

# UNIT I: Risk and Insurance – Concepts & Fundamentals

## Long Answer Questions

1. Define risk. Explain the different types of risks with suitable examples.
2. Discuss the major causes of risk and methods used to handle them.
3. What is insurance? Describe its origin, development, and key functions.
4. Explain the different methods of handling risks with relevant examples.
5. What is insurance? Describe its origin, development, and functions in detail.

## Short Answer Questions

4. Explain the principle of indemnity in insurance.
5. What is double insurance? Give an example.
6. Write two differences between pure and speculative risk.
7. What is pure risk? Give one example.
8. Write any two principles of insurance.
9. What do you mean by double insurance?

## Multiple Choice Questions

7. Which of the following is a method of handling risk?  
A) Risk enhancement  
B) Risk transfer  
C) Risk creation  
D) Risk elimination

**Answer: B**

8. Insurance works on the principle of:  
A) Uncertainty  
B) Randomness  
C) Pooling of risk  
D) Monopoly

**Answer: C**

9. Which is *not* a type of insurance?  
A) Life insurance  
B) Marine insurance  
C) Fire insurance  
D) Real estate insurance

**Answer: D**

10. Reinsurance refers to:  
A) Insuring the reins of a horse  
B) The insurance of an insurer's risk  
C) Duplicate life insurance  
D) Group insurance

**Answer: B**

11. Which of the following is a method of risk management?

- A) Risk avoidance
- B) Risk enhancement
- C) Risk speculation
- D) Risk refusal

**Answer: A**

12. Insurance is a mechanism of:

- A) Increasing risk
- B) Creating uncertainty
- C) Risk transfer
- D) Risk speculation

**Answer: C**

13. Reinsurance is:

- A) Insurance against fire
- B) Insurance for government
- C) Insurance of insurer's risk
- D) Life insurance duplication

**Answer: C**

14. Principle of indemnity means:

- A) Compensation equal to loss
- B) Profit from insurance
- C) Guaranteed returns
- D) Dual insurance

**Answer: A**

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## **UNIT II: Life Insurance**

### **Long Answer Questions**

1. Define life insurance and explain its importance in personal financial planning.
2. Describe the procedure for taking a life insurance policy.
3. Discuss the structure and major functions of Life Insurance Corporation of India.
4. Explain the essentials of a valid life insurance contract.
5. Discuss the various types of life insurance policies.
6. Describe the functions and organizational structure of the Life Insurance Corporation of India.

### **Short Answer Questions**

4. What are the essential elements of a life insurance contract?
5. Define nomination and assignment in life insurance.
6. What do you mean by surrender value?
7. What is surrender value in life insurance?
8. Define nomination and assignment in a life insurance contract.

9. List any two types of life insurance policies.

### **Multiple Choice Questions**

7. Life insurance contract is based on the principle of:

A) Caveat emptor  
B) Indemnity  
C) Utmost good faith  
D) Insurable profit

**Answer: C**

8. An endowment policy is one that:

A) Offers loan facility  
B) Pays on maturity or death  
C) Offers dividend  
D) Is for group coverage

**Answer: B**

9. The LIC of India was established in the year:

A) 1947  
B) 1956  
C) 1985  
D) 2001

**Answer: B**

10. Which of the following is *not* a life insurance policy type?

A) Whole life policy  
B) Term policy  
C) Cargo policy  
D) Endowment policy

**Answer: C**

11. Life insurance is a contract between:

A) Buyer and seller  
B) Insured and insurer  
C) Bank and customer  
D) Policyholder and nominee

**Answer: B**

12. A whole life policy is payable:

A) On maturity  
B) On the death of the insured  
C) Monthly  
D) On retirement

**Answer: B**

13. LIC was nationalized in the year:

A) 1947  
B) 1956  
C) 1965  
D) 1980

**Answer: B**

14. Assignment in life insurance means:

- A) Nominating a family member
- B) Transferring policy ownership
- C) Writing a will
- D) Paying a claim

**Answer: B**

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## **UNIT III: Marine Insurance**

### **Long Answer Questions**

1. Define marine insurance. Discuss its scope and the risks covered.
2. Describe the main types of marine policies and their features.
3. Explain the different types of marine losses with examples.
4. Define marine insurance. Discuss its significance and scope in international trade.
5. Explain various types of marine insurance policies.
6. Describe different types of marine losses with suitable examples.

