IC 01 – Principles of Insurance – Model Questions

I. **Select the appropriate answer to complete the sentence** *(Checking learning - Direct)*

    i. Insurance works on the principle of:
- a. Sharing of losses
- b. Probabilities
- c. Large numbers
- d. Randomness
- e. All of the above

        Ans: e. All of the above.

    ii. Insurance helps to:
- a. Prevent adverse situations from occurring
- b. Reduce the financial consequences of adverse situations
- c. Negate all consequences of adverse situations
- d. Make assets continuously productive
- e. All of the above

        Ans: b. Reduce the financial consequences of adverse situations.

II. **State which of the statements is/are correct** *(Checking learning - Direct)*

    i. The term 'Risk' includes:
- a. Damage to machinery and property
- b. Impact on the health or life of a person
- c. Leakage of toxic products into the atmosphere
- d. Effect on the healthy life of the neighbourhood
- e. All of the above

        Ans: e. All of the above.

    ii. The main purpose of having Life insurance is:
- a. As an avenue for long-term investment
- b. As a medium for getting income tax benefits from savings
- c. As a governmental programme for reducing poverty
- d. As an avenue for short-term investment
- e. None of the above

        Ans: e. None of the above.

III. **Answer the questions below by selecting the correct answer:** *(Checking learning - Direct)*

    i. Which of the following intermediaries do not require IRDA's licence/ approval to operate in India?
- a. Insurance Brokers
- b. Insurance Agents
- c. Third Party Administrators
- d. Surveyors
- e. All the above intermediaries require IRDA's licence/ approval

        Ans: e. All the above intermediaries require IRDA's licence/ approval

    ii. An actuary is expected to:
- a. Make an exact forecast of the future liabilities of policies
- b. Make a reasonable forecast of the future liabilities of policies
- c. Calculate the premium required to cover a risk on a long-term basis
- d. Find the probability of an insured event to happen in non-life policies
- e. All the above statements are incorrect

        Ans: b. Make a reasonable forecast of the future liabilities of policies

IV. Fill in the Blanks using the appropriate word(s) *(Checking understanding - Indirect)*

i. The principle of _____ ensures that an insured does not profit by insuring with multiple insurers
   a. Subrogation
   b. Contribution
   c. Co-insurance
   d. Indemnity
   e. Particular Average
   Ans: b. Contribution

ii. The principle of average applies when the value is _____ in the proposal
   a. Understated
   b. Overstated
   c. Not ascertainable
   d. Negligible
   e. Only sentimental
   Ans: a. Understated

iii. Fidelity Guarantee Policies cover losses due to fraud by _____
   a. Employees
   b. Customers
   c. Borrowers
   d. Suppliers
   e. Financiers
   Ans: a. Employees

V. Select the expanded form of the abbreviation given *(Checking understanding - Indirect)*

i. CTL as used in insurance
   a. Contributory Total Loss
   b. Constructive Total Loss
   c. Construction Totally Lost
   d. Contractors' Total Loss
   e. Co-insurer's Tally of Loss
   Ans: b. Constructive Total Loss

ii. GA as used in insurance
   a. General Assurance
   b. General Average
   c. General Adjustment
   d. Guaranteed Assurance
   e. Guaranteed Average
   Ans: b. General Average

VI. Select the word(s) that most closely matches the given term. *(Checking understanding - Indirect)*

i. Which of the following terms matches closest with 'Family Floater'?
   a. Health insurance
   b. Property insurance
   c. Accidental injury
   d. Consequential loss
   e. Marine Partial Loss
   Ans: a. Health insurance

ii. Which of the following terms matches closest with 'Asbestosis'?
   a. Products
   b. Pension
   c. Rough Weather
   d. Workmen's Compensation
   e. Long Term Policies
        Ans: d. Workmen's Compensation

VII. **Find out which of the given statements is incorrect** *(Checking application of learning)*

i. Regarding 'Exclusions' find out the incorrect statement.
   a. Exclusions are indicated in the policy
   b. Exclusions are perils or circumstances not covered
   c. Exclusions limit the coverage under the policy
   d. Exclusions do not deal with risk coverage
   e. All the above statements are incorrect.
        Ans: d. Exclusions do not deal with risk coverage
ii. Which of the following statements is incorrect in respect of brokers?
   a. Brokers require to undergo training before being licensed
   b. Brokers are appointed by insured to take care of their interests
   c. Brokers have to pass examinations before being licensed
   d. Brokers should be registered companies or firms
   e. Brokers are allowed to negotiate with different insurers for the same insured
        Ans: d. Brokers should be registered companies or firms

VIII. **i. Which of the following terms is dissimilar to the other four options? (Find the odd-man out?)** *(Checking application of learning)*
   a. Jettison
   b. Hit and Run
   c. Sue and Labour
   d. Salvage
   e. Contamination
        Ans: b. Hit and Run
ii. Which of the following terms is dissimilar to the other four options? (Find the odd-man out?) *(Checking application of learning)*
   a. Post-hospitalisation expenses
   b. Expenses on treatment of pre-existing diseases
   c. Reinstatement value
   d. Funeral expenses
   e. Ambulance charges
        Ans: c. Reinstatement value