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Important Insurance and Financial Market Awareness Questions for LIC AAO 2019 Exam.

Insurance and FMA Quiz 10

Direction: Study the following questions carefully and choose the right answer.

1. This is the field of science which deals with mathematics and statistics to determine the risks assessment in finance?

- A. Actuarial Science B. Data Interpretation C. Data Crunching
D. Data Science E. None of the above

2. A policy in which all the benefits have ceased for non-payment of premium is known as -

- A. Lapsed Policy B. Terminated Policy C. External Policy D. Extended Policy E. None of the above

3. Which among the following is known as a Paid-up Policy?

- A. It is a policy for which all the premium are paid.
B. It is a policy for which the one time premium is paid and the final amount is due.
C. It is a policy that only covers for the amount paid to the insurance company.
D. It is a policy in which the policyholder has discontinued the payment of the premium after a specified period as decided by the insurer.
E. None of the above

4. If a loss occurs by chance and not by the intention of any person it is known as -

- A. Expired Risk B. Earned Risk C. Fortuitous Risk D. Unearned Risk E. None of the above

5. The insurers maintain _____ in order to make provisions for future payments towards losses.

- A. Premium Reserve B. Loss Reserve C. Accidental Reserve
D. Future Reserve E. None of the above

6. For fire insurance policies, ALOP stands for -

- A. Advance Loss of Profit B. Admission of Loss of Profit C. Additional Loss of Profit
D. Assisted Loss of Profit E. None of the above

7. LAE stands for -

- A. Loss Adjusted Expenses B. Loss Adjustment Expenses C. Loss Additional Expenses
D. Liability Automated Expenses E. None of the above

8. We know about IDV in motor insurance policies that stands for -

- A. Insurance Determination Vertical
- D. Institutional Declared Value

- B. Insured Declared Value
- E. None of the above

- C. Insured Detrimental Value

9. CAC stands for -

- A. Combined Alteration Coverage
- C. Combined Attention Coverage
- E. None of the above

- B. Combined Additional Coverage
- D. Combined Assessment Coverage

10. In terms of insurance, CSL refers to -

- A. Combined Structural Liability
- D. Combined Status Limit

- B. Combined Statistical Liability
- E. None of the above

- C. Combined Single Limit

Correct Answers:

1	2	3	4	5	6	7	8	9	10
A	A	D	C	B	A	B	B	B	C

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Explanations:

1. Actuarial Science is that branch of study of science which utilizes mathematical and statistical methods in order to assess the risks associated with insurance, finance, investment banking etc. The person who is proficient in this and is employed by the insurance companies to decide the magnitude of risk associated and the premium is decided accordingly.

Hence, option A is correct.

2. If an insurance policy ceases to exist because of non-payment of premium on time, it is a lapsed policy. A policy lapses if the premium is not paid within the grace period also. It can be revived by payment of premium and penalty as decided by the insurer.

Hence, option A is correct.

3. Paid-up policy is such that the policyholder has stopped the payment of premium and the insurer pays only a reduced value if the policyholder surrenders a paid-up policy. It is to be noted that a policy can only be considered as a paid-up policy after three continuous years of payment of premium to the insurance company.

Hence, option D is correct.

4. If any loss is because of chance and not for the intention of anybody the same is known as fortuitous loss. Insurance policies cover against any loss that is accidental and the insured is not in control of the cause of such accident.

Hence, option C is correct.

5. Loss reserves are maintained by the insurers in order to make sure that the future losses reported to the company are taken care of. These reserves comprise of liquid assets, and they allow the insurer to cover against claims in policies underwritten by the insurer.

Hence, option B is correct.

6. ALOP stands for Advance Loss of Profit. It refers to a clause in the fire insurance policy by which the insurer will cover against the losses due to the incident of fire along with the loss due to business interruption. Additional premium is paid for opting for the ALOP cover.

Hence, option A is correct.

- 7.** LAE stands for Loss Adjustment Expenses. These are the expenses incurred by the insurer in order to investigate and settle a claim. If such expenses are allocated to a single claim they are known as Allocated LAE whereas for such expenses not allocated to a single claim are the Unallocated Loss Adjustment Expenses.

Hence, option B is correct.

- 8.** IDV stands for Insured Declared Value and it is mainly applicable to the motor insurance policies issued by the insurers. It is the maximum sum assured payable in case of theft or loss to the vehicle and it is decided by the insurer. This amount is payable on total loss reported by the insured to the insurance company.

Hence, option B is correct.

- 9.** The Combined Additional Coverage refers to an absolute auto physical damage coverage term used to refer to hazards other than fire and theft. It is actually an additional cover other than fire and theft by payment of additional premium.

Hence, option B is correct.

- 10.** The Combined Single Limit is defined as the predetermined single number for the combined total of the bodily injury liability coverage and Property Damage Liability coverage per accident per occurrence. Since these policies offer a wider coverage the premium charged is higher than the normal policies.

Hence, option B is correct.

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