



Insurance Risk Management

9:00am to 11:00am

Semester – IV(FIN)

June 13, 2010

SECTION A (ONE MARKS)

- (1) In this method of insurance, the total loss is specific within a limit.
- (a) quota treaty
 - (b) surplus treaty
 - (c) excess of loss treaty
 - (d) excess of loss ratio or stop-loss treaty

Answer : D

- (2) .Which of the following is suitable to insurance?
- (a) functional definition
 - (b) contractual definition
 - (c) both a and b
 - (d) none of the above

Answer : C

- (3) Which of the following is true regarding the ownership of life insurance?
- (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 whomever he or she chooses, even if the

assignee has no insurable interest

Answer : D

- (4) What are the key conditions for indemnity principles?

- (a) The insured has to prove that he will suffer loss on the insured matter at the time of happening of the event and the loss is actual monetary loss.
- (b) The amount of compensation will be the amount of insurance, indemnification cannot be more than the amount insured
- (c) both a and b
- (d) none of the above

Answer : C

- (5) Which of the following facts needs not to be disclosed by the insured?
- (a) Facts, which tend to lessen the risk
 - (b) facts of public knowledge
 - (c) facts waived by the insurer
 - (d) all of the above

Answer : D

- (6) Which of the following statement is correct in context of risk?
- (a) it is the possibility of an unfortunate occurrence
 - (b) it s a communication of hazards
 - (c) it is uncertainty of loss
 - (d) all of the above

Answer : D

- (7) The homeowner's policy is designed to provide coverage for losses from fire

risks, including all the following except

- (a) personal liability.
- (b) theft.
- (c) medical payments.
- (d) a third party's vehicle.

Answer : D

(8) Which of the following is not normally true of internal auditors?

- (a) they may test internal controls and recommend improvements to the internal control system
- (b) they evaluate whether company assets are secure from theft
- (c) internal auditors owe a duty of public service
- (d) internal auditors may belong to professional auditing associations

Answer : C

(9) What are the main objectives of IRDA?

- (a) To take care of the policy holders' interest
- (b) To open the insurance sector for private sector
- (c) To regulate insurance and reinsurance companies
- (d) all of the above

Answer : D

(10) Which of the following statements is true?

- (a) The auditing profession is unregulated
- (b) The auditing profession is regulated only by its own professional body
- (c) Outside bodies sometimes become involved in the regulation of the audit profession
- (d) The auditing profession is regulated only by the government

Answer : C

(11) Which of the following assurance services provides a moderate level of assurance about the client's financial statements?

- (a) Forecasts and projections
- (b) Compliance
- (c) Review
- (d) Financial statement audit

Answer : C

(12) Insurance Ombudsman is open to all individuals whose claim amount is less than Rs. _____

- (a) 10 lakhs
- (b) 20 lakhs
- (c) 30 lakhs
- (d) 40 lakhs

Answer : B

(13) Provide protection against the probable chances of loss is a _____ objective of insurance.

- (a) primary
- (b) secondary
- (c) tertiary
- (d) quaternary

Answer : A

(14) _____ is another way of mixing risk retention and risk transfer.

- (a) Reinsurance
- (b) Double insurance
- (c) Self insurance
- (d) None of these

Answer : C

(15) Which of the following statement is not true:

- (a) Modern risk management positions evolved out of an insurance buying function
- (b) The period between 1970 and 1980 was characterized by a particular interest in risk financing activities
- (c) Principle of risk transfer help to analyse the transfer of financial effect of risk to another party
- (d) Risk managers have not acknowledged the relationship between their responsibilities and safety engineering

Answer : D

(16) According to _____ method an informal agreement between two insurers under which the reinsurer agrees to reinsure risks written by the other insurance company subject to the terms and conditions of the treaty and within the prescribed time limit.

- (a) Facultative method
- (b) Treaty method
- (c) Pooling method
- (d) Super annuation method

Answer : B

(17) Insurers have much to gain from _____ through banks

- (a) financing
- (b) customer satisfaction
- (c) marketing
- (d) customer database

Answer : C

(18) _____ is an essential part of the bailor-bailee relationship.

