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QUESTION BANK

Title of the Paper

INSURANCE MANAGEMENT

Course: I M.Com.,
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ELECTIVE COURSE - I

INSURANCE MANAGEMENT

UNIT – I

Insurance – Definition – Nature – Principles – Role – Importance – Types of Insurance & Insurance Organization. Insurance Contract. Privatization of Insurance in India – Major Players in Insurance Business – Impact of Privatization of insurance in India.

UNIT – II

Life Insurance – Nature – Classification of Policies – Annuities – Selection of Risk – Measurement of Risk – Mortality Table – Calculation of Premium – Surrender Value – Cover Note – Policy Conditions – Progress of Life Insurance Business in India.

UNIT – III

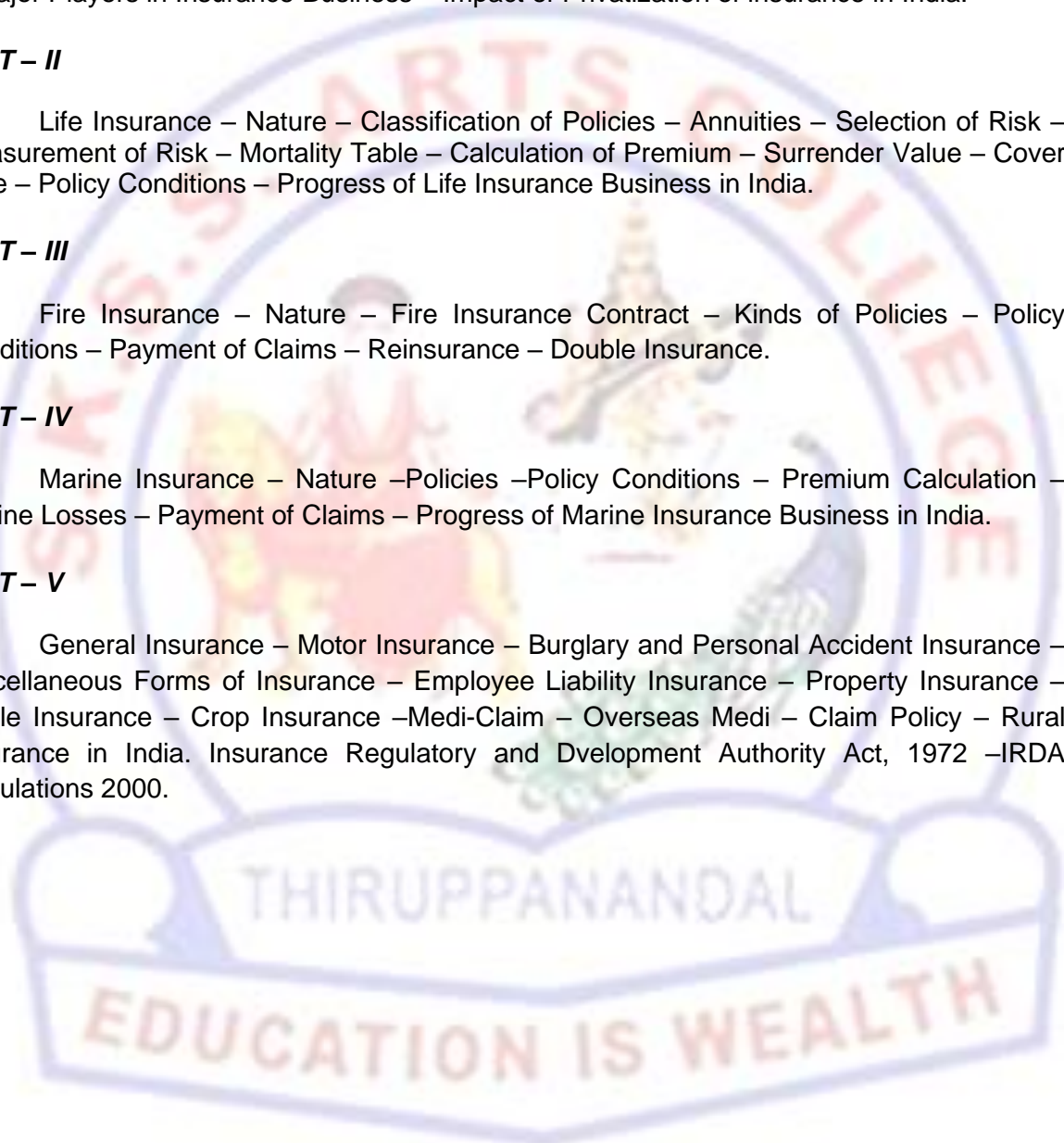
Fire Insurance – Nature – Fire Insurance Contract – Kinds of Policies – Policy Conditions – Payment of Claims – Reinsurance – Double Insurance.

