

K.J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES & RESEARCH  
PGDM (FS) – 2017 – 19  
Insurance Management  
Paper A

Date : 27/09/2018

Marks : 50

Time : 2 Hours

Note : There are two forms of questions : 100 MCQ each with 0.4 mark each and two descriptive questions of 10 marks.

Good luck

Multiple Choice Questions: Please tick the right answer

1. What is the objective of principle of Subrogation
  - a) Allowing insurers to succeed to the rights and remedies of the insured
  - b) Preventing the insured to recover more than his loss
  - c) Providing each insurer to pay only his proportionate share of loss
  - d) Ensuring that the insured cannot recover his loss from all the insurers he has insured with
  
2. Which of the following intermediaries do not require IRDA's license / approval to operate in India
  - a) Insurance Brokers
  - b) Insurance Agents
  - c) Third Party Administrators
  - d) None of above
  
3. What are transfers made by insurers to other insurers called?
  - a) Insurance
  - b) Underwriting
  - c) Re Insurance
  - d) Appreciation
  
4. 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 case of their interest
  - c) Brokers have to pass examinations before being licensed
  - d) Brokers should be registered companies or firms
  
5. The principle of average applied when the value is \_\_\_\_\_ in the proposal
  - a) Understated
  - b) Overstated
  - c) Not Ascertainable
  - d) Negligible

6. 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 coverages
  
7. 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) None of above
  
8. As regards to the subject matter, the principle of Good Faith requires
  - a) The amount of premium payment
  - b) Parties to be of the same mind
  - c) The obligations of the policy holder
  - d) The nature of the liability
  
9. Which of the following terms matches closest with Asbestosis?
  - a) Products
  - b) Pension
  - c) Rough Weather
  - d) Workmen's Compensation
  
10. Which of the following is not a Peril?
  - a) Burglary in a godown
  - b) Fire caused by a short-circuit
  - c) Death in an accident
  - d) Drought caused by failure of Monsoon
  
11. What is the basic prerequisite for the insurer to pay the claim to the policy holder?
  - a) Minimum age limit
  - b) Death Certificate
  - c) Proof of the occurrence of the event
  - d) Minimum payment at the time of availing the amount
  
12. Find the Odd man out
  - a) Post hospitalization Expenses
  - b) Expenses on treatment of pre-existing diseases
  - c) Reinstatement value
  - d) Funeral expenses

13. Which of the following statements is true about Pool Arrangement?
- a) Only expense is shared by the members of the pool
  - b) Expenses and Profits are shared by the members of the pool
  - c) Neither Expenses nor Profits are shared but common rules are set amongst Insurers
  - d) Only profits are shared by the members of the Pool
14. Insurance works on the principle of
- a) Sharing of Loss
  - b) Probabilities
  - c) Large Numbers
  - d) All of above
15. \_\_\_\_\_ are claims which are paid as a matter of grace where the loss is outside the scope of the policy or the liability under the policy, in strict legal terms, is doubtful
- a) Warranty Payments
  - b) Ex-gratia Payments
  - c) Endorsements Payments
  - d) Alteration Payments
16. Which of the following policies shall be issued for stocks which are subject to frequent fluctuations in value, or in quantity
- a) Family Floater Policy
  - b) Declaration Policy
  - c) Local Authority Policy
  - d) Agreed Bank Policy
17. Reinstatement Value Policy can be given to
- a) Stocks
  - b) Building, Plant & Machinery
  - c) Stock in Process
  - d) All of above
18. What is meant by Spontaneous Combustion
- a) Charring due to self-heating
  - b) Spread of fire
  - c) Change of color or deterioration in Quality due to self-heat
  - d) Loss or damage due to fire caused by own fermentation or natural heating
19. Preliminary investigation of loss under Fire Policy includes
- a) Whether the loss caused by an insured peril
  - b) Whether the damaged is covered under the Policy
  - c) Whether adjacent property is damaged
  - d) All of the above