### **Short Answer Questions**

4. What is meant by 'insurable interest' in marine insurance?
5. Write a short note on the 'Inchmaree Clause.'
6. What is the difference between general average and particular average?
7. What is a 'general average' in marine insurance?
8. Define the 'Inchmaree clause.'
9. List any two characteristics of marine insurance.

### **Multiple Choice Questions**

7. Marine insurance covers which of the following?

- A) Losses due to drought
- B) Road accidents
- C) Perils of the sea
- D) Earthquakes

**Answer: C**

8. A Floating Policy is useful when:

- A) A business imports and exports regularly
- B) Fire protection is needed
- C) A person travels frequently
- D) Insurance is for crops

**Answer: A**

9. In marine insurance, 'general average' means:

- A) The premium amount

- B) A partial loss shared by all parties
- C) No loss
- D) The shipping route

**Answer: B**

10. Which of the following clause provides coverage for crew negligence?

- A) Sue and Labour Clause
- B) FPA Clause
- C) Inchmaree Clause
- D) Warrant Clause

**Answer: C**

11. Marine insurance covers:

- A) Building collapse
- B) Transportation by air
- C) Risks during sea transit
- D) Fire accidents at home

**Answer: C**

12. Insurable interest in marine insurance must exist at:

- A) The time of proposal
- B) Time of loss
- C) Time of claim settlement
- D) Time of policy renewal

**Answer: B**

13. Which of the following is a marine insurance policy type?

- A) Joint policy
- B) Floating policy
- C) Group policy
- D) Master policy

**Answer: B**

14. 'Particular Average' means:

- A) Full ship loss
- B) Shared loss by all
- C) Partial loss borne by one party
- D) Accidental damage only

**Answer: C**

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## UNIT IV: Fire & Miscellaneous Insurance

### Long Answer Questions

1. Define fire insurance. Explain its importance and scope in business operations.
2. Discuss the procedure and conditions for obtaining a fire insurance policy.
3. What are miscellaneous insurances? Explain any two types in detail.
4. Define fire insurance. Discuss its scope and importance in commercial and personal sectors.

5. Describe the standard procedure for issuing a fire insurance policy.
6. Explain the types of miscellaneous insurance and their significance.

### **Short Answer Questions**

4. What are the hazards considered in fire insurance underwriting?
5. Give two differences between fire and marine insurance.
6. What is burglary insurance?
7. What do you mean by hazards in fire insurance?
8. Name any two types of miscellaneous insurance.
9. What is the purpose of a fire insurance proposal form?

### **Multiple Choice Questions**

7. Fire insurance contract is based on:  
A) Physical damage  
B) Warranty clause  
C) Proximate cause  
D) Speculation

**Answer: C**

8. Motor insurance covers:  
A) Only theft  
B) Loss or damage to motor vehicles  
C) Life of vehicle owner  
D) Fire at home

**Answer: B**

9. Crop insurance is useful for:  
A) Fishermen  
B) Industrial workers  
C) Farmers  
D) Traders

**Answer: C**

10. Livestock insurance is applicable to:  
A) Farm machinery  
B) Business premises  
C) Cattle and poultry  
D) Grocery goods

**Answer: C**

11. Fire insurance covers:  
A) Theft only  
B) Losses due to fire and related perils  
C) Marine accidents  
D) Death of policyholder

**Answer: B**

12. Motor insurance is a type of:  
A) Property insurance

- B) Life insurance
- C) Miscellaneous insurance
- D) Marine insurance

**Answer: C**

13. Livestock insurance covers:

- A) Farm buildings
- B) Animals owned by farmers
- C) Vehicles
- D) Marine cargo

**Answer: B**

14. Which of the following is typically not covered by fire insurance?

- A) Arson
- B) Accidental fire
- C) Loss by theft
- D) Fire due to electrical short circuit

**Answer: C**

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