96. Which of the following is not a requirement for private players entering the Indian insurance market?
a) Minimum capital requirements
b) Good financial standing

c) Community service record
d) Sound business plan

97. What is the maximum foreign equity participation allowed in private insurance companies in India currently?
a) 26% b) 49%
c) 51% d) 74%

98. What was the main reason behind allowing private players into the Indian insurance market?
a) To reduce competition
b) To speed up the claim settlement process
c) To increase penetration and reach
d) To provide cheaper premiums

99. What is the role of private players in the Indian insurance market?
a) To monopolize the market
b) To increase consumer choice
c) To reduce competition
d) To regulate premiums

100. What is the contemporary FDI limit for foreign investment in private insurance companies in India?
a) 26% b) 49%
c) 51% d) 74%

101. Who is responsible for approving new insurance products offered by private players in India?
a) Ministry of Corporate Affairs b) IRDAI
c) SEBI d) Ministry of Finance

102. What do private players bring to the Indian insurance market?
a) Innovation and technology
b) Increased government control
c) Higher premiums
d) Reduced competition

103. What is the maximum foreign equity allowed in private insurance companies operating in India according to the current regulations?
a) 26% b) 49%
c) 51% d) 74%

104. Which entity is responsible for overseeing the compliance of private insurers with the regulations?
a) IRDAI b) SEBI
c) FIPB d) Ministry of Finance

105. What is the primary benefit of allowing private players into the Indian insurance market?
a) Government control
b) Improved customer service
c) Enhanced penetration
d) Lower premiums

106. What was the maximum foreign equity limit when private insurers were allowed into the Indian insurance market for the first time?
a) 26% b) 49%
c) 51% d) 74%

107. Who is responsible for the licensing and regulation of private insurers in India?
a) Ministry of Finance b) SEBI
c) IRDAI d) FICCI

108. Which type of insurance business was initially open to private players in India?
a) Life insurance b) Health insurance
c) General insurance d) Reinsurance

109. What is the key motivation behind opening the Indian insurance market to private players?
a) To increase competition b) To raise taxes
c) To reduce risks d) To centralize control

110. Who is responsible for issuing licenses to private players to enter the Indian insurance market?
a) Government of India b) IRDAI
c) Ministry of Finance d) SEBI

111. What was the maximum foreign equity allowed when the Indian insurance market was opened to private players in 2000?
a) 26% b) 49%
c) 51% d) 74%

112. Which regulating authority presides over the entry and operations of private players in the Indian insurance market?
a) IRDAI b) SEBI
c) RBI d) FIPB

113. What is the term used to describe the process of granting licenses to private players to operate in the Indian insurance market?
a) Marketization
b) Deregulation
c) Liberalization
d) Privatization

114. What was the main objective behind allowing private players into the Indian insurance market?
a) Increased taxes
b) Enhanced competition
c) Government control
d) Restricted product offerings

115. What entity issues licenses to private players wanting to enter the Indian insurance market?
a) Government of India
b) IRDAI
c) Ministry of Finance
d) SEBI

116. What was the maximum foreign equity participation allowed in private insurance companies when they were first allowed?
a) 26% b) 49%
c) 51% d) 74%

117. Who is responsible for regulating and supervising the activities of private insurance companies in India?
a) Ministry of Finance b) SEBI
c) IRDAI d) FICCI

118. Which of the following is not a type of insurance business allowed for private players in India?
a) Life insurance b) Health insurance
c) General insurance d) Reinsurance

119. What is the rationale behind allowing private players into the Indian insurance market?
a) Higher taxes b) FDI influx
c) Increased competition d) Government control

120. How many private insurers were initially granted licenses to operate in India?
a) 10 b) 12
c) 15 d) 20

121. What proportion of foreign direct investment (FDI) was allowed in private insurance companies in India in 2000?
a) 26% b) 49%
c) 51% d) 74%

122. Who is responsible for formulating the policies related to private insurance players in India?
a) Ministry of Commerce
b) IRDAI
c) SEBI
d) Ministry of Corporate Affairs

123. Which of the following is not a requirement for private players entering the Indian insurance market?
a) Minimum capital requirements
b) Good financial standing

c) Community service record
d) Sound business plan

124. What is the maximum foreign equity participation allowed in private insurance companies in India currently?
a) 26% b) 49%
c) 51% d) 74%

125. What was the main reason behind allowing private players into the Indian insurance market?
a) To reduce competition
b) To speed up the claim settlement process
c) To increase penetration and reach
d) To provide cheaper premiums

126. What is the role of private players in the Indian insurance market?
a) To monopolize the market
b) To increase consumer choice
c) To reduce competition
d) To regulate premiums

127. What is the contemporary FDI limit for foreign investment in private insurance companies in India?
a) 26% b) 49%
c) 51% d) 74%

128. Who is responsible for overseeing the compliance of private insurers with the regulations?
a) IRDAI b) SEBI
c) FIPB d) Ministry of Finance

129. What is the primary benefit of allowing private players into the Indian insurance market?
a) Government control
b) Improved customer service
c) Enhanced penetration
d) Lower premiums

130. What was the maximum foreign equity limit when private insurers were allowed into the Indian insurance market for the first time?
a) 26% b) 49%
c) 51% d) 74%

ANSWERS

1.a,2.b,3.a,4.a,5.d,6.d,7.c,8.a,9.d,10.c,11.d,12.c,13.d, 14.c,15.d,16.d,17.b,18.a,19.b,20.b,21.a,22.c,23.b,24.b, 25.a,26.b,27.a,28.a,29.a,30.b,31.a,32.b,33.c,34.b,35.a, 36.c,37.c,38.b,39.d,40.a,41.b,42.a,43.b,44.d,45.c,46.d, 47.b,48.c,49.b,50.c,51.a,52.c,53.b,54.c,55.b,56.a,57.a, 58.c,59.b,60.a,61.b,62.a,63.a,64.c,65.c,66.a,67.a,68.a, 69.c,70.c,71.a,72.a,73.d,74.a,75.b,76.c,77.c,78.c,79.c, 80.b,81.b,82.b,83.d,84.a,85.d,86.a,87.a,88.b,89.a,90.c, 91.d,92.c,93.c,94.a,95.b,96.c,97.b,98.c,99.b,100.b,101.b, 102.a,103.b,104.a,105.c,106.a,107.c,108.a,109.a,110.b, 111.a,112.a,113.d,114.b,115.b,116.a,117.c,118.d,119.c, 120.c,121.a,122.b,123.c,124.b,125.c,126.b,127.b,128.a, 129.c,130.a

UNIT- III

1.Which of the following is not a method of risk management?
a) Risk avoidance b) Risk transfer
c) Risk profit d) Risk reduction

2. What is the primary objective of risk management?
a) To eliminate all risks
b) To accept all risks
c) To minimize the adverse effects of risks
d) To maximize the impact of risks

3. What is risk avoidance in risk management?
a) Transferring the risk to another party
b) Eliminating the risk by not engaging in the risky activity
c) Reducing the impact of the risk
d) Accepting the risk and its consequences

4. What is risk reduction in risk management?
a) Reducing the probability or severity of loss
b) Shifting the risk to another party
c) Accepting the risk and its consequences
d) Eliminating the risk by not engaging in the risky activity

5. What is risk transfer in risk management?
a) Accepting the risk and its consequences
b) Reducing the probability or severity of loss
c) Shifting the risk to another party

d) Eliminating the risk by not engaging in the risky activity

6. What is risk retention in risk management?
a) Accepting the risk and its consequences
b) Reducing the probability or severity of loss
c) Shifting the risk to another party
d) Eliminating the risk by not engaging in the risky activity

7. Which risk management method involves taking no action to avoid, reduce, transfer, or accept the risk?
a) Risk retention
b) Risk avoidance
c) Risk reduction
d) Risk transfer

8. Risk transfer involves:
a) Reducing the probability or severity of loss
b) Shifting the risk to another party
c) Eliminating the risk by not engaging in the risky activity
d) Accepting the risk and its consequences

9. Which of the following is an example of risk avoidance?
a) Purchasing insurance
b) Diversifying investments
c) Not engaging in a risky business activity
d) Implementing safety protocols