20. Expand the term "EML"
- a) Estimated Maximum Loss
  - b) Estimated Minimum Loss
  - c) Elaborate Maximum Loss
  - d) Elaborate minimum loss
21. Basis of settlement in Fire policy can be
- a) Market Value basis only
  - b) Reinstatement value basis only
  - c) Market value or reinstatement value basis
  - d) None of above
22. Which principles of insurance gives legal validity to insurance contracts
- a) Principle of contribution
  - b) Principle of insurable interest
  - c) Principle of utmost good faith
  - d) Principle of proximate cause
23. Which will be treated as Hazardous goods under Fire and Special perils policy
- a) Methylated spirits
  - b) Common Salt
  - c) Sodium carbonate
  - d) Sugar
24. A machine is worth \$ 400,000 and insured for \$ 300,000 under Fire Policy. It was damaged due to Fire and amount assessed is \$160,000. The claim payable is
- a) \$ 300,000
  - b) \$ 120,000
  - c) \$ 160,000
  - d) \$ 400,000
25. Under Standard Fire & Special perils policy, debris removal up to 1% of SI can be covered at an additional premium of
- a) 15%
  - b) 10%
  - c) 5%
  - d) Nil
26. The principle of Subrogation and Principle of contribution are corollaries to which principle of insurance
- a) Principle of proximate cause
  - b) Principle of utmost good faith

- c) Principle of insurable interest
- d) Principle of Indemnity

27. In the claim settlement process which of following details are not included in preliminary report submitted by surveyor

- a) The extent of interruption expected
- b) The steps being taken to minimize the interruption
- c) The amount which in his opinion should be provided in the insurers books as a reserve against the estimated loss
- d) Final assessment of loss

28. Damage to the stocks in cold storage premises is:

- a) Generally, always excluded from Fire policy
- b) Generally included in fire policy
- c) Generally excluded in fire policy but may be covered by endorsement under add-ons
- d) Is included in fire policy only if the cold storage has fire prevention facilities

29. Time charter hire is

- a) To charter a vehicle for a specified period
- b) To take a loan on vessel for a specified period
- c) To take a vessel on hire for a specified period
- d) To hire a vessel and pay after a specified time

30. As per Marine inland transit policy the risk commences from the time

- a) The goods leave consignors warehouse
- b) The goods are being loaded on the vehicle
- c) The goods reach the buyers warehouse
- d) All of the above are correct

31. What is a slip

- a) A mistake in the policy
- b) A kind of dress
- c) A correction in the policy
- d) Evidence of contract of marine insurance

32. Marine cargo insurance policies are

- a) Strict indemnity policies
- b) Pure indemnity policies
- c) Commercial indemnity policies
- d) Benefit policies

33. Under marine insurance, cover may be granted for shipments which have commenced transit but may have been actually lost under the following provisions /

clauses

- a) Sue and labour clauses
- b) Not to insure clause
- c) Lost or not lost clause
- d) Losses not known value

34. Which of following business is not covered under industrial risk

- a) A steel mill
- b) a cement industry
- c) A warehouse
- d) a textile unit

35. Persons may relieve themselves of or restrict their liability by incorporating conditions in the agreements entered with other parties refers to?

- a) Contributory Negligence
- b) Contracting Out
- c) Act of GOD or Viz Major
- d) Inevitable accident

36. The Errors and omissions liability policy is subject to a deductible. Such deductible may be:

- a) A specifies percentage of the limit of indemnity
- b) A specifies percentage of the limit of exclusions
- c) A specifies percentage of the limit of policy excess
- d) None of the above

37. Liability insurance is classified into which of the following two categories

- a) Civil liability and criminal liability
- b) Civil liability and statutory liability
- c) Statutory liability and financial liability
- d) Statutory liability and tort liability

38. Under public liability policy for industrial risks, which of the following cannot be covered at extra premium

- a) Earthquake
- b) Fines and penalties
- c) transportation of hazardous substances
- d) Pollution

39. Office / administrative premises, medical establishments are examples of which risks

- a) industrial risks
- b) Machinery risks
- c) Non –industrial risks
- d) None of these

40. Your house is on fire due to an accident. It has three rooms: One filled with jewelry, another with equity papers and third on with cash. All three rooms are on fire. Which of

- the room should the police personnel extinguish the fire first?
- a) Room with equity papers
  - b) Room with cash
  - c) Room with jewelry
  - d) None of the above

41. What is unlawfully touching or perpetrating bodily harm to a person by another person?
- a) Slander
  - b) Libel
  - c) Assault
  - d) None of these

