IC 02 – Practice of Life Insurance – Model Questions

I. Select the appropriate answer to complete the sentence (Checking learning - Direct)
   
i. In cases where a Life Insurance Agent collects the premium from the policyholder and remits it to the insurer’s office, he is acting as an agent of __________:
   
   a. IRDA  
   b. the Insurance Company  
   c. the Policyholder  
   d. the broker  
   e. the general public
   
   Ans: b. the Insurance Company

   ii. A policy where the policyholder makes a one-time payment of premium, is known as a ____________:
   
   a. Money-back policy  
   b. Single premium policy  
   c. Salary Savings Scheme policy  
   d. Half-yearly policy  
   e. Annual policy
   
   Ans: b. Single premium policy

II. i. State which of the statements given below is correct (Checking learning - Direct)
   
   a. An organisation can exist only with employees  
   b. An organisation can exist only with different sections  
   c. An organisation can exist only with its own office building  
   d. An organisation can exist without a purpose  
   e. An organisation will grow as years pass by
   
   Ans: a. An organisation can exist only with employees

   ii. State which of the statements given below is correct (Checking learning - Direct)
   
   a. People generally feel that life related risks are imminent  
   b. Religious beliefs interfere with the purchase of life insurance  
   c. People are always keen to buy insurance  
   d. Life insurance cannot be denied to anyone at any time  
   e. Life insurance is to be sold to people who are not in good health
   
   Ans: b. Religious beliefs interfere with the purchase of life insurance

III. Answer the questions below by selecting the correct answer: (Checking learning - Direct)
   
i. Which of the following is/ are important activities of an organisation’s Accounts Department?
   
   a. Keeping control on cash  
   b. Investments of funds  
   c. Processing bills  
   d. Reconciling bank statements  
   e. All of the above
   
   Ans: e. All of the above
ii. Which of the following is an important reason for insurers to sell life insurance policies through agents?
   a. The benefits of life insurance policies are simple and clear to all
   b. People can decide which policy is best for them
   c. Agents have to earn their commissions
   d. Agents have to meet their marketing targets
   e. Many people require personalised guidance for selecting the right policy
   
   Ans: e. Many people require personalised guidance for selecting the right policy

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

   i. Compared to the premium for a Whole Life plan, the premium for an Endowment plan will be ____________ for the same age
      a. more
      b. less
      c. the same
      d. double
      e. half
      
      Ans: a. more

   ii. A nomination can be made only in favour of ________________
      a. a bank
      b. spouse and children with guardian
      c. spouse and minor children
      d. parents, spouse and children
      e. any individual
      
      Ans: d. any individual

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

   i. Select the expanded form of SA as commonly used in life insurance
      a. Sum Assured
      b. Surrender of Assurance
      c. Supplementary Assurance
      d. Stamp Act
      e. Survivor’s Annuity
      
      Ans: a. Sum Assured

   ii. Select the expanded form of OR as commonly used in life insurance
      a. Oral Rehydration
      b. Once Renewed
      c. Ordinary Rates
      d. Ordinary Renewal
      e. Ombubsmman’s Assurance
      
      Ans: c. Ordinary Rates

   iii. Select the expanded form of SV as commonly used in life insurance
      a. Summary Valuation
      b. Selected Value
      c. Surrender Value
      d. Stamp Value
      e. Survivor Value
      
      Ans: c. Surrender Value
VI. Select the word(s) that most closely matches the given term. (Checking understanding - Indirect)

   i. Which of the following terms matches closest with ‘Automatic Teller Machines’?
      a. Divisional Offices
      b. Branch Offices
      c. Agents
      d. Information Kiosks
      e. Interactive Voice Response Systems
      
      Ans: d. Information Kiosks

   ii. Which of the following terms matches closest with ‘Foreclosure’?
      a. Surrender Value
      b. Nominee
      c. Death Claim
      d. Maturity Claims
      e. Bonus
      
      Ans: a. Surrender Value

VII. i. Find out which of the given statements is incorrect (Checking application of learning)
      a. An organisation must have a purpose
      b. An organisation is identified by its actions
      c. An organisation is identified by the building it occupies
      d. A organisation can sue and be sued
      e. A organisation can own assets
      
      Ans.: c. An organisation is identified by the building it occupies.

   ii. Find out which of the given statements is incorrect (Checking application of learning)
      a. Accounts department has to monitor cash flow from subordinate offices
      b. Marketing department has to monitor business inflow
      c. Marketing department has to monitor performance of agents
      d. Actuarial department is responsible for settling death claims
      e. Underwriting department has to assess risk and determine premium
      
      Ans.: d. Actuarial department is responsible for settling death claims.

VIII. Which of the following terms is dissimilar to the other four options? (Find the odd-man out?) (Checking application of learning)

   i. Which of the following terms is dissimilar to the other four in the context of insurable interest in life insurance?
      a. Employer
      b. Creditor
      c. Surety
      d. Employee
      e. Debtor
      
      Ans: e. Debtor

   ii. Which of the following terms is dissimilar to the other four in the context of death claims in life insurance?
      a. Early claims
      b. Non-early claims
      c. Foreclosure
      d. Claimant’s statement
      e. Deeds of Assignment
      
      Ans: c. Foreclosure.