10. Risk reduction is often achieved through
a) Diversifying investments
b) Accepting the risk and its consequences
c) Shifting the risk to another party
d) Implementing safety measures and protocols

11.Which of the following is not a tool for controlling risk?
a) Risk assessment b) Risk avoidance
c) Risk transfer d) Risk management plan

12. What is a risk assessment in the context of controlling risk?
a) Identifying potential risks and their impacts
b) Eliminating the risk by not engaging in the risky activity
c) Transferring the risk to another party
d) Minimizing the adverse effects of risks

13.What is the primary purpose of insurance?
a) To make a profit
b) To protect against financial loss
c) To provide investment opportunities
d) To offer tax benefits

14. Which of the following is not a characteristic of insurance?
a) Risk transfer b) Uncertainty
c) Speculation d) Shared risk

15. What is the maximum amount that an insured can claim from an insurance policy called?
a) Limit of liability b) Premium
c) Deductible d) Co-payment

16. What type of risk is insurable?
a) Pure risk b) Speculative risk
c) Business risk d) Market risk

17. Who is the party that provides the insurance coverage?
a) Insurer b) Insured
c) Broker d) Agent

18. What is the consideration paid by the insured in exchange for the insurance coverage called?
a) Premium b) Deductible
c) Indemnity d) Risk

19. What is the benefit received by the insured from the insurance policy after filing a claim called?
a) Coverage
b) Deductible
c) Indemnity
d) Premium

20. Which type of insurance coverage provides protection against damage to property caused by natural disasters?

a) Life insurance b) Health insurance
c) Property insurance d) Liability insurance

21. What type of insurance is required by law for drivers in most states?
a) Health insurance b) Life insurance
c) Property insurance d) Auto insurance

22. What is the legal contract that outlines the terms and conditions of the insurance policy called?
a) Disclosure statement
b) Policyholder agreement
c) Insurance policy
d) Contract of indemnity

23. What type of insurance protects against financial loss due to legal liability for injury or damage caused to others?
a) Health insurance b) Life insurance
c) Property insurance d) Liability insurance

24. What is the process of evaluating and classifying the risk of insuring a potential policyholder called?
a) Underwriting b) Policy issuance
c) Claim settlement d) Premium calculation

25. What aspect of insurance involves pooling the premiums of many policyholders to pay for the claims of a few?

a) Risk management b) Risk transfer
c) Risk sharing d) Risk acceptance

26. What is the term used to describe the transfer of risk from the insured to the insurer?
a) Risk assumption b) Risk pooling
c) Risk sharing d) Risk transfer

27. Which of the following is not an example of an insurable event?
a) Car accident b) Death
c) Earthquake d) Sporting event

28. What type of insurance coverage provides protection against financial loss due to illness or injury?
a) Life insurance b) Health insurance
c) Property insurance d) Liability insurance

29. What is the amount that the insured must pay out of pocket before the insurance coverage kicks in called?
a) Premium b) Deductible
c) Co-payment d) Limit of liability

30. What is the term used to describe the process of giving financial compensation for a loss?
a) Liability b) Premium
c) Indemnification d) Deductible

31. What is the term used to describe the process of settling an insurance claim and providing payment to the insured?
a) Claim resolution b) Claim settlement
c) Claim adjudication d) Claim adjustment

32. What aspect of insurance involves assessing the potential for loss and taking steps to minimize the impact of that loss?
a) Risk management b) Risk transfer
c) Risk sharing d) Risk acceptance

33. What is the type of insurance coverage that protects against financial loss due to the death of the insured called?
a) Life insurance b) Health insurance
c) Property insurance d) Liability insurance

34. What is the process of determining the cost of insurance coverage based on the potential risk of the insured called?
a) Underwriting b) Rating
c) Premium calculation d) Policy issuance

35. What aspect of insurance involves accepting the risk of potential loss in exchange for the benefits of insurance coverage?
a) Risk management b) Risk transfer
c) Risk sharing d) Risk acceptance

36. Which type of insurance coverage provides protection against financial loss due to damage or theft of personal property?
a) Life insurance b) Health insurance
c) Property insurance d) Liability insurance

37. What is the portion of the insurance claim that the insured must pay out of pocket called?
a) Premium b) Deductible
c) Co-payment d) Limit of liability

38. What is the term used to describe the person or entity that purchases an insurance policy?
a) Insurer b) Insured
c) Policyholder d) Underwriter

39. What type of insurance coverage provides protection against financial loss due to medical expenses?
a) Life insurance b) Health insurance
c) Property insurance d) Liability insurance

40. What is the document provided to the insured that outlines the terms and conditions of the insurance coverage called?
a) Disclosure statement b) Policyholder agreement
c) Insurance policy d) Contract of indemnity

41. What aspect of insurance involves basing the cost of insurance coverage on actuarial calculations and

statistical data?
a) Risk management b) Risk transfer
c) Risk sharing d) Risk assessment

42. What is the term used to describe the process of comparing and evaluating different insurance policies to find the best coverage?
a) Policy analysis b) Coverage comparison
c) Policy assessment d) Policy evaluation

43. What aspect of insurance involves reducing the potential for loss through preventive measures and risk mitigation strategies?
a) Risk management b) Risk transfer
c) Risk sharing d) Risk acceptance

44. What is the party that receives the insurance coverage called?
a) Insurer b) Insured
c) Broker d) Agent

45. Which type of insurance coverage provides protection against financial loss due to legal liability for injury or damage caused to others?
a) Health insurance b) Life insurance
c) Property insurance d) Liability insurance

46. What is the process of evaluating and classifying the risk of insuring a potential policyholder called?

a) Underwriting b) Policy issuance
c) Claim settlement d) Premium calculation

47. What aspect of insurance involves assessing the potential for loss and taking steps to minimize the impact of that loss?
a) Risk management b) Risk transfer
c) Risk sharing d) Risk acceptance

48. What is the type of insurance coverage that protects against financial loss due to the death of the insured called?
a) Life insurance b) Health insurance
c) Property insurance d) Liability insurance

49. What is the process of determining the cost of insurance coverage based on the potential risk of the insured called?
a) Underwriting b) Rating
c) Premium calculation d) Policy issuance

50. What aspect of insurance involves accepting the risk of potential loss in exchange for the benefits of insurance coverage?
a) Risk management b) Risk transfer
c) Risk sharing d) Risk acceptance

51. Which type of insurance coverage provides protection against financial loss due to damage or theft of personal property?

a) Life insurance b) Health insurance
c) Property insurance d) Liability insurance

52. What is the portion of the insurance claim that the insured must pay out of pocket called?
a) Premium b) Deductible
c) Co-payment d) Limit of liability

53. What is the term used to describe the person or entity that purchases an insurance policy?
a) Insurer b) Insured
c) Policyholder d) Underwriter

54. What type of insurance coverage provides protection against financial loss due to medical expenses?
a) Life insurance b) Health insurance
c) Property insurance d) Liability insurance

55. What is the document provided to the insured that outlines the terms and conditions of the insurance coverage called?
a) Disclosure statement b) Policyholder agreement
c) Insurance policy d) Contract of indemnity

56. What aspect of insurance involves basing the cost of insurance coverage on actuarial calculations and statistical data?
a) Risk management b) Risk transfer
c) Risk sharing d) Risk assessment

57. What is the term used to describe the process of comparing and evaluating different insurance policies to find the best coverage?
a) Policy analysis b) Coverage comparison
c) Policy assessment d) Policy evaluation

58. What aspect of insurance involves reducing the potential for loss through preventive measures and risk mitigation strategies?
a) Risk management b) Risk transfer
c) Risk sharing d) Risk acceptance

59. What is the party that receives the insurance coverage called?
a) Insurer b) Insured
c) Broker d) Agent

60. Which type of insurance coverage provides protection against financial loss due to legal liability for injury or damage caused to others?
a) Health insurance b) Life insurance
c) Property insurance d) Liability insurance

61. What is the process of evaluating and classifying the risk of insuring a potential policyholder called?
a) Underwriting b) Policy issuance
c) Claim settlement d) Premium calculation

