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

Insurance and FMA 50 questions Quiz

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

1. Where is the headquarters of the IRDA situated?

- A. Lucknow B. Chandigarh C. Mumbai
D. Delhi E. Hyderabad

2. Who is the present chairman of IRDAI?

- A. M Ramprasad B. Subhash Chandra Khuntia
C. T S Vijayan D. Shaktikanta Das E. Dinesh Tyagi

3. Which of the following is NOT a function of the IRDAI?

- A. Protecting the rights of insurance policy holders.
B. Providing registration certification to life insurance companies
C. Promoting professional organisations connected with insurance and reinsurance business
D. Regulate investment of funds by insurance companies
E. All are functions

4. The India Post Payment Bank has recently tied up with which Insurance company to offer life insurance in rural areas? (September 2018)

- A. AEGON B. Bajaj Allianz C. LIC
D. Birla Sun E. PNB Metlife

5. What is the maximum amount of deposit per account that the India Post Payment Bank (IPPB) can accept?

- A. Rs 10,000 B. Rs 75,000 C. Rs 1,00,000
D. Rs 1,50,000 E. Rs 2,00,000

6. Which of the following CANNOT be undertaken as a function by the India Post Payment Bank?

- A. Sanctioning loan
- B. Funds remittance
- C. Issue of debit cards
- D. Issue of prepaid instruments
- E. Mutual funds distribution

7. PLI, a form of insurance, stands for which of the following?

- A. Public Life Insurance
- B. Post Life Insurance
- C. Pre Life Insurance
- D. Postal Life Insurance
- E. Portal Life Insurance

8. Postal Life Insurance was introduced in which year?

- A. 1880
- B. 1884
- C. 1889
- D. 1895
- E. 1899

9. Which of the following plans is NOT offered by Postal Life Insurance?

- A. SURAKSHA
- B. SUVIDHA
- C. SANTOSH
- D. KSHAMTA
- E. SUMANGAL

10. Under the Sampurna Gram Bima Yojana, what is the minimum number of households to be covered in one village?

- A. 50
- B. 75
- C. 90
- D. 100
- E. 150

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11. Which of the following categories of people will NOT be covered under Postal Life Insurance?

- A. Government employees
- B. Semi-government employees
- C. Professionals
- D. Employees of listed companies
- E. All are covered

12. Which of the following committees recommended the introduction of the Rural Postal Life Insurance?

- A. Dubey Committee
- B. Pratap Committee
- C. Malhotra Committee
- D. Agastya Committee
- E. None of the above

13. The insurance sector was liberalized in which year?

- A. 1995
- B. 1999
- C. 2000
- D. 2001
- E. 2005

14. What is the present limit of FDI allowed in the private sector?

- A. 26%
- B. 49%
- C. 51%
- D. 74%
- E. 100%

15. When was Life Insurance Corporation of India privatized?

- A. 1999
- B. 2000
- C. 2001
- D. 2002
- E. 2005

16. Which of the following was the first Indian insurer catering to Indian needs?

- A. Oriental Life Insurance Company
- B. Bombay Mutual Life Assurance Society
- C. National Insurance Company
- D. Life Insurance Corporation
- E. United India Insurance Company

17. The headquarters of the LIC is situated where?

- A. Mumbai B. Pune C. Bengaluru
D. Hyderabad E. Chandigarh

18. Who is the present chairman of LIC?

- A. V K Sharma B. