DEPARTMENT OF B.COM – BANKING AND INSURANCE

17 UBI 307 – PRINCIPLES OF LIFE INSURANCE

K1 - LEVEL

MULTIPLE CHOICE QUESTIONS:

UNIT – I

1. The Basis of risk is

Liability

Uncertainty

Possibility of loss

Insurance

2. To indemnify means to

Put back in the same financial position just prior to the loss.

Put aside funds to pay for losses reported but not yet paid.

Transfer risk to someone who has better financial resources and can withstand loss..

Make financial provisions for dealing with potential losses.

3. Ratemaking is

A request for insurance, which can be oral or written.

The process of establishing rates for each class of insurance.

Applying the established rate to a specific items that are to be insured.

Related to the character of the insured.

4. Pure Risk is defined as

An event that offer no opportunity for financial gain

The chance a loss will occur

A diversifiable risk

A contingency that increases the chance of a loss

5. Insurance works on the principle of____

Sharing of losses

Probabilities

Large numbers

All of the above

6. Insurance helps to____

Prevent adverse situations from occurring

Reduce the financial consequences of adverse situations

Negate all consequences of adverse situations

Make assets continuously productive

7. With which field is actuarial science is associated?

Insurance

Banking

Micro finance

None of these

8. Pick out the insurance organization.

Self insurance

Individual insurer

Lloyd's association

All of these

9. Life insurance fulfills the needs of ______

Family needs

Old-age needs

Educational needs

All of these

10. Privatisation means ____ of an enterprise from the public sector to the private sector.

Transfer of Ownership

Transfer of Management

Both a and b

None of these

UNIT – II

11. Expand LIC

Life Insurance Corporation of India

Life India Corporation of Insurance

Life Insurance Company

Life Insurance Company Ltd

12. In Which year the LIC was established?

1956

1565

1972

1999

13. In which year the Government of India nationalized life insurance business?

1956

1565

1972

1999

14. The organization structure of Life Insurance Corporation of India has a ____ tire structure.

Four

Two

Five

Seven

15. What type of activities the central offices perform?

Investments

Framing

Administering the rules and regulations

All of these

16. The main purpose of Industrial life insurance is ___

To provide at least clean up funds

Wealth

Jewelry

None of these

17. Industrial life insurance is designed to meet the requirements of ____

Wealthy people

Wage earning population

Salary people

None of these

18. In contributory plan _____ are also liable to pay a portion of the premium

Employees

Employer

Creditor

Debtor

19. In non-contributory plan _______ pays the whole amount of premium

Employees

Employer

Creditor

Debtor

20. Micro insurance is designed for ______

Wealthy people

Low-income individuals

Salary people

None of these

UNIT – III

21. Life insurance policy provides elements of _____protection.

Protection

Investment

Both a and b

None of these

22. Whole life policies are issued for _____

Fire insurance

Marine insurance

Life insurance

Motor insurance

23. Term insurance is for the ______period of

Short term

Long term

Medium term

All of the above

24. In which premium policy the whole premium is paid of the beginning of the policy?

Single premium policy

Double premium policy

Both a and b

None of these

25. Single premium policy is______than annual premium policy.

Costlier

Lower

Medium

Minimum

26. Regular and equal premium are paid under______policy

Level premium

Single premium

Both a and b

None of these

27. Under which policy the holders are not entitled to share the profits?

Without profit policy

With profit policy

Both a and b

None

28. Holders are entitled to share the profits?

Without profit policy

With profit policy

Both a and b

None of these

29. Mortality table records the_____data

Past

Present

Future

None of these

30. Single premium is paid in______

Lump sum

Installments

Both a and b

None of these

UNIT – IV

31. Reinsurance means _____

Insurance of Insurance

Insured with two or more insurers

Both a and b

None of these

32. One insurer insurers the risk which has been undertaken by another insurer is called as _____

Reinsurance

Double insurance

Both a and b

None of these

33. _____ can be terminated when the original insurance lapses for any reason.