62. What aspect of insurance involves assessing the potential for loss and taking steps to minimize the impact of that loss?
a) Risk management b) Risk transfer
c) Risk sharing d) Risk acceptance

63. What does the acronym "ERM" stand for in the context of insurance risk management?
a) Effective Risk Management
b) Enterprise Risk Management
c) Exclusive Risk Monitoring
d) Excessive Risk Mitigation

64.Which of the following best describes operational risk in insurance?
a) The risk of loss due to adverse movements in market factors
b) The risk of loss stemming from inadequate or failed internal processes, systems, and external events
c) The potential for loss due to devaluation of assets
d) The risk of non-compliance with regulatory requirements

65. Which type of risk includes the potential for financial loss due to changes in interest rates, currency exchange rates, and commodity prices?
a) Credit risk b) Market risk
c) Liquidity risk d) Reputational risk

66. What type of risk is associated with the uncertainty of future financial loss arising from changes in laws and regulations?

a) Compliance risk b) Legal risk
c) Sovereign risk d) Policyholder risk

67. In insurance risk management, "catastrophe risk" refers to the risk of large and unexpected losses resulting from

a) Natural disasters such as earthquakes and hurricanes
b) Cybersecurity breaches
c) Policyholder defaults
d) Investment market downturns

68. Which of the following risk control techniques involve the transfer of risk to a third party?

a) Risk avoidance b) Risk retention
c) Risk mitigation d) Risk transfer

69. Which insurance risk management principle emphasizes the need for diversifying investments to minimize overall risk?

a) Principle of utmost good faith
b) Principle of indemnity
c) Principle of subrogation
d) Principle of diversification

70. What is the primary goal of insurance risk management?

a) Eliminate all risks

b) Minimize the impact of potential risks
c) Maximize profitability at all costs
d) Transfer all risks to policyholders

71. Which of the following is a key consideration in underwriting risk in the insurance industry?
a) The probability of policyholder claims
b) Regulatory compliance
c) Investment returns
d) Market penetration

72. The technique used to assess the potential impact of various risks on an insurance company's financial health is:
a) Risk avoidance
b) Risk capital allocation
c) Risk transfer
d) Risk assessment

73. What is the purpose of stress testing in insurance risk management?
a) To assess the impact of adverse scenarios on an insurer's financial condition
b) To test the reliability of insurance policies
c) To determine the degree of policyholder satisfaction
d) To evaluate the investment performance of the insurer

74. "Reinsurance" is a risk management strategy employed by insurers to:
a) Reduce the premium charged to policyholders
b) Transfer a portion of their underwriting risk to other insurers

c) Avoid exposure to catastrophic risk events
d) Expand their market share

75. Which of the following describes "adverse selection" in insurance risk management?
a) The process of selecting high-risk policyholders
b) The tendency for high-risk policyholders to be more likely to seek insurance
c) The deliberate submission of false claims by policyholders
d) The practice of collusion between policyholders and insurance agents

76. What type of risk arises from uncertainty about the future value of investments held by an insurance company?
a) Credit risk b) Liquidity risk
c) Market risk d) Investment risk

77. In insurance risk management, "reputational risk" reflects the potential for:
a) Claims that may damage the insurer's financial position
b) Negative public perception of the insurer
c) Inadequate underwriting practices
d) Inaccurate actuarial assumptions

78. The "principle of indemnity" in insurance risk management is best described as:
a) The principle of treating customers with fairness and transparency

b) The principle of compensating policyholders for their actual losses
c) The principle of maximizing insurance profits
d) The principle of risk transfer to reinsurers

79. What is the primary risk in insurance related to the potential for an insurer to become unable to fulfill its contractual obligations due to financial difficulties?
a) Underwriting risk b) Credit risk
c) Solvency risk d) Operational risk

80. Which of the following refers to the use of financial instruments to hedge against risks, such as fluctuations in interest rates or currency exchange rates?
a) Risk retention b) Risk transfer
c) Risk mitigation d) Derivatives

81. "Risk mitigation" in insurance involves:
a) Identifying and avoiding risks altogether
b) Minimizing the impact of potential risks
c) Transferring risk to a third party
d) Accepting all risks without any action

82. What risk management principle refers to the insurer's right to pursue a claim against a third party who caused a loss to the insured?
a) Principle of utmost good faith
b) Principle of indemnity
c) Principle of subrogation
d) Principle of contribution

83. Which type of risk involves the potential for loss due to a policyholder's failure to meet their contractually agreed-upon obligations?
a) Credit risk b) Market risk
c) Compliance risk d) Operational risk

84. Regulatory risk" in insurance management pertains to:
a) The potential for policyholder defaults
b) Uncertainty about changes in laws and regulations affecting the industry
c) The impact of market fluctuations on an insurer's financial position
d) The risk of policyholder fraud

85. A common approach to managing investment risk in insurance involves:
a) Investing in a single asset class to maximize returns
b) Diversifying investment portfolios to minimize overall risk
c) Speculating on high-risk assets to increase profitability
d) Transferring all investment risk to policyholders

86. "Risk appetite" in insurance management refers to:
a) The willingness of policyholders to accept certain risks
b) The insurer's tolerance for taking on particular types and levels of risk
c) The level of fraud and misconduct within an insurance company

d) The demand for various insurance products in the market

87. The process of "underwriting" in insurance involves:
a) Evaluating and accepting risks on behalf of the insurer
b) Transferring risks to reinsurers
c) Identifying and avoiding risks altogether
d) Settling insurance claims

88. Who assumes the risk in reinsurance?
a) The insurance company b) The policyholder
c) The reinsurer d) The insured

89.. What is the purpose of a retrocession in reinsurance?
a) To transfer the risk of large losses to other companies
b) To set limits on the amount of reinsurance purchased
c) To transfer part of the risk assumed by a reinsurer to another reinsurer
d) To provide additional coverage to the primary insurance company

90. Which product offered by insurance companies that, unlike a pure insurance policy, gives investors both insurance and investment under a single integrated plan?
a) Money Back Plan b) Endowment Plans
c) Term Insurance Plans d)Unit-linked insurance plan

ANSWERS

1.c,2.c,3.b,4.a,5.c,6.a,7.a,8.b,9.c,10.d,11.b,12.c,13.b,
14.c,15.a,16.a,17.a,18.a,19.c,20.c,21.d,22.c,23.d,24.a,
25.c,26.d,27.d,28.b,29.b,30.c,31.b,32.a,33.a,34.b,35.d,
36.c,37.c,38.c,39.b,40.c,41.d,42.b,43.a,44.b,45.d,46.a,
47.a,48.a,49.b,50.d,51.c,52.c,53.c,54.b,55.c,56.d,57.b,
58.a,59.b,60.d,61.a,62.a,63.b,64.b,65.b,66.a,67.a,68.d,
69.d,70.b,71.a,72.b,73.a,74.b,75.b,76.c,77.b,78.b,79.c,
80.d,81.b,82.c,83.a,84.b,85.b,86.b,87.a,88.c,89.c,90.d

UNIT IV

1.What is the primary function of insurance?
a) Risk transfer b) Profit maximization
c) Cost reduction d) Investment opportunity

2. Which of the following is not a characteristic of an insurable risk?
a) Predictable
b) Large number of exposure units
c) Affordable premium
d) Non-catastrophic

3. What does "risk transfer" mean in the context of insurance?
a) Shifting the probability of loss to an insurer
b) Eliminating the possibility of loss
c) Assuming all the potential risk
d) Sharing the losses with others

4. Which of the following is not a characteristic of an insurable risk?
a) Homogeneous b) Measurable
c) Catastrophic d) Accidental

5. What is the process in which an individual or entity pays a premium to an insurer in exchange for coverage against a potential loss called?
a) Insurance b) Investment
c) Speculation d) Risk management

6. Which characteristic of an insurable risk refers to the fact that it should not be subject to moral hazard?
a) Affordable premium b) Measurable
c) Non-catastrophic d) Non-malicious

7. In insurance, what is the term for a financial protection plan against the loss of property, life, or health?
a) Indemnity b) Coverage
c) Policy d) Protection

8. Which characteristic of an insurable risk ensures that it can be expressed in monetary terms?
a) Accidental b) Affordable premium
c) Measurable d) Non-catastrophic

9. Which of the following is not a type of insurance product?
a) Annuities b) Retirement plans
c) Mutual funds d) Health insurance

10. What is the term used to describe the party that agrees to pay in case of loss in an insurance contract?
a) Insurer b) Policyholder
c) Beneficiary d) Underwriter

11. In insurance, what is the term for the person or entity that purchases an insurance policy?
a) Insurer b) Policyholder
c) Beneficiary d) Underwriter

12. Which of the following is not a characteristic of an insurable risk?
a) Affordable premium
b) Large number of exposure units
c) Predictable
d) Catastrophic

13. What does the term "insurable interest" mean in insurance?
a) The policyholder's vested financial interest in the subject of the insurance
b) The amount covered by the insurance policy
c) The probability of a loss occurring
d) The total number of policies sold

14. In insurance, what is the term for the specific term used to define the coverage period of an insurance policy?
a) Policy term
b) Coverage period
c) Insurable interest
d) Premium period

15. Which characteristic of an insurable risk ensures that it should not be subject to fraudulent claims?
a) Affordable premium
b) Non-catastrophic
c) Predictable
d) Non-malicious

16. What is the term for the amount paid by the policyholder to the insurer in exchange for insurance coverage?

a) Premium b) Deductible
c) Coverage d) Indemnity

17. In insurance, what is the term for the entity that assesses and assumes the risk?
a) Insurer b) Policyholder
c) Beneficiary d) Underwriter

18. Which of the following is not a characteristic of an insurable risk?
a) Diversifiable b) Transferable
c) Homogeneous d) Adverse selection

19. What is the term used to describe the clause that specifies the circumstances under which the insurer will pay?
a) Exclusion b) Deductible
c) Clause d) Coverage

20. Which of the following is not a type of insurance?
a) Life insurance b) Car insurance
c) Movie insurance d) Stock insurance

21. What does the term "indemnity" mean in the context of insurance?
a) Compensation for damages or loss
b) Coverage against specific risks
c) The name of an insurance company
d) The process of underwriting

22. Which of the following is a characteristic of an insurable risk?
a) Predictable b) Non-measurable
c) Uncontrollable d) Random

23. What is the term used to describe the process of evaluating an applicant's risk and deciding whether to issue insurance?
a) Coverage analysis
b) Underwriting
c) Policyholder assessment
d) Risk determination

24. In insurance, what is the term for the individual or entity named to receive the policy benefits upon the death of the insured?
a) Insurer b) Policyholder
c) Beneficiary d) Underwriter

25. What does the term "peril" refer to in insurance?
a) The cause of potential loss
b) The probability of an event occurring
c) The financial value of the loss
d) The process of underwriting a policy

26. What is the term for the maximum amount the insurer is obligated to pay in the event of a loss?
a) Premium b) Indemnity
c) Limit of liability d) Deductible

27. Which of the following is not a type of insurance coverage?
a) Collision b) Comprehensive
c) Deductible d) Liability

28. What is the term for the amount the policyholder must pay out of pocket before the insurance company pays a claim?
a) Premium b) Indemnity
c) Deductible d) Limit of liability

29. Which of the following is a characteristic of an insurable risk?
a) Random
b) Non-measurable
c) Subject to moral hazard
d) Inexpensive premium

30. What does the term "subrogation" mean in the context of insurance?
a) The process of transferring the risk to another party
b) The right of the insurer to pursue legal action against a third party responsible for the loss
c) The process of assessing a policyholder's risk
d) The amount paid by the policyholder to the insurer

31. What is the term for the specific list of perils or events covered by an insurance policy?
a) Coverage b) Policy limits
c) Peril list d) Inclusion list

32. In insurance, what is the term for the requirement for an insured to disclose all facts relevant to the risk being insured?
a) Disclosure b) Utmost good faith
c) Material fact d) Representations

33. What does the term "moral hazard" refer to in insurance?
a) The intentional risk created by the policyholder
b) The potential financial loss caused by immoral actions
c) The unpredictable nature of certain risks
d) The legal obligation to act in good faith

34. What is the term for the specific list of events or perils not covered by an insurance policy?
a) Coverage b) Policy limits
c) Exclusion d) Non-inclusion list

35. In insurance, what is the term for the cause of loss covered by an insurance policy?
a) Hazard b) Peril
c) Coverage d) Limit of liability

36. Which of the following is not a characteristic of an insurable risk?
a) Homogeneous b) Non-speculative
c) Controllable d) Affordable premium

37. What is the term used to describe the circumstance under which the insured or the beneficiary is entitled to reimbursement from the insurer?
a) Claim b) Liability
c) Coverage d) Indemnity

38. In insurance, what is the term for the legally binding contract between the insurer and the policyholder?
a) Agreement b) Coverage
c) Policy d) Contract

39. Which of the following is not a characteristic of an insurable risk?
a) Diversifiable
b) Non-catastrophic
c) Homogeneous
d) Large number of exposure units

40. What is the term for the provision that specifies the amount the insured must pay for covered losses before the insurer pays a claim?
a) Premium b) Deductible
c) Indemnity d) Limit of liability

41. In the context of insurance, what does the term "deductible" mean?
a) The maximum coverage amount
b) The premium payment
c) The amount paid by the policyholder before the insurance company pays a claim

d) The legal action taken by the insurer against a third party responsible for the loss

42. Which of the following is a characteristic of an insurable risk?
a) Subject to moral hazard b) Speculative
c) Non-measurable d) Predictable

43. What is the term for the process of examining, accepting, or rejecting insurance risks and classifying those selected, to charge an appropriate rate?
a) Premium designation b) Risk determination
c) Underwriting d) Policy analysis

44. In insurance, what is the term for the act of concealing or hiding information that affects an insurance decision?
a) Disclosure
b) Subrogation
c) Material misrepresentation
d) Representative action

45. What is the term for the event causing a loss or the risk not being transferred to the insurer?
a) Hazard b) Peril
c) Coverage d) Exclusion

46. In insurance, what is the term for a provision added to an insurance policy that alters the policy's coverage, terms, or conditions?

a) Indemnity b) Deductible
c) Endorsement d) Policy limit

47. What is the term for the provision stating the specific amount of money for which the policyholder is covered?
a) Premium b) Limit of liability
c) Deductible d) Indemnity

48. In insurance, what is the term for the duty to act in good faith and to disclose all relevant information to the insurer?
a) Material fact b) Utmost good faith
c) Duty of honesty d) Regulating obligation

49. Which of the following is not a type of insurance policy?
a) Whole life b) Universal life
c) Participating d) Speculative life

50. What is the term for the process in which the insurance company assumes responsibility for a risk for a fee?
a) Policy analysis b) Risk assumption
c) Underwriting d) Reinsurance

51. Which of the following is not a type of risk?
a) Financial risk b) Operational risk
c) Market risk d) Instant risk

52. What type of risk is associated with the fluctuations in stock prices, interest rates, and foreign exchange rates?
a) Operational risk b) Market risk
c) Credit risk d) Liquidity risk

53. What type of risk is associated with the probability of loss resulting from inadequate or failed internal processes, people, and systems?
a) Market risk b) Credit risk
c) Operational risk d) Foreign exchange risk

54. What type of risk is associated with the potential loss resulting from the failure of a party to fulfill its financial obligations?
a) Market risk b) Credit risk
c) Operational risk d) Country risk

55. Which of the following is not a step in the process of risk management?
a) Risk analysis b) Risk avoidance
c) Risk transfer d) Risk celebration

56. What is the term for the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and impact of unfortunate events?
a) Risk acceptance b) Risk management
c) Risk transfer d) Risk mitigation

57. Which of the following is a method of risk management that involves reducing the likelihood of a risk occurring through specific actions?
a) Risk avoidance b) Risk transfer
c) Risk retention d) Risk reduction

58. What is the term for the transfer of a risk to a third party, typically through insurance or outsourcing?
a) Risk avoidance b) Risk transfer
c) Risk retention d) Risk reduction