UNIT – IV

Marine Insurance – Nature – Policies – Policy Conditions – Premium Calculation – Marine Losses – Payment of Claims – Progress of Marine Insurance Business in India.


UNIT – V

General Insurance – Motor Insurance – Burglary and Personal Accident Insurance – Miscellaneous Forms of Insurance – Employee Liability Insurance – Property Insurance – Cattle Insurance – Crop Insurance – Medi-Claim – Overseas Medi – Claim Policy – Rural Insurance in India. Insurance Regulatory and Development Authority Act, 1972 – IRDA Regulations 2000.



UNIT – I

CHOOSE THE CORRECT ANSWER

1. The concept of insurance is
 - (a) To make money out of death
 - (b) To earn interest
 - (c) To earn a status
 - (d) To share losses by many
 2. The business of insurance is related to protection of
 - (a) Status
 - (b) Savings
 - (c) Economic value of assets
 - (d) Profits
 3. Which insurance covers risk of earthquake?
 - (a) Fire
 - (b) Life
 - (c) Marine
 - (d) Miscellaneous
 4. Which insurance covers risk in sea voyage?
 - (a) Life
 - (b) Marine
 - (c) Fire
 - (d) Miscellaneous
 5. Who are the beneficiaries of insurance?
 - (a) Society
 - (b) Individual
 - (c) Business
 - (d) All of these
 6. In whose life a woman can have insurable interest?
 - (a) Child
 - (b) Sister
 - (c) Mother
 - (d) Husband
 7. In insurance contracts, the insurance company is also known as
 - (a) Insured
 - (b) Beneficiary
 - (c) Insurer
 - (d) None of these
 8. Document containing terms and conditions of insurance contract is called
 - (a) Policy
 - (b) F.I.R.
 - (c) Proposal form
 - (d) None of these
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9. Insurance taken on the same subject matter with more than one insurer is termed as
- Reinsurance
 - Double insurance
 - Under insurance
 - None of these
10. In case, a business firm sets up a private fund to pay out the losses if happens, then that is known as
- Individual insurance
 - Self insurance
 - Both of them
 - None of these

Answers : 1. (d) 2. (c) 3. (a) 4. (b) 5. (d) 6. (d) 7. (c) 8. (a) 9. (b) 10. (b)

SHORT QUESTIONS (2 MARKS)

- What is meant by insurance?
- Mention any three features of insurance.
- What is life insurance?
- What do you understand by marine insurance?
- Who is an insured?
- Define the term 'Hazard'.
- What is mortality table?
- What is double insurance?
- What do you understand by the term 'policy'?
- What is meant by material fact?

PARAGRAPH QUESTIONS (5 MARKS)

- What is insurance? What are its characteristics?
- Explain the various types of insurance.
- State the features of mortality table.
- Discuss in detail the various principles of insurance.
- Explain the importance of insurance.
- Distinguish between reinsurance and double insurance.
- Explain the role of insurers in developing Indian economy.
- What are the secondary function of insurance?
- Compare insurance and assurance.
- Write short note on principles of indemnity.

ESSAY TYPE QUESTIONS (10 MARKS)

- Explain the method of constructing mortality table.
- Discuss the functions of insurance.
- Write a detailed note on Deposit Insurance and Credit Guarantee Corporation.
- Explain the recent developments in the Indian insurance industry.
- Explain the objectives and functions if LIC of India.
- Discuss briefly the profile of various private life insurers in India.
- Explain briefly the profile of four public sector general insurance companies in India.
- What are the roles played by insurance company for economic development of our country?
- Write short note on : (a) Principles of Warranty (b) Lloyds Association (c) Material fact
- Discuss the various types of mortality table.

UNIT – II

CHOOSE THE CORRECT ANSWER

1. What is the primary purpose of life insurance?
 - (a) Protection
 - (b) Investment
 - (c) Both
 - (d) None

 2. In life insurance, the insurable interest should be present
 - (a) At the time of taking insurance policy
 - (b) At the time of making claim
 - (c) Both at the time of taking policy and at the time of making claim
 - (d) None of these


 3. Term assurance provides the following benefits
 - (a) Death benefits with bonus
 - (b) Periodic payments at predictable intervals
 - (c) Death and survival benefits
 - (d) Death benefits if the person dies within term

 4. Which of the following is a children's policy of LIC?
 - (a) Jeevan Chaaya
 - (b) Jeevan Vishwas Plan
 - (c) Jeevan Sathi Plan
 - (d) Jeevan Shree