Reinsurance

Double insurance

Both a and b

None of these

34. ____ is not liable to the original insure in the event of loss

Reinsurer

Double insurer

Both a and b

None of these

35. Double insurance means _____

Insurance of Insurance

Insured with two or more insurers

Both a and b

None of these

36. Reinsurance is divided into ____ types

Four

Two

Three

Five

37. The subject matter of ______ is insured with different insurers.

Reinsurance

Double insurance

Both a and b

None of these

38. Which of the following is the regulator of insurance sector in India?

RBI

NABARD

SEBI

IRDA

39. Underwriting is the prices of selecting and classifying ________

Exposures

Risks

Both a and b

None of these

40. The person responsible for evaluation and acceptance / rejection of risks and computation of premium is called as the _______

Underwriter

Principal

Agent

Broker

UNIT – V

41. The surrender value paid in cash is called as

Cash surrender value

Reduced paid up insurance

Initial expenses

None of these

42. Certain expenses are involved at the beginning of the policy is called as______

Cash surrender value

Reduced paid up insurance

Initial expenses

None of these

43. The policy is expected to contribute a fund towards the profits is called as policy

Contribution to profit

Reduced paid up insurance

Initial expenses

None of these

44. Valuation is the process of value the ______ of the life insurer

Net liabilities

Single liabilities

Gross liabilities

All of these

45. Uniform bonus rate is given to all policy holder is called as ____

Uniform bonus plan

Un uniform bonus plan

Both a and b

None of these

46. The bonus is paid in cash value it is called as ____

Cash bonus

Reversionary bonus

Accumulation bonus

Endowment bonus

47. Earlier termination of policy, during policy life may give rise to _____

Surplus

Bonus

Deficiency

None of these

48. ____ includes comparison of insurance funds with the net liabilities during a particular period

Valuation

Bonus

Deficiency

None of these

49. In which year LIC Act was passed?

1956

1972

1959

1988

50. In which year IRDA Act was passed?

1999

1972

1959

1988

K2- LEVEL

SHORT ANSWERS

UNIT – I

1. Define risk.

   According to Frank Knight risk may be defined as measurable uncertainty.

2. What is uncertainty?

   The term uncertainty used to indicate situations where the possibility of occurrence of a result is non-quantifiable, consequently is not possible to insure against uncertainty.

3. State any two differences between static and dynamic risk.

   i. The occurrence of dynamic loss is not easily predictable, whereas static loss can be easily predictable.

   ii. Dynamic risks normally benefit the society, whereas static risk are not a source of gain to society.

4. What is meant by pure risk?

   Pure risk refers to those situations that involve the change of loss or no loss.

5. What is meant by speculative risk?

   Speculative risk means those risks which involves a situations where there is a possibility of gain.

6. Define insurance.

   Insurance is defined as a co-operative device to spread the loss caused by a particular risk over a number of persons who are exposed to it and who agree to ensure themselves against that risk.

7. What is meant by social insurance?

   The social insurance is to provide protection to the weaker section of the society who are unable to pay the premium for adequate insurance.

8. How insurance is useful to society?

   i. Wealth of the society is protected

   ii. Economic growth of the country

   iii. Reduction in inflation

9. Define privatization.

   Privatization means transfer of ownership/management of an enterprise from the public sector to the private sector.

10. What are the defects of public sector?
    i. Economic inefficiency in the production activities
    ii. Capacity utilization is very low
    iii. Labour indiscipline, idle time
    iv. Lack of autonomy

UNIT – II

11. Expand LIC

    Life Insurance Corporation of India
12. In Which year the LIC was established?

    1956
13. In which year the Government of India nationalized life insurance business?

    1956
14. The organization structure of Life Insurance Corporation of India has a ____ tire structure.

    Four
15. What type of activities the central offices perform?

    The central office performs the activities relating to investments, framing and administering the rules and regulations of the corporation.
16. Who is called as under-privileged persons?