59. Which of the following is a method of risk management that involves accepting the risk and its potential consequences?
a) Risk avoidance b) Risk transfer
c) Risk retention d) Risk reduction

60. What is the term for the process of identifying and evaluating potential risks and their impacts?
a) Risk analysis b) Risk assessment
c) Risk identification d) Risk evaluation

61. Which of the following is a method of risk management that involves actively avoiding a specific risk?
a) Risk avoidance b) Risk transfer
c) Risk retention d) Risk reduction

62. What is the term for the process of modifying the risk through actions or measures to reduce its impact or likelihood?
a) Risk avoidance b) Risk transfer
c) Risk retention d) Risk mitigation

63. Which of the following is a method of risk management that involves the purchasing of insurance to cover potential losses?
a) Risk avoidance b) Risk transfer
c) Risk retention d) Risk reduction

64. What is the term for the process of keeping the risk and its potential consequences within an organization?
a) Risk avoidance b) Risk transfer
c) Risk retention d) Risk reduction

65. Which stage in the risk management process involves developing strategies to deal with the identified risks?
a) Risk identification b) Risk analysis
c) Risk assessment d) Risk response planning

66. What is the term for the process of evaluating the identified risks to determine their impact and likelihood?
a) Risk analysis b) Risk assessment
c) Risk identification d) Risk evaluation

67. Which of the following is not a step in the risk management process?

a) Risk response planning
b) Risk celebration
c) Risk identification
d) Risk monitoring and review

68. In the risk management process, what term describes the ongoing monitoring and review of the identified risks and the effectiveness of the risk management strategies?
a) Risk analysis b) Risk assessment
c) Risk identification d) Risk monitoring and review

69. What is the term for the evaluation of the potential impacts of identified risks on an organization's goals and objectives?
a) Risk analysis b) Risk assessment
c) Risk evaluation d) Risk response planning

70. Which of the following is not an element of risk management?
a) Risk identification b) Risk exposure
c) Risk assessment d) Risk response planning

71. What is the term for the process of identifying potential risks and their characteristics?
a) Risk analysis
b) Risk assessment
c) Risk identification
d) Risk evaluation

72. What is the term for the potential negative outcomes associated with an event or situation?
a) Risk assessment b) Risk evaluation
c) Risk identification d) Risk consequences

73. In the context of risk management, what term describes the potential negative outcomes associated with an event or situation?
a) Risk assessment b) Risk evaluation
c) Risk identification d) Risk consequences

74. Which of the following is an external risk factor?
a) Technological risk b) Competition risk
c) Strategic risk d) Compliance risk

75. Which of the following is an example of an operational risk?
a) Natural disaster
b) Product recall
c) Economic downturn
d) Currency exchange rate fluctuation

76. What is the term for the potential for loss resulting from an adverse change in economic conditions?
a) Financial risk b) Legal risk
c) Economic risk d) Product risk

77. Which of the following is an example of a financial risk?

a) Fraud
b) Interest rate fluctuations
c) Product defects
d) Human resources management

78. What is the term for the potential for loss resulting from the uncertainty about the future value of financial assets?
a) Market risk b) Credit risk
c) Liquidity risk d) Political risk

79. Which of the following is an example of a market risk?
a) Currency exchange rate fluctuations
b) Customer default
c) Product defects
d) Natural disaster

80. What is the term for the potential for loss due to the inability to convert an asset into cash quickly without a significant loss in value?
a) Credit risk b) Liquidity risk
c) Operational risk d) Legal risk

81. Which of the following is an example of a credit risk?
a) Interest rate fluctuations b) Customer default
c) Natural disaster d) Product recall

82. What is the term for the potential for loss resulting from a failure to comply with laws and regulations?
a) Regulatory risk b) Operational risk
c) Compliance risk d) Legal risk

83. Which of the following is an example of a compliance risk?
a) Product recalls
b) Environmental regulations
c) Technological risks
d) Financial fraud

84. What is the term for the potential for loss resulting from the uncertainty about the impact of political events on financial assets?
a) Economic risk b) Political risk
c) Regulatory risk d) Financial risk

85. Which of the following is an example of a political risk?
a) Currency exchange rate fluctuations
b) Changes in tax laws
c) Product defects
d) Technological risks

86. What is the term for the potential for loss resulting from the uncertainty about technological advancements and changes?
a) Product risk b) Technological risk
c) Operational risk d) Environmental risk

87. Which of the following is an example of a technological risk?
a) Cybersecurity breaches b) Economic downturn
c) Customer default d) Product recalls

88. What is the term for the potential for loss resulting from the uncertainty about the environmental impacts on an organization's operations?
a) Environmental risk b) Product risk
c) Compliance risk d) Legal risk

89. Which of the following is an example of an environmental risk?
a) Technological advancements
b) Regulatory changes
c) Climate change
d) Interest rate fluctuations

90. What is the term for the potential for loss resulting from the uncertainty about an organization's strategic decisions and initiatives?
a) Strategic risk b) Market risk
c) Credit risk d) Operational risk

91. Which of the following is an example of a strategic risk?
a) Economic downturn
b) Poor investment decisions
c) Product recalls
d) Currency exchange rate fluctuations

92. What is the term for the potential for loss resulting from the uncertainty about an organization's human resources, including recruiting, training, and retaining talent?
a) Human resources risk b) Operational risk
c) Compliance risk d) Governance risk

93. Which of the following is an example of a human resources risk?
a) Product quality control
b) Employee turnover
c) Market competition
d) Technological advancements

94. What is the term for the potential for loss resulting from the uncertainty about an organization's governance, including its management structure and decision-making processes?
a) Governance risk b) Operational risk
c) Compliance risk d) Regulatory risk

95. Which of the following is an example of a governance risk?
a) Product defects
b) Corporate governance issues
c) Market competition
d) Environmental risks

96. What is the process of analyzing potential risks and opportunities and deciding how to respond to them called?
a) Risk planning b) Risk analysis
c) Risk evaluation d) Risk response planning

97. What is the term for the stage in the risk management process involving the implementation of the chosen risk management strategies?
a) Risk planning b) Risk response
c) Risk implementation d) Risk control

98. In the process of risk management, what is the term for the stage of monitoring and reviewing the effectiveness of the chosen risk management strategies?
a) Risk control
b) Risk monitoring and review
c) Risk response planning
d) Risk evaluation

99. what term refers to the stage of the risk management process that involves the identification of potential risks to an organization?
a) Risk planning b) Risk identification
c) Risk evaluation d) Risk response planning

100. What is the term for the stage in the risk management process involving the assessment of the potential impact and likelihood of identified risks?

a) Risk evaluation b) Risk response planning
c) Risk assessment d) Risk identification

101.What is the main purpose of an insurance agent in protecting the policy holder's interest?
a) Maximizing profits
b) Ensuring fair claim settlements
c) Reducing policy coverage
d) Ignoring policy holder needs

102. Which of the following is a responsibility of an insurance agent in protecting the policy holder's interest?
a) Hiding policy terms and conditions
b) Providing false information
c) Disclosing all relevant information
d) Denying claim settlements

103. How can an insurance agent protect the policy holder's interest during the claims process?
a) Denying claims without investigation
b) Expediting the claims process
c) Delaying claim settlements
d) Providing inaccurate information

104. What should an insurance agent do to protect the policy holder's interest when selling a policy?

a) Misrepresenting policy terms and conditions
b) Pressuring the policy holder to buy unnecessary coverage

c) Educating the policy holder on the policy details
d) Withholding important policy information

105. How does an insurance agent protect the policy holder's interest when recommending a policy?
a) Recommending policies with inadequate coverage
b) Ignoring the policy holder's needs
c) Conducting a thorough needs analysis
d) Pushing the policy holder to buy unnecessary coverage

106. What is a common ethical practice for an insurance agent to protect the policy holder's interest?
a) Misleading the policy holder
b) Withholding information
c) Completing thorough policy reviews
d) Denying claims without proper investigation

