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

Insurance and FMA Quiz 4

Directions: Read the following questions carefully and choose the right answer.

1. Which of the following was the first non-life insurer to be established in India?

- A. Bombay Mutual Assurance
B. Oriental Insurance
C. National Insurance
D. Triton Insurance
E. None of the above

2. The Insurance Act was passed in year –

- A. 1912
B. 1934
C. 1938
D. 1939
E. 1944

3. The principle which involves collection of many individual contributions called premium from various people is known as –

- A. Contribution
B. Pooling
C. Contract
D. Peril
E. Compensation

4. Consider the following example- Rashmi does not venture outside the house for fear of meeting with an accident.

This is an example of –

- A. Risk detection
B. Risk retention
C. Risk avoidance
D. Risk Control
E. Risk Reduction

5. Self insurance is also known as –

- A. Risk retention B. Risk declaration C. Risk reduction
D. Risk prevention E. None of the above

6. Reducing the amount of loss is known as –

- A. Risk minimizing B. Loss Reduction C. Loss prevention
D. Loss lowering E. None of the above

7. Insurance is one of the major forms of risk transfer, and it permits uncertainty to be replaced by certainty.

- A. Risk management B. Risk Transfer C. Risk Pooling
D. Risk retention E. None of the above

8. Which of the following is the best definition of the term Assurance?

- A. It is a financial product offered by a company.
B. It includes protection against an event that may happen.
C. It provides cover against a specific risk.
D. It includes protection against an event that is bound to happen.
E. None of the above

9. The term 'Risk' does not include which of the following?

- A. Loss suffered B. Expected loss C. Impact of loss
D. Probability of loss E. None of the above

10. Which of the following is /are benefits of insurance?

- A. It protects the capital in industry and releases the capital for further expansion.

- B. It removes fear, worry and anxiety associated with one's future.
- C. It helps in earning foreign exchange.
- D. It leads to development of a nation.
- E. All of the above



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Correct answers:

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

Explanations:

1. Triton Insurance was the first non-life insurer to be established in India.

Hence, option D is correct.

2. The Insurance Act 1938 was the first legislation enacted to regulate the conduct of insurance companies in India. This Act, as amended from time to time continues to be in force. The Controller of Insurance was appointed by the Government under the provisions of the Insurance Act.

Hence, option C is correct.

3. The principle which involves collection of many individual contributions called premium from various people is known as Pooling.

Hence, option B is correct.

4. Controlling risk by avoiding a loss situation is known as risk avoidance. Thus one may try to avoid any property, person or activity with which an exposure may be associated.

Eg: One may not travel at all for fear of falling ill when abroad.

Hence, option C is correct.

5. One tries to manage the impact of risk and decides to bear the risk and its effects by oneself. This is known as self-insurance.

Eg: A business house may decide, based on experience about its capacity to bear small losses up to a certain limit, to retain the risk with itself.

Hence, option A is correct.

6. The measures to reduce chance of occurrence of a loss are known as 'Loss Prevention' while the measures to reduce degree of loss are called 'Loss Reduction'.

Hence, option B is correct.

7. Risk transfer involves transferring the responsibility for losses to another party. Here the losses that may arise as a result of a fortuitous event (or peril) are transferred to another entity.

Hence, option B is correct.

8. Insurance refers to protection against an event that might happen whereas assurance refers to protection against an event that will happen. Insurance provides cover against a risk while assurance covers an event that is definite e.g death, which is certain, only the time of occurrence is uncertain.

Hence, option D is correct.

- 9.** Risk is basically the expected loss which further consists of probability of loss and its impact. Loss suffered is incorrect here as risk means loss that is likely to occur.

Hence, option A is correct.

- 10.** All of the statements are correct and highlight the benefits of insurance.

Hence, option E is correct.



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