42. Who gets the obligatory cession of reinsurance risk out of India
- a) Munich Re
  - b) GIC
  - c) Swiss Re
  - d) Lloyd's

43. The retention of an insurance company is protected by Reinsurance treaty such as
- a) Quota share
  - b) Surplus
  - c) Excess of loss
  - d) Facultative

44. The most common form of proportional treaties is
- a) Facultative obligatory Treaty
  - b) Surplus / Quota share
  - c) Excess of loss treaty
  - d) Stop loss treaty

45. What was defined as compensation made to those by whose assistance a vessel or its cargo has been saved from impending peril of recovered from actual total loss?
- a) Average Adjusters
  - b) Log book
  - c) Salvage
  - d) None of these

46. Time charter hire is
- a) To charter a vehicle for a specified period

- b) To take a loan on vessel for a specified period
- c) To take a vessel on hire for a specified period
- d) To hire a vessel and pay after a specified period

47. Generally, the structure / body of ship is referred to as

- a) Machinery
- b) Hull
- c) Ship Structure
- d) None of these

48. As per marine insurance Act 1963, which of the following is not an Implied warranty

- a) Lawful Adventure
- b) Seaworthiness of vessel
- c) Seaworthiness of cargo
- d) Lost or not Lost

49. What refers to the variation in Outcomes that could occur over a specified period of time in a given situation

- a) Ratemaking
- b) Risk
- c) Controlling
- d) Credibility

50. Average loss per claim is called

- a) Exposure
- b) Claim
- c) Frequency
- d) Severity

51. The concept of insurance involves a transfer of

- a. liability.
- b. needs.
- c. ownership.
- d. risk.

52. Raghav recently bought a health insurance policy and a personal accident policy in India. What main section(s) of the insurance market do these products normally fall into?

- a. Life insurance in both cases.
- b. Life insurance for health and non-life insurance for personal accident.
- c. Non-life insurance in both cases
- d. Non-life insurance for health and life insurance for personal accident.



53. The main role of an underwriter in a non-life insurance company is normally to

- a. Assess the acceptability of particular risks.
- b. Make a reasonable assessment of policy liabilities based on past trends
- c. certifies a loss when claims are submitted.
- d. design the structure of the products to be offered.

54. Malliketh is a relatively cautious person. In insurance terms, this will normally increase the likelihood that he will

- a. be considered an above average insurance risk.
- b. be considered a below average insurance risk.
- c. requires insurance cover.
- d. requires reinsurance cover.

55. How are perils and hazards normally distinguished under term insurance policies?

- A. Perils are medical factors which influence the risk of dying and hazards are lifestyle activities which influence the risk of dying.
- B. Perils are risks that policyholders will die before a specified date and hazards are factors which could influence that risk.
- C. Perils are factors which affect the risk being insured and hazards are the size of the risk being insured.
- D. Perils are factors which could influence an insured event occurring and hazards are the actual events which will trigger a payout.

56. In insurance terms, the risk of suffering a disability is best described as what type of risk?

- A. Financial.
- B. Fundamental.
- C. Homogenous.
- D. Speculative.

57. For a household insurance policy, insurable interest need only exist at outset (begin of cover) and at what other point?

- a. The date the cancellation period expires.
- b. The date a claim occurs.
- c. The date the policy document is received.

d. The termination date.

58. Rahul Upadhyay is employed by Sonny. In respect of this employment, Rahul automatically has insurable interest in Sonny's life up to what limit, if any?

- a. Rahul's monthly salary.
- b. Rahul's pension fund value.
- c. Sonny's annual profit.
- d. There is no limit.

59. Arun started a 20-year term insurance policy. Once established, when, if at all, is the insurer next entitled to ask him for proof of continuing good health?

- a. At no point.
- b. After the end of the first 12 months.
- c. At the point when he changes occupation or retires.
- d. When a lapsed policy is revived.

60. The concept of indemnity is based on the key principle that policyholders should be prevented from

- a. insuring existing losses.
- b. making false insurance claims.
- c. paying excessively for insurance cover.
- d. profiting from insurance.

61. Once an absolute assignment is effected under a life insurance policy, who will be the titleholder(s) of this policy?