 5. Annuity plans offer
 - (a) Regular assured return
 - (b) Liquidity
 - (c) Capital appreciation
 - (d) Profitability

 6. Mode of premium payment cannot be
 - (a) Yearly
 - (b) Quarterly
 - (c) Monthly
 - (d) Daily

 7. Cover note can be issued by
 - (a) Insurers
 - (b) Development officers
 - (c) Agents
 - (d) All of the above, depending on company guidelines

 8. When does a policy lapse?
 - (a) No premium paid
 - (b) Sickness
 - (c) Address change
 - (d) Leaving the city
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9. Those risks which are more than normal risks are called
- (a) Sub-Standard risk
 - (b) Super Standard risk
 - (c) Both of them
 - (d) Neither of them
10. If an insured dies during the grace period of the due premium, the nominee of the policy will receive
- (a) The policy's death benefit minus the unpaid premium
 - (b) The policy's death benefit minus the paid-up value
 - (c) Only paid-up value of policy
 - (d) No payment

Answers : 1. (a) 2. (a) 3. (d) 4. (a) 5. (a) 6. (d) 7. (d) 8. (a) 9. (a) 10. (a)

SHORT QUESTIONS (2 MARKS)

11. Give the meaning of life insurance.
12. State any three characteristics of life insurance.
13. Mention any three advantages of life insurance.
14. What is meant by whole life policy?
15. What do you understand by Endowment Policies?
16. What is meant by insurable risk?
17. What is standard risk?
18. What is net premium?
19. Define the term 'Mortality Table'.
20. What do you mean by assignment?

PARAGRAPH QUESTIONS (5 MARKS)

21. Discuss the scientific principles of life insurance.
22. Describe the procedure for effecting life insurance.
23. Write a note on insurance on female lives.
24. Write a note on insurance on minor boys and girls.
25. Explain the factors that are to be considered for determination of premium.
26. Explain the different plans of premium.
27. Explain the methods of constructing mortality table.
28. Distinguish between nomination and assignment.
29. Explain the various methods of distribution of divisible surplus.
30. Explain the procedure of revival of lapsed policies.

Essay Type Questions (10 marks)

31. What is life insurance? What are its characteristics?
32. Explain the various economic uses of life insurance.
33. What are the advantages of life insurance?
34. What are the different types of whole life policies?
35. Discuss the various endowment policies.
36. What are the various policies offered by LIC for children?
37. Explain the various types of money back policies.
38. Describe the various types of term policies.
39. Explain the different types of annuities.
40. Explain the different types of risks.

UNIT – III

CHOOSE THE CORRECT ANSWER

1. Fire insurance is usually issued for
 - (a) Two years
 - (b) Three years
 - (c) Four years
 - (d) A year
2. Which fire policy follows the principles of indemnity?
 - (a) Valued
 - (b) Valuable
 - (c) Specific
 - (d) Excess
3. What is the consequential loss in the fire insurance?
 - (a) Loss of profit on account of fire
 - (b) Property damaged by matter used for extinguishing fire
 - (c) Loss due to collapse of walls at the time of fire.
 - (d) None of these
4. Which of the following is an incidental loss by fire?
 - (a) Loss of market
 - (b) Damage caused by a fire brigade in carrying out its fire fighting operation
 - (c) Loss on account of delay
 - (d) Loss of profit on account of fire
5. What is a floating policy?
 - (a) Policy covering the fixed sum assured stock
 - (b) A standard fire policy
 - (c) A policy that covers stocks located in various godowns under a single policy
 - (d) None of these
6. A fire policy in which the amount payable in case of loss is fixed at the time of taking policy is known as
 - (a) Valued policy
 - (b) Specific policy
 - (c) Average policy
 - (d) Floating policy
7. In fire insurance, the insurable interest should be present
 - (a) At the time of taking the policy
 - (b) At the time of loss
 - (c) Both at the inception of the policy and at the time of loss
 - (d) None of these
8. Deliberate destruction of one's own property by fire is termed as
 - (a) Arson
 - (b) Incendiarism
 - (c) Passive dishonesty
 - (d) None of these

9. Setting fire on the property of the insured by third party is called
(a) Arson
(b) Incendiarism
(c) Passive dishonesty
(d) None of these
10. Insuring again by the insurer of a risk already insured is known as
(a) Double insurance
(b) Under insurance
(c) Reinsurance
(d) None of these

Answers : 1. (d) 2. (b) 3. (a) 4. (b) 5. (c) 6. (a) 7. (c) 8. (b) 9. (a) 10. (c)

SHORT QUESTIONS (2 MARKS)

