Sample question on

Risk Analysis & Insurance Planning

PART I (LIFE INSURANCE)
Section 1

Marks1 × 20 = 20

Choose the most appropriate answer from the alternatives given:

1. What are the two main types of life insurance premiums?
a) Level and Stepped
b) Uneven and Level
c) Even and Stepped
d) Variable and Flat

2. What is the term used for the insured's right to renew their life insurance policy regardless of changes to medical status?
a) Right to renew
b) Guaranteed renewable
c) Right to continue
d) Guaranteed continuance

3. For a young person with low income who has just started his career and expects bright future, the suitable plan may be
a) Term Assurance
b) Money Back
c) Endowment Policy
d) Convertible whole life policy

4. A fixed date on which benefits may become payable either absolutely or contingently in a life insurance policy, is called
a) death
b) disability
c) survival
d) all of these

5. For the same age and benefits, the premium under a Limited Payment policy
a) will be less than in a non-limited plan policy
b) will be more than in a non-limited plan policy
c) may be more, less or same as in a non-limited plan policy
d) will be the same as in a non-limited plan policy

6. The premium charged from the policyholder is called the
a) Risk premium
b) Pure premium
c) Office premium
d) Any one of the above

7. Hazards is the factor that………... the risk
a) enhances
b) doubles
c) halves
d) reduces

8. Insurance is possible
a) When an adverse happening is likely
b) When an adverse happening is certain
c) When an adverse happening is unlikely
d) in all the above three situations

9. Which one of the following statements is correct
a) Section 45 of the Insurance Act 1938 makes the principle of good faith partly redundant
b) The incontestable clause applies from the commencement of life insurance contract.
c) Both the statements are correct
d) Both the statements are wrong

10. Risk on child's life under Children Deferred Assurance plan starts on…………..
a) Deferred date
b) Date of commencement
c) Date of vesting
d) Date of majority

11. A human being is
a) an economic asset
b) a perishable asset
c) Both of the above are true
d) None of the above is true.

12. The probability distribution of car accidents is as under

Number of Accidents	**Cumulative Relative Frequency.**
0	0.40
1	0.65
2	0.75
3	0.90
4 or more	1.00

Find the probability of one car having met with at least 2 accidents.
a) 0.25
b) 0.75
c) 0.10
d) 0.35

13. If 'l_{30}' is 9,83,989; and 'l_{31} ' is 982838, then calculate the risk premium for a group of 5000 persons for a SA of Rs10,00,000 each.
a) 58,55,492
b) 5,85,549
c) 58,48,643
d) 5,84,864

14. Calculate risk premium at the age of 29 years for a SA of Rs.10,00,000 from the data given below:

Age 'x'	**l 'x'**
28	986292
29	985142
30	983989

a) Rs1169.02
b) Rs1167.34
c) Rs1170.39
d) Rs1171.76

15. If expenses are 20% of the gross (office) premium and the pure premium is Rs5000, then what would be the office premium?
a) 6000
b) 4167
c) 6250
d) None of the above

16. A person who takes the decision to accept the proposal in an insurance company is called
a) Accountant
b) Actuary
c) Underwriter
d) Director

17. A voidable contract is a contract enforceable at the option of
a) Both the parties to the contract
b) Only one party to the contract
c) Both the above are correct
d) None of the above is correct

18. Which of the following is not relevant element for a valid contract
a) Proposal and acceptance
b) Consideration
c) Indemnity
d) Consensus ad idem

19. A contract whereby one of the parties is bound to comply with his promise and there is no such binding on the other party to do so in future is called a contract of the nature of
a) Aleatory
b) Unilateral
c) Conditional
d) Contingent

20. Ms Neelam runs her own business at a small level where she finds that there exists a risk that occurs frequently but its severity is very low. Which device of risk management should she use to handle such a risk?
a) A voidance
b) Co-insurance
c) Retention
d) Under-Insurance

Section 2

Marks 2 ×10 = 20

Choose the most appropriate answer from the alternatives and give reasons thereof.

21. A person aged 60 has a whole life plan with a high level of life insurance for the reason he wants to
(i) Pay estate duty
(ii) Provide succession or dependent income
(iii) Repay outstanding debt
(iv) Build Cash Value

a) Only (i) and (ii)
b) Only (i) and (iii)
c) Only (i), (ii) and (iii)
d) All of the above

22. Which of the following does not constitute a valid charge on the premiums paid for an investment-linked life assurance policy?

a) bid-offer spread
b) front-end charges
c) recurrent fund related charges
d) surrender penalty

23. The following are statements concerning contracts of insurance. Identify the statement/s that is/are correct.

I. Whenever the wording in an endorsement or rider is in conflict with the terms of the policy to which it is attached, the endorsement or rider takes precedence.
II. One reason for exclusions in insurance policies is that the risks are covered by other insurance.