107. Which of the following actions helps an insurance agent in protecting the policy holder's interest?
a) Delaying claim settlements
b) Offering biased advice
c) Disclosing all conflicts of interest
d) Denying claims without explanation

108. What should an insurance agent do to protect the policy holder's interest when renewing a policy?

a) Raising premiums without justification
b) Reducing coverage without informing the policy holder

c) Providing policy options and explaining changes
d) Avoiding communication with the policy holder

109. How does an insurance agent protect the policy holder's interest during a policy review?
a) Withholding important policy information
b) Rushing through the review process
c) Being transparent and thorough in the review
d) Denying any changes requested by the policy holder

110. Which of the following actions demonstrates an insurance agent's commitment to protecting the policy holder's interest?
a) Underestimating the policy holder's needs
b) Maximizing profits without concern for the policy holder
c) Providing unbiased advice and support
d) Denying all policy holder requests

ANSWERS

1.a,2.d,3.a,4.c,5.a,6.d,7.b,8.c,9.c,10.a,11.b,12.d,13.a,14.a,15.d,16.a,17.d,18.d,19.a,20.d,21.a,22.a,23.b,24.c,25.a,26.c,27.c,28.c,29.d,30.b,31.a,32.b,33.a,34.c,35.b,36.c,37.a,38.c,39.a,40.b,41.c,42.d,43.c,44.c,45.a,46.c,47.b,48.b,49.d,50.b,51.d,52.b,53.c,54.b,55.d,56.b,57.d,58.b,59.c,60.b,61.a,62.d,63.b,64.c,65.d,66.a,67.b,68.d,69.c,70.b,71.c,72.d,73.d,74.b,75.b,76.c,77.b,78.a,79.a,80.b,81.b,82.c,83.b,84.b,85.b,86.b,87.a,88.a,89.c,90.a,91.b,92.a,93.b,94.a,95.b,96.d,97.c,98.b,99.b,100.c,101.b,102.c,103.b,104.c,105.c,106.c,107.c,108.c,109.c,110.c

UNIT -V

1. What is life insurance?
a) A type of insurance that covers your life and health
b) A type of insurance that covers your car and home
c) A type of insurance that covers your business operations
d) A type of insurance that covers your travel expenses

2. What is the purpose of life insurance?
a) To provide financial protection to your loved ones upon your death
b) To cover medical expenses during your lifetime
c) To invest money for retirement
d) To protect your home and belongings from damage

3. Which of the following is not a type of life insurance?
a) Term life insurance b) Whole life insurance
c) Car insurance d) Universal life insurance

4. What is the difference between term life insurance and whole life insurance?
a) Term life insurance provides coverage for a specific period of time, while whole life insurance provides coverage for your entire life.
b) Term life insurance is more expensive than whole life insurance.
c) Term life insurance provides higher death benefits than whole life insurance.

d) Whole life insurance can be cancelled before the policyholder's death, while term life insurance cannot.

5. What happens if the policyholder of a life insurance policy stops paying premiums?
a) The policy is automatically cancelled and any accumulated cash value is forfeited.
b) The policy remains in effect, but the death benefit is reduced.
c) The policy lapses and provides no further coverage.
d) The insurance company takes over premium payments on behalf of the policyholder.

6. How is the premium amount for a life insurance policy determined?
a) It is a fixed amount determined by the insurance company.
b) It is based on the policyholder's age, health, and desired coverage amount.
c) It is determined by the policyholder's occupation and income level.
d) It is based on the insurance company's profits and expenses.

7. What is a beneficiary in a life insurance policy?
a) The person who pays the premium for the policy.
b) The person who receives the death benefit upon the policyholder's death.
c) The insurance company providing coverage for the policy.

d) The person who is insured under the policy.

8. Can the policyholder change the beneficiary designation on a life insurance policy?
a) No, once the beneficiary is named, it cannot be changed.
b) Yes, but only with the approval of the insurance company.
c) Yes, at any time without the approval of the insurance company.
d) Yes, but only during the policy's grace period.

9. What is a cash value in a life insurance policy?
a) The amount of money paid to the beneficiary upon the policyholder's death.
b) The amount of money paid to the insurance company as premium.
c) The savings component of a permanent life insurance policy that can be accessed by the policyholder.
d) The amount of money provided by the insurance company as an advance payment.

10. Which of the following is true about term life insurance?
a) It provides coverage until the policyholder's death, regardless of age.
b) It is the most expensive type of life insurance.
c) It does not have a cash value component.
d) It can be converted into whole life insurance without additional premiums.

11. What is the purpose of a life insurance policy's "contestability period"?
a) To allow the policyholder to contest the terms of the policy.
b) To determine if the policyholder is eligible for coverage.
c) To provide a grace period for premium payments.
d) To allow the insurance company to investigate and deny fraudulent claims.

12. What is the difference between a surrender charge and a penalty for early policy termination?
a) They are the same thing and can be used interchangeably.
b) A surrender charge is a fee for terminating a policy early, while a penalty is a reduction in the death benefit.
c) A penalty is a fee for terminating a policy early, while a surrender charge is a reduction in the death benefit.
d) There is no difference between them as they both refer to termination fees.

13. What is the concept of "living benefits" in a life insurance policy?
a) Benefits provided to the policyholder during their lifetime for medical expenses.
b) Benefits provided to the beneficiaries after the policyholder's death.
c) Benefits provided to the policyholder if they become disabled.

d) Benefits provided to the policyholder if they outlive the policy term.

14. Who is responsible for paying the premiums on a group life insurance policy?
a) The employer b) The insurance company
c) The policyholder d) The beneficiaries

15. What is an accelerated death benefit in a life insurance policy?
a) A benefit that pays out the death benefit in advance to cover medical expenses if the policyholder becomes terminally ill.
b) A benefit that increases the death benefit over time.
c) A benefit that provides a refund of premiums paid if the policyholder does not die within a certain period.
d) A benefit that allows the policyholder to skip premium payments if they are unable to pay.

16. What is a riders in a life insurance policy?
a) Extra coverage options that can be added to a policy for an additional cost.
b) The person responsible for filing a claim on behalf of the policyholder.
c) The documents that outline the terms and conditions of the policy.
d) The individuals who receive the death benefit upon the policyholder's death.

17. What is the purpose of a medical exam in the life

insurance underwriting process?
a) To determine the premium amount based on the policyholder's health.
b) To verify the policyholder's identity.
c) To evaluate the policyholder's driving record.
d) To provide medical treatment to the policyholder.

18. What is a waiting period in a life insurance policy?
a) The period of time after the policy is issued and before coverage begins.
b) The period of time after the policyholder's death and before the death benefit is paid.
c) The period of time during which premium payments can be made without penalty.
d) The period of time during which the policyholder can cancel the policy without penalty.

19. In a joint life insurance policy, what happens when one of the policyholders dies?
a) The surviving policyholder receives the entire death benefit.
b) The death benefit is split equally between the surviving policyholder and the beneficiaries.
c) The policy terminates and no death benefit is paid.
d) The policy continues with coverage for the surviving policyholder.

20. What is the purpose of a beneficiary designation form in a life insurance policy?

a) To assign ownership of the policy to another person.
b) To designate the individuals who will receive the death benefit upon the policyholder's death.
c) To transfer the policy to a different insurance company.
d) To waive the right to receive the death benefit.

21. What is the difference between a named beneficiary and a contingent beneficiary in a life insurance policy?
a) There is no difference between them; they both refer to the same thing.
b) A named beneficiary is the primary recipient of the death benefit, while a contingent beneficiary receives the benefit if the named beneficiary predeceases the policyholder.
c) A named beneficiary is a family member, while a contingent beneficiary is a friend or unrelated individual.
d) A named beneficiary is a minor, while a contingent beneficiary is an adult.

22. Can a minor be named as a beneficiary in a life insurance policy?
a) No, minors cannot receive death benefits from life insurance policies.
b) Yes, but only with the approval of the court.
c) Yes, but they must have a legal guardian to manage the funds until they reach the age of majority.
d) Yes, and they can receive the death benefit directly.