    Under-privileged persons are those persons whose incomes are too lowto purchase life insurance policies, who have no adequate provision for old age and family security and become incapable to earn adequate income due to accident injury or disease.
17. What is industrial life insurance?

    Industrial life insurance is a form of life insurance specially designed to meet the requirements of wage earning population of industry.
18. What is group life insurance?

    Under this plan a large number of persons are insured by a single policy without medical examination al a low cost.
19. What is meant by pension plans?

    Today several schemes, provoding regular pensions to the employees after their retirement, which may continue even after his death, may be for a specified time or during the life time of his wife as was chosen.

20. What is micro insurance?

Micro means small transactions size of lower premiums, it is specially designed for low-income individuals.

UNIT – III

21. What is a whole life policy?

The premium is payable for 35 years or till death whichever is more. The policies where the premium is payable throughout the life of the assured is called the Whole life / Whole term policy.

22. What is a renewable term policy?

Renewable term policies are issued on the basis of terms of assurance. This plan of assurance is renewable at the end of the selected term for an additional term period without having to undergo fresh medical examination.

23. What is single premium policy?

Single premium policy is useful to those who desire to provide the whole premium in one installment at the time of taking the policy.

24. What is a single life policy?

Single life policy covers the risk on one individual, it may be issued on one's own life or on another's life.

25. What is last survivorship policy?

The sum assured shall be payable at the last death of assured or on the attaining a selected term earlier.

26. What is without profit policy?

The holders of without profit policy are not entitled to share the profit of the insurer.

27. What is with profit policy?

The holders of with profit policy are entitled to share the profit of the insurer.

28. Define Mortality table.

Mortality table is used to record the past mortality, which is used to predict the future mortality.

29. State ant two features of mortality table.

i. Observation of generation

ii. Yearly Estimation

iii. Mortality and survival rates

30. What is mean by net single premium?

Net single premium is that premium which is received by the insurer in a lump sum and is exactly adequate along with the return earned thereon to pay the amount of claim.

UNIT – IV

31. What is reinsurance?

Insurance of Insurance is called as reinsurance. One insurer insurers the risk which has been undertaken by another insurer.

32. What reason reinsurance can be terminated?

Reinsurance can be terminated when the original insurance lapses for any reason.

33. Is reinsurer liable for original insurer loss?

Reinsurer is not liable to the original insure in the event of loss

34. What is mean by double insurance?

Double insurance means the subject matter is insured with two or more insurers

35. What is mean by over insurance?

When the amount for which a subject matter is insured is more than its actual value, it is called over insurance.

36. State any two characteristics of reinsurance.

i. Reinsurance can be terminated when the original insurance lapses for any reason.

ii. Reinsurer is not liable to the original insure in the event of loss

37. Define underwriting.

Underwriting is the prices of selecting and classifying exposures. It is directly related to rate-making or the pricing function of an insurer.

38. What is mean by underwriter?

The person responsible for evaluation and acceptance / rejection of risks and computation of premium is called as the underwriter.

39. What is underwriting decision?

The decision made by the underwriter concerning risk classification and rating is called as the underwriting decision.

40. What is mean by proposal forms?

The proposal form contains questions designed to elicit all material information about the particular risk proposed for insurance.

UNIT – V

41. What is mean by surrender value?

When the insured wishes to surrender his policy reserve is no longer accumulated and the insured generally is given a surrender value.

42. What is mean by cash surrender value?

The policy holder can get the value of surrender in cash is called as cash surrender value.

43. What is mean by contribution to profit?

The policy is expected to contribute a fund towards the profit is called as contribution to profit.

44. What is valuation?

Valuation is the process to value the net liabilities of a life insurer on a particular date is called as valuation.

45. State any two objectives of valuation.

i. To determine the solvency

ii. To determine the divisible surplus

46. What do you mean by surplus?

The surplus arrived on can be distributed among the policy holders and shareholders only after certain provisions.

47. What is mean by deficiency?

The profit is not enough to share the holder is called as deficiency.

48. What is uniform bonus plan?

Uniform bonus rate is given to all policy holders of a particular type. The bonus rate is based on the policy amount.