a) I only
b) II only
c) I and II
d) Neither I nor II

24. The following are statements made concerning contracts of insurance. Identify the statement/s that is/are correct.

I. For life insurance contracts, misstatement of the insured's age constitutes a voidable misrepresentation.
II. An innocent misrepresentation by an applicant for insurance constitutes fraud.

a) I only
b) II only
c) I and II
d) Neither I nor II

25. The maxim "buy term and invest the balance" may not be a feasible proposition for many investors for the following reasons EXCEPT for:

a) it may be difficult to achieve sufficient diversification in the invested assets
b) it may be difficult to achieve a suitable investment portfolio with the desired risk reward relationship
c) it may be possible to consistently outperform the investment returns earned by an established life office
d) that the insurer offers capital guarantees on cash values

26. Identify which amongst the following is/are the basic aim/s of underwriting:

I. to treat equitably the lives proposing for insurance coverage
II. to design an appropriate loading structure for substandard lives

a) I only
b) II only
c) I and II
d) Neither I nor II

27. A regular premium life assurance policy is to be issued to a life with a decreasing extra risk. This extra risk is usually handled by:

a) Charging a level percentage extra premium for the premium payment duration
b) Charging a level percentage extra premium for a shorter period than the premium payment duration
c) Age rating the life and charging the premium appropriate to a standard life having the rated age
d) Charging a debt or imposing a lien

28. Which of the following is true regarding the ownership of life insurance policy?

a) A policy can only be issued to the insured

b) Generally, assigning a policy requires proof that the insured is still 'insurable'
c) Only a person with an insurable interest can be named as a beneficiary
d) The owner can assign the policy to any body.

29. An insured has a premium due on his general insurance policy having no grace period. He contacts the agent for extension of the premium payment date. The agent assures him that the insurer usually grants a grace period of one week for such premium payment. One day after the due date of premium, the insured's car meets with an accident. The insurer cannot deny liability for the loss, on the grounds that the premium was not paid within time because of the Principle of:

a) Waiver
b) Estoppel
c) Utmost Good Faith
d) Insurable Interest

30. Calculate Paid Up Value on the basis of the data as under:

Sum Assured	**Rs. 50,000**
Plan & Term	**Participating Endowment for 12 years**
Date of commencement	**1st November, 1998**
Due Date of last premium paid	**1st November, 2000**
Mode of premium payment	Half-yearly
Consolidated bonus rate	@Rs100 per thousand SA

a) Rs12,500
b) Rs15,417
c) Rs10417
d) None of the above

Section 3

Marks 3 × 2 = 6

Attempt any two. Each question carries 3 marks. Show calculations.

31. Mr. Ajay aged 30 yrs plans to Retire at age 60. His current Annual Salary is Rs.3,00,000. He pays professional tax of Rs.1,000 and Income tax Rs25,000. His self-maintenance expenses are estimated to be Rs60,000 p.a. He pays Life insurance premium for self Insurance Rs.7,000 for a self policy of Rs2 Lakhs, also premium for his wife's policy Rs2000. If the rate of interest is 6%, calculate the total life insurance required as per HLV method.

a) Rs.52 lakhs
b) Rs.68 lakhs
c) Rs.48 lakhs
d) Rs.66 lakhs

32. Calculate cost per thousand of the risk amount of Mr. Ashok's Life Insurance policy which he bought for SA of Rs20 lakh. He pays a premium of Rs15,000 pa. The Surrender value of the policy is Rs6,00,000 at present. If he continues it, the surrender value would increase to Rs25,000. Assume interest rate of 7.5% pa.

a) Rs2.63
b) Rs26.27
c) Rs20.31
d) None of the above.

33. Calculate Half-yearly Premium from the following data:

SA	Rs1,00,000
Tabular Premium	Rs30.40 per thousand

Rebate for Half – yearly mode @Re1.00 per thousand
Large Sum Assured rebate Rs1.50 if the SA is equal to or more than Rs50,000
Double Accident Benefit Rider premium @Re1.00 per thousand
Health extra @ Rs1.50 per thousand

a) Rs3040
b) Rs1520
c) Rs1500
d) None of the above.

34. If the insured dies on 27-6-2007 who had taken a participating endowment policy for Rs30,000 on 13-12-1991. The half-yearly premiums @Rs900 were paid due up to 13-6-2006. The policy term is 30 years. The bonus already allocated to the policy is @Rs. 800 per thousand for all the years up to March 2006. The interim bonus @Rs75 per thousand was declared on the valuation as on 31-3-2006. Calculate the amount of death claim payable to the nominee.

a) Rs54000
b) Rs56250
c) Rs54450
d) None of the above

Section 4 (Subjective)

35. Write brief note on any 3 of the following: ***(3 marks each)***

a) Utmost good faith
b) Pure endowment plan
c) Deferred date
d) Contract

Attempt any two questions. All questions carry 5 marks each.