11. Why do we need fire insurance?
12. What is the meaning of 'fire' in a fire policy?
13. What is a comprehensive fire policy?
14. What do you understand by moral hazard?
15. What is meant by transit policy?
16. What is meant by cover note?
17. Write short note on valued policy.
18. What do you mean by consequential loss policy?
19. Write short note on TAC.
20. Explain briefly the terms in connection with fire insurance :
(a) Misdescription (b) Excluded perils (c) Reinstatement clause

PARAGRAPH QUESTIONS (5 MARKS)

21. "No claim without flame" – Comment.
22. Mention any three characteristics of fire insurance.
23. "Good faith lies at the root of the fire insurance contract" – Discuss briefly.
24. Explain briefly the doctrine of "Subrogation" in relation to fire insurance.
25. Compare Subrogation and Contribution with reference to fire insurance contract.
26. Distinguish between Valued policy and Unvalued policy.
27. What are the advantages of schedule rating?
28. What is meant by reinsurance and retention in fire insurance?
29. State the advantages of reinsurance.
30. State the functions of fire insurance.

ESSAY TYPE QUESTIONS (10 MARKS)

31. Discuss the characteristics of a fire insurance contract.
32. Explain in detail the governing principles of fire insurance.
33. Explain the hazards present in fire insurance.
34. Discuss the various kinds of fire insurance policy.
35. Describe the procedure to be followed in effecting a fire insurance policy in India.
36. What are the conditions contained in the fire insurance policy?
37. How the claims are settled in fire insurance.
38. Discuss the process of 'rate making' in fire insurance.
39. Define reinsurance. Explain the methods of reinsurance.
40. Discuss the provisions relating to renewal, assignment and cancellation of fire insurance policy.

UNIT – IV

CHOOSE THE CORRECT ANSWER

1. Marine Insurance covers risks in
 - (a) Water
 - (b) Air
 - (c) Land
 - (d) All of these
2. In marine insurance, loss due to rats and vermins is
 - (a) A general exclusion
 - (b) A covered loss
 - (c) A statutory exclusion
 - (d) None of these
3. Can a marine policy be assigned?
 - (a) Cannot be assigned
 - (b) Canbe assigned before the loss
 - (c) Can be assigned after the loss
 - (d) Both (b) and (c)
4. Constructive total loss in marine insurance means
 - (a) A loss which is not covered
 - (b) The loss caused is so huge that the cost of repairs would exceed the actual amount, so it is adjusted as a total loss
 - (c) A partial loss
 - (d) Same as total loss
5. In marine insurance, the insurance interest should be present
 - (a) At the time of taking policy
 - (b) At the time of loss
 - (c) Both at the time of effecting policy and at the time of loss
 - (d) None of these
6. The master and crew of the ship have insurable interest in the
 - (a) Ship
 - (b) Cargo
 - (c) Wages
 - (d) None of these
7. The policy in which the subject matter is insured for a particular voyage is called
 - (a) Valued policy
 - (b) Open policy
 - (c) Voyage policy
 - (d) Mixed policy
8. The policy which covers the risk during particular voyage for a specified period of time is known as
 - (a) Voyage policy
 - (b) Time policy
 - (c) Valued policy
 - (d) Mixed policy

9. The policy which covers the risks for all vessels of the insured is called
- (a) Fleet policy
 - (b) Single vessel policy
 - (c) Named policy
 - (d) Currency policy
10. The policy which covers both on and off the insured's premises including incidental inland risks is called
- (a) Blanket policy
 - (b) Block policy
 - (c) Currency policy
 - (d) Specific policy

Answers : 1. (a) 2. (c) 3. (c) 4. (b) 5. (b) 6. (c) 7. (c) 8. (d) 9. (a) 10. (b)

SHORT QUESTIONS (2 MARKS)

11. Define Marine insurance.
12. Why do we need marine insurance?
13. Write a short note on Lloyd's Association.
14. What do you mean by perils of sea?
15. Can a marine policy be assigned?
16. What is voyage policy?
17. Write a note on floating policy.
18. What do you mean by 'Touch and Stay'?
19. State the meaning of P.P.I policy.
20. What are salvage charges?

PARAGRAPH QUESTIONS (5 MARKS)

21. Explain the essentials of a marine insurance contract.
22. "Good faith lies at the root of insurance contract" – Discuss the principles with special reference to marine insurance.
23. Explain the various clauses of marine insurance policies.
24. Discuss the various kinds of policies relating to cargo and hull.
25. Explain the meaning and effect of change of voyage and deviation in a contract of marine insurance.
26. Describe the procedure of taking out a company marine policy in India.
27. Explain the procedure of taking out a Lloyd's policy.
28. Compare 'Change of Voyage' and 'Deviation of Voyage'.
29. What is meant by sea worthiness in marine insurance?
30. Distinguish between Actual total loss and constructive total loss.