- (a) Proximate causes
- (b) Approximate causes
- (c) Actual causes
- (d) Factual causes

Answer : D

(19) _____ can be statistically measured by some measure of dispersion, such as the standard deviation or the coefficient of the variation

- (a) Objective risk
- (b) Calculative risk
- (c) Probable risk
- (d) Permanent risk

Answer : A

The risk manager can transfer some _____ that are not commercially insurable

- (a) Probable loss
- (b) Potential loss
- (c) Financial loss
- (d) Human loss

Answer : B

() SECTION B

(21) ___refers to techniques that provide for the funding of losses after they occur.

- (a) avoidance
- (b) loss prevention
- (c) loss reduction
- (d) risk financing

Answer : D

(22) Property insurance protects the property holder against

- (a) direct losses and indirect losses.
- (b) nondirect losses and indirect losses.
- (c) direct losses and nondirect losses.
- (d) direct loss.

Answer : B

(23) In this model, the insurance company distributes its products partly.

- (a) the partnership model
- (b) the joint venture model
- (c) the captive model
- (d) all of the above

Answer : A

(24) Proactive risk management is sometimes described as fire fighting

- (a) true
- (b) false

Answer : B

(25) ___is defined as the death of a household head with unfulfilled financial obligations.

- (a) Premature death
- (b) Risk of unemployment
- (c) Risk of poor health
- (d) Risk of insufficient income during retirement

Answer : A

(26) Questions that should be asked to assess the overall project risk include:

- (a) Have top managers formally committed to support the project?
- (b) Are end-users committed to the project and proposed system being built?
- (c) Are requirements fully understood by development team and customers?
- (d) all of the above

Answer : D

(27) The general Insurance Corporation is a holding Company, which has _____ subsidiary companies.

(a) 1

(b) 4

(c) 7

(d) 9

Answer : B

(28) _____ was the first chairman of IRDA

(a) P. Shanmugam

(b) N. Rangachary

(c) P. Subramaniam

(d) N. Sharma

Answer : B

(29) The ratemaking function in a life insurance company is performed by the

(a) Legal department

(b) Claim management department

(c) Actuarial department

(d) Account department

Answer : C

(30) Expected value of loss is equal to

(a) Probability of loss \times loss

(b) Probability of loss \div loss

(c) Probability of loss $+$ loss

(d) Probability of loss $-$ loss

Answer : A

(31) The increase in _____ is positively correlated with _____ in the Economy

(a) GDP, Growth of trade & commerce

(b) GDP, Agriculture

(c) GDP, Economics

(d) GDP, Export

Answer : A

() SECTION C

(32) In a homeowner's policy that covers losses to personal property for actual cash value, theft of a sofa that cost Rs. 1,200 new but has a market value of Rs.750 would entitle the homeowner to recover what amount?

(a) Rs. 1,200

(b) Rs. 750

(c) Rs.450

(d) The current retail price for a new replacement sofa

Answer : A

(33) Which of the following statement is False?

(a) modern risk management positions evolved out of an insurance buying function

(b) risk managers have not acknowledged the relationship between their responsibilities and safety engineering

(c) the period between 1970 and 1980 was characterized by a particular interest in

financial activities

(d) none of the above

Answer : B

- (34) An example of a direct loss is
- (a) additional living expenses due to loss.
 - (b) loss of business income before restoration.
 - (c) loss of use of the property.
 - (d) costs of replacing or repairing damaged property.

Answer : C

- (35) Property insurance protects the policyholder against
- (a) all direct and indirect losses.
 - (b) all direct losses.
 - (c) losses from insured risks only.
 - (d) living expenses or loss of business income.

Answer : D

(36) The process of predicting future losses and future expenses and allocating these costs among the various classes of the insured is called _____.

- (a) Insurance financing
- (b) Managing the claims
- (c) Ratemaking
- (d) Premium financing

Answer : C

(37) According to Indian contract act 1872 Which of the following conditions are necessary to form a valid contract.

- (a) Agreement between two parties
- (b) Lawful object
- (c) Legal purpose
- (d) All the above

Answer : D

(38) The purpose behind this legislation was to provide medical aid to workers and their families working in industries located in certain notified areas.

- (a) Workman Compensation Act, 1923
- (b) Employee State Insurance Act, 1948
- (c) Motor Vehicle Act, 1988
- (d) Public Liability Act, 1991

Answer : B