23.What is marine insurance?
a) Insurance that covers damages to ships
b) Insurance that covers damages to cargo during transport by sea
c) Insurance that covers damages to marine life
d) Insurance that covers damages to coastal properties

24 Which of the following is not covered under marine insurance?
a) Damage to cargo during loading and unloading
b) Damage due to war and civil commotions
c) Damage to the ship's hull and machinery
d) Damage due to natural calamities

25. Who is responsible for purchasing marine insurance for the cargo?
a) Ship owner
b) Cargo owner
c) Port authority
d) Insurance company

26. The type of marine insurance that covers damage to the ship itself is called:
a) Hull insurance
b) Cargo insurance
c) Freight insurance
d) Liability insurance

27. What is the maximum amount payable under a marine insurance policy called?
a) Premium
b) Insurable interest
c) Sum insured
d) Deductible

28. Which document is used to prove the existence of a marine insurance policy?
a) Bill of lading b) Certificate of insurance
c) Cargo manifest d) Port clearance document

29. What is the period of coverage under a voyage policy?
a) 1 year b) 6 months
c) Single voyage d) Unlimited duration

30. Which party typically purchases protection and indemnity insurance?
a) Cargo owner b) Ship owner
c) Freight forwarder d) Port authority

31. What type of marine insurance provides coverage for the legal liability of the shipowner for damage caused to a third party?
a) Hull insurance
b) Protection and Indemnity (P&I) insurance
c) Cargo insurance
d) Freight insurance

32. What is a marine insurance policy that covers multiple shipments over a period of time called?
a) Open cover policy b) Time policy
c) Floating policy d) Valued policy

33. Which of the following is not a marine peril covered under marine insurance?

a) Fire b) Collision
c) Theft d) Employee negligence

34. Which type of marine insurance covers damages to cargo while it is being transported by different modes of transport?
a) Voyage policy b) Open policy
c) Inland transit policy d) Time policy

35. Who issues marine insurance policies?
a) Port authority
b) Shipping companies
c) Insurance companies
d) Maritime regulatory authority

36. What is the maximum quantity of goods covered under a marine insurance policy known as?
a) Sum insured b) Peril limit
c) Indemnity limit d) Sublimit

37. What is the document issued by the insurer to the insured as evidence of the contract of marine insurance?
a) Marine certificate b) Bill of lading
c) Cover note d) Certificate of insurance

38.What does "ALOP" stand for in the context of marine insurance?
a) Accidental Loss of Profit
b) Additional Loss of Potential

c) Actual Loss of Production
d) Aggregate Limit of Protection

39. In life insurance, what is the term used to describe the amount paid to the policyholder if the policy is surrendered before its maturity date?
a) Deductible b) Premium
c) Surrender value d) Coverage limit

40. Which of the following is NOT a type of marine insurance policy?
a) Hull Insurance
b) Cargo Insurance
c) Life Insurance
d) Protection and Indemnity Insurance

41. What is the main purpose of fire insurance?
a) To protect against financial loss due to fire damage
b) To provide coverage for medical expenses
c) To insure against natural disasters
d) To protect against theft and vandalism

42. In marine insurance, what is the term used to describe the value of the cargo?
a) Coverage limit b) Declared value
c) Excess limit d) Actual cash value

43. Which of the following is NOT a factor considered when determining life insurance premiums?
a) Age b) Gender
c) Smoking status d) Occupation

44.What is the term used to describe the process of transferring the risk of a potential loss from one party to another in exchange for payment?
a) Underwriting b) Indemnification
c) Risk pooling d) Insurance

45. What type of marine insurance policy covers the legal liability of the shipowner for bodily injury or property damage to third parties?
a) Hull Insurance
b) Cargo Insurance
c) Protection and Indemnity Insurance
d) Open Cover Insurance

46. What is the maximum amount of coverage a policyholder can receive under a fire insurance policy?
a) Deductible b) Premium
c) Policy limit d) Coverage limit

47. In life insurance, what is the term used to describe the person who will receive the death benefit upon the policyholder's death?
a) Beneficiary b) Insured
c) Policyholder d) Underwriter

48. What type of marine insurance policy provides coverage for the ship or vessel itself?
a) Hull Insurance
b) Cargo Insurance
c) Protection and Indemnity Insurance
d) Open Cover Insurance

49.Which of the following is NOT a type of life insurance policy?
a) Term life insurance b) Whole life insurance
c) Fire insurance d) Universal life insurance

50. What is the term used to describe the process of evaluating and determining the risk of insuring a potential policyholder?
a) Underwriting b) Premium calculation
c) Indemnification d) Risk assessment

51. Which of the following is NOT a common type of marine insurance coverage?
a) Collision b) Liability
c) Theft d) Grounding

52. What is the term used to describe the process of compensating the policyholder for a loss covered by the insurance policy?
a) Deductible b) Claim settlement
c) Premium payment d) Risk pooling

53. In life insurance, what is the term used to describe the amount paid by the policyholder to maintain the policy?
a) Deductible b) Premium
c) Surrender value d) Coverage limit

54.Which of the following is a common exclusion in a fire insurance policy?
a) Damage from lightning b) Damage from arson
c) Water damage d) Smoke damage

55. What is the term used to describe the total amount of risk that an insurer is willing to accept under a specific policy?
a) Deductible
b) Premium
c) Coverage limit
d) Aggregate Limit of Protection

56. Which of the following is NOT a type of life insurance policy?
a) Term life insurance
b) Whole life insurance
c) Variable life insurance
d) Deductible life insurance

57. In marine insurance, what is the term used to describe the amount paid by the policyholder to maintain the policy?
a) Deductible b) Premium
c) Surrender value d) Coverage limit

58. What type of marine insurance policy provides coverage for the goods being transported by ship?
a) Hull Insurance
b) Cargo Insurance
c) Protection and Indemnity Insurance
d) Open Cover Insurance

59.Which of the following is NOT a common type of fire insurance policy?
a) Building insurance
b) Business interruption insurance

c) Travel insurance
d) Contents insurance

60. In life insurance, what is the term used to describe the risk of financial loss or hardship in the event of the policyholder's death?
a) Deductible b) Coverage limit
c) Insurable risk d) Premium

61. What is the term used to describe the process of providing compensation or payment for a loss covered by the insurance policy?
a) Underwriting b) Indemnification
c) Risk pooling d) Insurance

62. Which of the following is a factor considered when determining life insurance premiums?
a) Ethnicity b) Martial status
c) Smoking status d) Education level

63.What type of marine insurance policy covers the legal liability of the freight forwarder or logistics provider for loss or damage to cargo during transportation?
a) Hull Insurance
b) Cargo Insurance
c) Freight Liability Insurance
d) Open Cover Insurance

64. In life insurance, what is the term used to describe the period of time for which the policy is in force?
a) Deductible b) Term
c) Coverage limit d) Premium

65.Which of the following is a common exclusion in a marine insurance policy?
a) Loss or damage due to rough weather
b) Loss or damage due to war or civil commotion
c) Loss or damage due to piracy
d) Loss or damage due to mechanical breakdown

66. What is the term used to describe the process of spreading the risk of potential loss across a pool of policyholders?
a) Underwriting b) Indemnification
c) Risk pooling d) Insurance

67. What type of marine insurance policy provides coverage for the legal liability of the shipowner for damage to another vessel or property?
a) Hull Insurance
b) Cargo Insurance
c) Protection and Indemnity Insurance
d) Open Cover Insurance

68. In life insurance, what is the term used to describe the amount paid by the policyholder to maintain the policy?
a) Deductible b) Premium
c) Surrender value d) Coverage limit

69. What is the maximum amount of coverage a policyholder can receive under a marine insurance policy?
a) Deductible b) Premium
c) Policy limit d) Coverage limit

70. Which of the following is NOT a common type of life insurance policy?
a) Term life insurance
b) Whole life insurance
c) Variable life insurance
d) Deductible life insurance

71. In fire insurance, what is the term used to describe the area or location covered by the policy?
a) Deductible b) Coverage limit
c) Premium d) Policy limit

72. What is the term used to describe the total amount of risk that an insurer is willing to accept under a specific policy?
a) Deductible
b) Premium
c) Coverage limit
d) Aggregate Limit of Protection