ESSAY TYPE QUESTIONS (10 MARKS)

31. What do you understand by marine insurance? Discuss its importance in international trade.
32. What principle does the "Sue and Labour" clause in a marine insurance lay down? Discuss fully.
33. Describe the circumstances in which marine insurance premium is returnable to the insured.
34. Distinguish between Express and implied warranties and discuss different types of implied warranties.

35. What are the different types of marine losses? Discuss the total loss in detail.
36. Under what circumstances can a claim be made for general average contribution?
37. Discuss the liabilities of the underwriters on particulars average on ship, cargo and freight.
38. What is a notice of abandonment? Describe the statutory provisions relating to this notice.
39. Explain the procedure of settlement of claims in marine insurance.
40. Discuss in detail the governing principles of marine insurance.

UNIT – V

CHOOSE THE CORRECT ANSWER

1. 'Total loss' in motor insurance means
 - (a) Confiscation of the vehicle by RTA
 - (b) Partial damage to the vehicle
 - (c) Theft of the vehicle
 - (d) When the cost of repair exceeds the market value at the time and date of loss
2. Burglary insurance is for
 - (a) Shopkeepers
 - (b) Industrialists
 - (c) Officers
 - (d) Everyone
3. Personal accident insurance does not cover the injuries resulting from
 - (a) Intentional self-injury
 - (b) Injuries due to dog bite
 - (c) Injuries while engaged in sports
 - (d) Accidental injuries
4. Which of the following fidelity guarantee policies is automatically cancelled on payment of a loss?
 - (a) Position policy
 - (b) Individual policy
 - (c) Floating policy
 - (d) Blanket policy
5. Aviation insurance covers following risk
 - (a) Loss and accidental damage to air and ground risks
 - (b) Flights operated on scheduled routes by recognised airlines
 - (c) Both of them
 - (d) Neither of them
6. Motor insurance was first launched in
 - (a) USA
 - (b) UK
 - (c) India
 - (d) Pakistan

7. The policy which covers expenses incurred by the insured for hospitalisation is known as
(a) Professional indemnity policy
(b) Mediclaim policy
(c) Burglary policy
(d) Shopkeepers policy
8. Employee's State Insurance Corporation was established in
(a) 1968
(b) 1958
(c) 1948
(d) 1988
9. General Insurance Policies are issued for a period of
(a) 1 year
(b) 2 year
(c) 10 years
(d) 4 years
10. Reinsurance can be called as
(a) Insurance of insurance
(b) Insurance of insures
(c) Insurance of insurance policy
(d) None of these

Answers : 1. (a) 2. (d) 3. (a) 4. (b) 5. (b) 6. (b) 7. (b) 8. (c) 9. (a) 10. (a)

SHORT QUESTIONS (2 MARKS)

11. What is motor insurance?
12. State the different types of motor vehicle.
13. What is meant by Workmen Compensation insurance?
14. What is money-in-transit policy?
15. What is neon sign insurance?
16. State the meaning of duty insurance.
17. What is meant by baggage insurance?
18. What do you know about aviation insurance?
19. Give the meaning of marine-cum-erection policy.
20. What is Universal Health Insurance Scheme?

PARAGRAPH QUESTIONS (5 MARKS)

21. Describe briefly the motor policy conditions.
22. Write a note on contractors all risks insurance.
23. Mention the different types of policies offered under fidelity guarantee insurance.
24. What do you understand by credit insurance?
25. Mention the special features of All Risks Insurance.
26. State the causes of loss not covered in plate glass insurance.
27. What do you meant by rural insurance?
28. State the features of Cattle insurance.
29. Mention the matters to be stated in General Insurance Policy under IRDA Act.
30. Explain the important provisions of IRDA 1999.

ESSAY TYPE QUESTIONS (10 MARKS)

31. Explain the various stages of settlement of claims in motor insurance.
32. Explain in detail the personal accident policy.
33. Discuss briefly the various policies offered under accidents and hospitalisation insurance.
34. Explain the various policies offered under engineering and industrial insurance.
35. Describe the various policies offered under business insurance.
36. Discuss the salient features of farmers package insurance.
37. Explain the challenges to be encountered in the Indian Rural Insurance Market.
38. Discuss the various community-based health insurance schemes available in India.
39. Explain the important provisions of IRDA (Protection to Policy Holder's interests) Regulation 2000.
40. What are the provisions of IRDA relating to licensing of corporate agents?

