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

Insurance and FMA Quiz 8

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

1. Which among the following describes that the insurer is liable to pay in order to make good of the losses suffered by the insured?

A. Principle of Utmost Good Faith

B. Principle of Indemnity

C. Principle of Loss Minimization

D. Principle of Subrogation

E. None of the above

2. The Principle of Subrogation is applicable in case of which among the following?

A. Life Insurance B. Fire Insurance C. Marine Insurance

D. Both B and C E. All A, B and C

3. Which among the following is the minimum net worth required in order to apply for a license of web aggregator in India?

A. Rs 10 lakhs B. Rs 20 lakhs C. Rs 25 lakhs

D. Rs 50 lakhs E. Rs 1 crore

4. The maximum number of companies for which an Insurance Marketing Firm can generate solicit business at one point of time is –

A. 4 B. 5 C. 6

D. 8 E. 12

5. Which among the following is /are correct regarding the regulatory norms applicable for the Third Party Administrators (TPAs)?

I. The foreign shareholding in TPAs cannot exceed 49% at any point of time.

II. One of the members of the TPA should be a doctor registered with the Medical Council of India.

III. The license is granted to TPAs for a period of 1 year after which it is required to be renewed.

A. Both I and II B. Both II and III C. Both I and III

D. Only III E. All I, II and III

6. Which among the following will cover your vehicle from both fire and third party liability?

A. Act Only Policy B. Comprehensive Car Insurance

C. Regulated Policy D. Utility Policy E. None of the above

7. A Travel Insurance Policy will cover against which among the following?

A. Cancellation of Trip B. Delay in Flight C. Loss of baggage

D. Both A and B E. All A, B and C

8. In which among the following marine insurance policies, the sum paid is a fixed amount decided mutually by the insurer and the insured?

A. Time Policy B. Voyage Policy C. Valued Policy

D. Port Risk Policy E. None of the above

9. In case of Export of goods, which among the following should be opted for to cover any financial loss due to non-payment by the importer?

A. Flood Insurance B. Trade Credit Insurance

C. Fire Insurance D. Marine Insurance E. None of the above

10. The Crop Insurance covers which among the following factors in the production of crop?

A. Crop revenue

B. Crop yield

C. Crop Climate

D. Both A and B

E. All A, B and C

Correct answers:

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

Explanations:

1.

Principle of Utmost Good Faith deals with the fact that the insured should disclose all the material information at the time of taking the policy failing which the insurance contract becomes null and void.

Principle of Indemnity deals with the fact that the insured is liable for compensation up to the extent of the loss incurred by the insured.

Principle of Loss Minimization deals with the fact that the insured is supposed to take all the measures to make sure that loss does not happen to the insured item.

Principle of Subrogation deals with the fact that once the insurer pays the compensation the ownership of the damaged insured item changes hands and the insurer is in charge of the same after that. The insured is not entitled for its ownership post that.

Hence, option B is correct.

2.

The Principle of Subrogation deals with the fact that the ownership of the damaged goods shifts to the insurer once the compensation is paid to the insured. It is applicable in case of fire and marine insurance in which the salvage is disposed by the insurance company once the claim is settled. It is not applicable in case of life insurance contracts.

Hence, option D is correct.

3.

Web Aggregators are licensed by IRDAI in order to promote and sell insurance policies in India. Such web aggregators are required to have minimum net worth of Rs 25 lakhs as per the IRDAI Regulations 2017. These companies mainly function as the lead generators for the insurance companies. IRDAI requires that these aggregators submit a certificate of compliance at the end of each financial year duly certified by its Principal Officer without fail otherwise the registration of such companies gets cancelled.

Hence, option C is correct.

4.

The IMFs can solicit business for two life insurance companies, two general insurance companies and two health insurance companies at one point of time, under intimation to the regulator. Any change in the names of the companies will have to be carried out with the prior approval of the regulator i.e. IRDAI only. The capital requirement to start IMF is now Rs 10 lakhs and the main objective is to increase the insurance penetration in the country.

Hence, option C is correct.

5.

The TPAs are mainly related to the health insurance segment in India. The TPAs should have minimum working capital of Rs 1 Crore at all points of time during the course of their business. The license is granted by IRDAI for 3 years and one of the members of the TPA should be a doctor registered with the Medical Council of India. The maximum FDI allowed is 49% in these companies whereas any transfer of 5% paid up equity capital should be intimated by the TPA to the IRDAI without fail.

Hence, option A is correct.

6.

The Comprehensive Car Insurance Policy is given to a person who wants to cover his vehicle against any kind of damage that may happen to the car including third party liability. The premium rates are high in this class of business and it covers the vehicle against theft, sabotage, fire, natural calamity etc.

The Act Only Policy is provided if there is only third party liability. It is practically the insurance cover based on the legal requirement under the Motor Vehicles Act 1988.

Hence, option B is correct.

7.

A Travel Insurance is opted for to cover for any financial liability arising out of medical or non-medical situations while travelling within or outside the country. It will cover delayed flights, hijacking, loss of baggage, emergency medical expenses etc. It can be taken for a single trip of for annual multiple trips.
Hence, option E is correct.

8.

Time Insurance Plan is provided for a definite time period, generally, one year. It is mainly concerned with the marine hull rather than marine cargo.

The Voyage Policy is applicable for a single trip only and the coverage ceases once the journey comes to an end.

The Valued Policy pays a fixed sum in case of loss unless there is any fraud detected. This amount is decided mutually by the insured and the insurer.

The Port Risk Policy covers for any kind of loss to the marine hull and the marine cargo when the same is anchored at a port.

Hence, option C is correct.

9.

Trade Credit Insurance is defined as a risk management tool against the risk that emanates from the problem of defaults in payment in case of delivery of goods and services. It generally covers an agreed portion of the invoice that may have left unpaid due to various reasons such as default, political issues etc. It covers a section of buyers mainly.

Hence, option B is correct.

10.

The Crop Insurance is applicable to the farmers against the risk of uncertain production or any kind of loss in revenue from sales in a particular year. The Crop Yield Cover is applicable to the uncertainty in production by way of volume generation whereas the Crop Revenue Cover is meant for covering against the loss of revenue due to sales forecast gone wrong or other market mechanisms.

Hence, option D is correct.