73.In marine insurance, what is the term used to describe the process of determining the value of the goods being insured?
a) Coverage limit b) Declared value
c) Excess limit d) Actual cash value

74. Which of the following is a common exclusion in a life insurance policy?
a) Suicide b) Accidental death
c) Natural causes d) Illnesses

75. What is the term used to describe the process of evaluating and determining the risk of insuring a potential policyholder?
a) Underwriting b) Premium calculation
c) Indemnification d) Risk assessment

76. What type of marine insurance policy provides coverage for the legal liability of the shipowner for pollution resulting from the operation of the ship?
a) Hull Insurance
b) Cargo Insurance
c) Protection and Indemnity Insurance
d) Open Cover Insurance

77. In life insurance, what is the term used to describe the person who will receive the death benefit upon the policyholder's death?
a) Beneficiary b) Insured
c) Policyholder d) Underwriter

78. What is the term used to describe the process of transferring the risk of a potential loss from one party to another in exchange for payment?
a) Underwriting b) Indemnification
c) Risk pooling d) Insurance

79. Which of the following is NOT a factor considered when determining fire insurance premiums?
a) Location of the property
b) Age of the insured property
c) Construction material of the property
d) Hobbies and lifestyle of the property owner

80. What type of marine insurance policy provides coverage for the goods being transported by ship?
a) Hull Insurance
b) Cargo Insurance
c) Protection and Indemnity Insurance
d) Open Cover Insurance

81.In life insurance, what is the term used to describe the risk of financial loss or hardship in the event of the policyholder's death?
a) Deductible b) Coverage limit
c) Insurable risk d) Premium

82.What is the term used to describe the process of providing compensation or payment for a loss covered by the insurance policy?
a) Underwriting b) Indemnification
c) Risk pooling d) Insurance

83.Which of the following is a factor considered when determining life insurance premiums?
a) Ethnicity b) Martial status
c) Smoking status d) Education level

84. What type of marine insurance policy covers the legal liability of the freight forwarder or logistics provider for loss or damage to cargo during transportation?
a) Hull Insurance
b) Cargo Insurance
c) Freight Liability Insurance
d) Open Cover Insurance

86.In life insurance, what is the term used to describe the period of time for which the policy is in force?
a) Deductible b) Term
c) Coverage limit d) Premium

87. Which of the following is a common exclusion in a marine insurance policy?
a) Loss or damage due to rough weather
b) Loss or damage due to war or civil commotion
c) Loss or damage due to piracy
d) Loss or damage due to mechanical breakdown

88. What is the term used to describe the process of spreading the risk of potential loss across a pool of policyholders?
a) Underwriting b) Indemnification
c) Risk pooling d) Insurance

89. In a life insurance policy, what does "risk coverage" refer to?
a) The potential financial loss associated with the policy
b) The types of perils covered by the policy
c) The premium paid by the policyholder
d) The policyholder's age and health status

90.In fire insurance, which of the following is considered a risk coverage?
a) Damage due to natural disasters
b) Damage due to negligence
c) Damage due to intentional acts
d) All of the above

91. What is typically covered under marine insurance risk coverage?
a) Loss or damage to cargo during transportation
b) Damage caused by war or civil commotion
c) Accidental loss of profit for ship owners
d) Liability for bodily injury or property damage to third parties

92. In life insurance, what is covered under the "risk coverage" of a policy?
a) Loss of income due to disability
b) Medical expenses
c) Funeral expenses
d) All of the above

93. In fire insurance, what risk coverage typically includes damage due to natural disasters?
a) Earthquake damage b) Flooding
c) Hurricane damage d) All of the above

94.Which of the following is NOT typically covered under marine insurance risk coverage?
a) Loss caused by negligence of the ship crew
b) Damage due to piracy
c) Damage or loss of cargo during loading/unloading process
d) Damage caused by war or civil commotion

95. What type of risk coverage in life insurance protects against financial loss due to the early death of the policyholder?

a) Death benefit b) Disability benefit
c) Critical illness benefit d) Funeral expenses

96. In fire insurance, what risk coverage typically includes damage due to vandalism?
a) Malicious damage b) Arson
c) Riot or civil commotion d) Explosion

97. What type of risk coverage in marine insurance protects against legal liability for bodily injury or property damage to third parties?
a) Hull insurance
b) Cargo insurance
c) Protection and indemnity insurance
d) Freight liability insurance

98. In life insurance, what is covered under the "risk coverage" of a policy?
a) Death benefit b) Investment returns
c) Retirement income d) Car loan repayment

99. In fire insurance, what does risk coverage typically include for property damage?
a) Replacement cost b) Actual cash value
c) Market value d) Fair value

100.What is typically covered under marine insurance risk coverage?
a) Liability for losses due to piracy
b) Loss or damage to cargo during transportation
c) Civil unrest and war losses
d) Legal liability for ship crew negligence

101. In life insurance, what is typically not covered under risk coverage?
a) Death benefit b) Disability benefits
c) Retirement income d) Critical illness benefits

102. In fire insurance, what risk coverage typically includes damage due to lightning?
a) Electrical damage b) Storm damage
c) Natural accidents d) Hail damage

103. What is not typically covered under marine insurance risk coverage?
a) Loss or damage to cargo during transportation
b) Loss caused by piracy
c) Damage due to natural disasters
d) Loss caused by war risks

104.In life insurance, what is typically covered under "risk coverage"?
a) Death benefit b) Investment returns
c) Retirement income d) Mortgage protection

105. In fire insurance, which of the following is considered a risk coverage?
a) Damage due to natural disasters
b) Damage due to neglect
c) Damage due to war or civil commotion
d) All of the above

106.What does the risk coverage in marine insurance typically protect against?

a) Damage caused by natural disasters
b) Loss or damage to cargo during transportation
c) Accidental loss of profit for ship owners
d) Liability for losses due to piracy

107. In life insurance, what is typically not covered under the "risk coverage" of a policy?
a) Death benefit b) Investment returns
c) Retirement income d) Mortgage protection

108. In fire insurance, what does risk coverage typically include for belongings?
a) Valuables coverage
b) Personal liability coverage
c) Personal property coverage
d) Dwelling coverage

109. Which of the following statements about unit-linked insurance plans (ULIPs) is true?
a) ULIPs provide both insurance coverage and investment options
b) ULIPs provide only insurance coverage
c) ULIPs provide only investment options
d) None of the above

ANSWERS

1.a,2.a,3.c,4.a,5.c,6.b,7.b,8.c,9.c,10.c,11.d,12.b,13.a,
14.a,15.a,16.a,17.a,18.a,19.a,20.b,21.b,22.c,23.b,24.c,
25.b,26.a,27.c,28.b,29.c,30.b,31.b,32.c,33.d,34.c,35.c,
36.c,37.d,38.a,39.c,40.c,41.a,42.b,43.d,44.d,45.c,46.c,
47.a,48.a,49.c,50.a,51.c,52.b,53.b,54.b,55.c,56.d,57.b,

58.b,59.c,60.c,61.b,62.c,63.c,64.b,65.b,66.c,67.c,68.b,
69.c,70.d,71.b,72.c,73.b,74.a,75.a,76.c,77.a,78.d,79.d,
80.b,81.c,82.b,83.c,84.c,85.c,86.b,87.b,88.c,89.b,90.d,
91.a,92.a,93.d,94.a,95.a,96.a,97.c,98.a,99.a,100.b,101.c,
102.a,103.c,104.a,105.d,106.b,107.c,108.a,109.a

ABOUT THE AUTHOR

Dr. P. Maithili was born in 1983 in Vaniyambadi. She is currently working as an Assistant Professor in the Department of Commerce, St. Joseph's College of Arts and Science for Women, Hosur. She has completed M. Com., in Thiruvalluvar University and M.Phil. and Ph.D. in Periyar University. She has multifaceted experience of 10 years. She has published numerous papers national and international journals. Her area of interest includes Income Tax, Marketing and finance. Received university first Rank gold medalist from Madras university and the Best Senior Faculty Award from Novel research Academy, Registered under the ministry of MSME, Government of India.

9 789361 281686