- a. The assignor in all cases.
- b. The assignee in all cases.
- c. Either the assignor or assignee depending on the type of policy involved.
- d. The assignor and assignee jointly.

62. A life insurer issued a quotation on 10 February, guaranteed for 14 days, which was accepted by the customer on day 10. Consequently, the insurer can only decline this risk if the

- a. customer submits a second quotation request.
- b. insurer increases its underlying premium rates.
- c. market place experiences a significant downturn.
- d. material facts change.

63. A life insurance policy can only be made paid up if what particular policy feature exists?

- a. Indexing contribution.
- b. Nomination facility.

- c. Rider benefits.
- d. Savings element.

64. The main reason why a life insurance proposal form often asks for the proposer's height is to enable a reasonable comparison with the proposer's

- a. age.
- b. gender.
- c. occupation.
- d. weight.

65. The amount paid out by the insurer under a 30-year life insurance policy exceeded the sum insured plus revisionary bonuses. The excess is likely to result from?

- a. charges refunded.
- b. a frequency loading.
- c. a tax rebate.
- d. a terminal bonus.

66. The main protection need of a 19-year-old is most likely to be

- a. self-protection.
- b. home loan protection.
- c. protection of dependants.
- d. protection of children's future.

67. Rucha recently arranged a life insurance policy under which she is classed as the master policyholder. This addresses his role as

- a. a creditor.
- b. a debtor.
- c. an employee.
- d. an employer.

68. The need for investment advice from an insurance agent normally results from what overriding key factor?

- a. Absence of any long-term goals.
- b. Inability to prioritise future financial needs.

- c. Lack of market knowledge.
- d. Shortage of available funds.

69. When undertaking financial planning for individuals without capital, what savings need is likely to be addressed in every single case?

- a. Emergency funds.
- b. Funds for children's savings.
- c. Funds for educational costs.
- d. House purchase funds.

70. Naveen is addressing his income needs by investing directly in corporate bonds. In what form will he receive this income?

- a. Annuity instalments.
- b. Dividend payments.
- c. Interest payments.
- d. Rental payments.

71. An investor holds a wide range of shares. If the Reserve Bank of India announces a series of significant interest rate increases, the prices of these shares are most likely to

- a. become volatile.
- b. decrease.
- c. increase.
- d. stagnate.

72. The changes in healthcare costs over recent years has had what general impact on healthcare insurance?

- a. A fall in average premium levels.
- b. A reduction in underwriting requirements.
- c. A rise in the need for cover.
- d. A strengthening of the insurable interest rules.

73. The general need for a pension policy results from the existence of what key problem?

- a. Anticipated fall in income.
- b. Lack of employment opportunities.
- c. Likely deterioration in health.
- d. Uncertainty over investment performance.

74. Yash pays health insurance premiums for himself, his wife and his two children aged 13 and 8. Premiums for which of these individuals will qualify as deductible from Yash's taxable income?

- a. Yash only.
- b. Yash and his wife only.
- c. Yash, his wife and his oldest child.
- d. Yash, his wife and both his children.

75. The sole focus during a client's fact-find session was healthcare requirements and estate planning. Which main life stage is he most likely to fall into?

- a. Young married.
- b. Young married with children.
- c. Pre-retirement.
- d. Retirement.

76. Apart from the salary level, what other key feature of Alok's job is likely to have a major impact on the level of his pension, life insurance and health insurance needs?

- a. Whether the job is office or field-based.
- b. The normal retirement age in relation to the job.
- c. Whether the job is in the public or private sector.
- d. Whether the job is manual or non-manual.

77. Raju died 5 years before the end of his 30-year endowment insurance policy. What factor most likely caused the insurer to investigate the claim using the early death claim procedures?

- a. He paid the most recent premium during the period of grace.
- b. His cover was originally accepted with a premium loading on medical grounds.
- c. His death resulted from a recently acquired sudden illness.
- d. The policy had lapsed and was revived shortly before he died.

78. A claim under a term insurance policy is submitted by an individual who has substantially understated his age. As an alternative to paying out the full claim the insurer is most likely to take what action?

- a. Deduct the underpaid premiums from the sum insured.
- b. Make the policy paid up.
- c. Pay out the surrender value.
- d. Reject the claim on the grounds of misrepresentation.