49. What is mean by cash bonus?

The bonus declared was paid to the assured in cash and the original sum assured alone is payable at claim.

50. In which year IRDA Act was passed?

1999

K3 LEVEL

UNIT – I

1. Write explanatory note on the types of pure risk?
2. Distinguish between the dynamic and static risk?
3. What do you understand by the method of handling risk?
4. Explain the primary functions of insurance?
5. Explain the secondary functions of insurance?
6. What are the various principles of insurance?
7. The latest and oldest form of insurance is ‘Llyod’s one’ – illustrate.
8. Explain the organisation of insurance business in India.
9. Describe the importance of insurance.
10. Explain how insurance is useful to business.

UNIT – II

11. Explain how insurance is useful to society.
12. What are the performance of public sector insurers?
13. Write down the organizational structure of LIC.
14. What are the features of life insurance contract.
15. Group life insurance is becoming more popular- discuss its features.
16. Disability benefits are useful to underprivileged- comment it.
17. Pension plans benefits are useful to underprivileged- comment it.
18. What are the characteristics of micro insurance?
19. What is contributory and non-contributory plans? Comment it.
20. What are the benefits of micro insurance?

UNIT – III

21. Explain the various kinds of whole life policies
22. What are the various types of term insurance policies.
23. Explain the features of money back policy.
24. Explain the children’s deferred endorsement policy.
25. What are the various types of policies according to premium payment?
26. What are the various types of policies according to participation in profits?
27. What are the features of mortality table?

28. What are the various factors affecting the calculation of premium
29. What are the steps involved in calculation of net single premium?
30. What are the steps involved in calculation of level premium?

UNIT – IV

31. What are the steps involved in calculation of gross premium?
32. What are the objectives of underwriting?
33. What are the objectives of principles of underwriting?
34. What are the objectives of requisites of underwriting?
35. How underwriting is useful in life insurance?
36. Explain the proposal form used in underwriting?
37. What are the characteristics of reinsurance?
38. Distinguish between reinsurance and double insurance?
39. What are the types of reinsurance?
40. What are the various forms of payment of surrender value?

UNIT – V

41. What are the objectives of valuation?
42. What are the factors of valuation?
43. What are the various sources of surplus?
44. Difference between surplus and profit.
45. What are the various classifications of bonus?
46. What are the various classifications of bonus options?
47. What are the various procedure of assignment of life policies?
48. Write a short note on nomination?
49. Difference between assignment and nomination.
50. Explain the LIC act 1956.

K4 LEVEL

UNIT – I

1. Explain the various classifications of risks.
2. Explain the various methods of handling risks.
3. Insurance is not to prevent risk, but to indemnify the losses arising from a certain risk- comment it.
4. Describe the various kinds of insurance and examine briefly the nature of risks, protected by each kind of insurance.
5. Detail the different kinds of insurance organizations and illustrate the merits and demerits of each organization.

UNIT – II

6. Describe the importance of insurance what are its uses to an individual.
7. Explain the various benefits of life insurance.
8. Discuss about the privatization of insurance business in India.
9. Discuss the main provisions of industrial life insurance.
10. Discuss the main provisions of micro insurance.

UNIT – III

11. Describe the different types of endowment policies.
12. Describe the different types of term policies.
13. Explain the various kinds of life insurance policies.
14. Multipurpose policy is fulfilling almost all types of human needs- comment.
15. Explain the salient features of number of person insured and methods of payment of policy amount.

UNIT – IV

16. Explain the various sources of mortality information and its criticism.
17. Explain the various process of underwriting.
18. Discuss the objectives and principles of underwriting.
19. Explain the various types of reinsurance.
20. Distinguish between reinsurance and double insurance.

UNIT – IV

21. Explain the basis of calculating surrender value.
22. Distinguish between assignment and nomination.
23. Discuss life insurance corporation Act 1956.
24. Discuss IRDA Act 1999.
25. What are the factors of valuation and how is valuation done?