36. Differentiate between peril and hazards with the help of examples?

37. What is the difference between term and endowment plan?

38. Principle of Indemnity doesn't apply to life insurance policies. Explain.

PART II (GENERAL INSURANCE)
Section 5

Marks 1 × 15 = 15

Choose the most appropriate answer from the alternatives given:

39. Which of the following is not pure risk?
a) Pre-mature death
b) Fire in a gown
c) Investment in equity
d) Machinery breakdown

40. A loss arising from "indifferent attitude" towards safety because of existence of insurance is __________
a) Morale hazard
b) Occupational hazard
c) Physical hazard
d) Un-intentional hazard

41. Licence for working as insurance agent are given to _________
a) Individual
b) Companies
c) C0-operatvie societies
d) All the above.

42. Mr. Hanish insured his shop worth Rs. 40,00,000 for Rs. 20,00,000 . In a devastating fire the shop was completely gutted. Calculate the amount of claim payable to Mr. Harish
a) Rs. 10,00,000
b) Rs. 20,00,000
c) Rs. 40,00,000
d) None of the above

43. A composite broker is that broker who carries on business as ________
a) Broker & agent
b) General & life insurance broker
c) Insurance & reinsurance broker
d) Any of the above

44. A package motor insurance policy will cover
a) Only damage to the vehicle
b) Only liability to the third parties
c) Injury to driver / owner
d) All of the above

45. Insurance is primarily a case of
a) Risk retention
b) Risk reduction
c) Risk transfer
d) Risk prevention

46. Which of the following is not considered as a material fact
a) Previous insurer has rejected the proposal
b) Insured himself has cancelled the policy
c) Previous insured has cancelled the policy
d) None of the above

47. Under motor vehicle act no fault liability in case of permanent disability is

a) Rs. 1 lakh
b) Rs. 50,000
c) Rs. 25,000
d) Rs. 12,500

48. A policy with sum insured Rs. 10 lakh is with franchise Rs. 10,000. The loss is Rs. 15,000. What is the amount of claim payable?

a) Rs. 10,000
b) Rs. 5,000
c) Rs. 15,000
d) NIL

49. Overseas mediclaim policy can be issued for a maximum period of

a) 365 days
b) 180 days
c) 30 days
d) 7 days

50. In a group corporate frequent traveller no single visit shall be more then __________ days.

a) 180 days
b) 60 days
c) 30 days
d) 7 days

51. In fidelity guarantee insurance (floator policy) the insured wants to cover 10 employees for a sum insured of Rs. 10 Lakh. Premium rate is Rs. 1% & for per capita Rs. 10. Calculate the premium.

a) 5050
b) 10000
c) 10100
d) 11000

52. Which of the statement is correct

A. Under common law insurer has a right of subrogation only after satisfying the claim
B. Under policy insurer has right of subrogation even before paying the claim

a) Statement 'A' is correct
b) Statement 'B' is correct
c) Both are correct
d) Neither is correct

53. The war risk can be covered under personal accident insurance, by charging extra premium @ ____% during abnormal period

a) 10%
b) 15%
c) 50%
d) 150%

Section 6

Marks 2 × 5 = 10

Choose the most appropriate answer from the alternatives and give reasons thereof.

54. Under mediclaim policy, as "in patient" stay of 24 hours is not applicable for treatment of
- a) Lithotripsy
- b) Asthama
- c) Diabetes
- d) Hernia

55. Domiciliary hospitalisation expenses are not payable for
- a) Renal failure
- b) Tonsillitis
- c) Cardiac Arrest
- d) Correction of fracture in spinal cord

56. Which of the following statement is true
- A. Weekly benefits under personal accident are payable only when compensation amount is arrived at & agreed upon
- B. Weekly benefits & medical expenses are subject to contribution clause.

- a) Statement 'A' is correct
- b) Statement 'B' is correct
- c) Both are correct
- d) Neither is correct

57. Under floator-cum-declaration policy the minimum premium to be retained is
- a) 10%
- b) 30%
- c) 40%
- d) 50%

58. The declaration policy for burglary insurance issued for a provisional sum insured of Rs. 1 crore with rate of premium Rs. 1‰. Actual declaration made is Rs. 40 lakh. Calculate provisional sum insured & refundable amount
- a) Rs. 1000 – Rs. 500
- b) Rs. 10,000 – Rs. 5000
- c) Rs. 10,000 – Rs. 6,000
- d) Rs. 11,000 – Rs. 4,000

Section 7 (Subjective)

Marks 5 × 2 = 10

Attempt any two questions. 5 marks each

59. Write what is covered under burglary insurance policy for commercial establishment (minimum four loses) with conditions applicable?

60. Explain coverage under fidelity guarantee insurance policy & type of policies?

61. Explain in details full coverage under maternity benefits in a mediclaim policy & what are exclusion.

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