79. What key event is most likely to prevent insurers from ensuring that each insured

- person brings a fair premium to the pool for the risk presented?
- A fraudulent claim.
  - A policy assignment.
  - A steep rise in inflation.
  - A sudden illness.
80. What key legacy has been left by the activities of the Tariff Advisory Committee?
- A central compensation fund.
  - Customer classification status.
  - Illustrative projection rates.
  - Standard policy wordings.
81. An award made by the Insurance Ombudsman will only be binding on the insurer if the
- complainant accepts this decision.
  - Consumer Forum is involved in the case.
  - insurer signs a disclaimer.
  - value of the award is less than 2 lakhs.
82. Premiums of crop insurance are not determined by
- Location
  - Crop type
  - Size of farm
  - None of above
83. Which of the following is not covered under private car package policy ?
- Self-ignition
  - Earthquake
  - Terrorist Act
  - All are covered
84. Which of following insurance types ins mandatory
- Motor Own Damage
  - Motor Third party legal liability
  - Personal Accident Insurance
  - Professional Liability
85. Varun's car collides with another car and the other car driver is injured. Who will pay for the claims of the other driver
- Varun will pay

- b. Other driver will pay
- c. Third party insurance pool
- d. Varun's insurance company

86. Which of the following terms matched closest with Professional Indemnity cover

- a) Hospital Nursing Homes
- b) Insurance companies
- c) Practicing Surgeons
- d) FMCG

87. The minimum paid up capital required for a health insurance company is

- a. 200 crores
- b. 50 crores
- c. 75 crores
- d. 100 crores

88. Personal accident cover is only

- a. Whilst travelling abroad
- b. Whilst travelling in India
- c. For travelling in India and abroad
- d. Whilst travelling in India, Bhutan, Nepal and Sri Lanka

89. Critical Illness policy eases the financial pressure of an individual by providing \_\_\_\_\_ on diagnosis of covered condition

- a. Reimbursement of actual cost
- b. Lump sum payment
- c. Daily Cash allowance
- d. Healthcare Services in International Specialty hospitals

90. Health insurance is designed to handle which of the following risk

- a. Mortality
- b. Morbidity
- c. Infinity
- d. Serendipity

91. The following is not covered in Personal Accident

- a. Death
- b. Suicide
- c. Permanent Disability
- d. Loss of one hand

92. The risk resulting from the changes in the Economy is termed as

- a. Quantifiable risk
- b. Dynamic risk
- c. Static risk
- d. Speculative risk

93. The risk evaluation breaks into two parts, they are

- a. the cause of loss and its affects
- b. The probability of loss occurring and its severity
- c. The loss reasons and impact
- d. The risk and return

94. The measure aimed at avoiding, eliminating or reducing the chances of loss production is covered by

- a. Risk control
- b. Risk retention
- c. risk avoidance
- d. Risk financing

95. That which must be kept readily realizable assets is called

- a. Reserve fund
- b. Workman compensation
- c. Contingency fund
- d. Reserve

96. The foundation for risk management is provided by

- a. Risk control
- b. Risk Analysis
- c. Risk identification
- d. Risk retention

97. Which one is not an insurance policy of indemnity

- a. Health insurance
- b. Personal Accident insurance
- c. Burglary insurance
- d. Cash in transit insurance

98. \_\_\_\_\_ is an automatic reinsurance agreement whereby the ceding insurer is bound to part with a fixed percentage of every risk written by it

- a. Proportional treaty
- b. Proportional facultative
- c. Surplus treaty
- d. Quota share treaty



99. The retention of an insurance company is protected by reinsurance treaty such as

- a. Quota share
- b. Surplus
- c. Excess of loss
- d. Facultative

100. A major portion of mega risk, after ceding to surplus treaty is reinsured through

- a. Excess of loss
- b. Stop loss
- c. Facultative
- d. Catastrophic excess of loss

### Descriptive Questions

Question 1) Please explain in detail the basic principles of Insurance with one example for each principle [5]

Question 2) You just joined as head of risk department at Hiranadani Builders. This is after the RERA law passed and many bankruptcies happened by builders across the country. What possible risks you foresee and highlight insurance policy types that you will consider buy? [5]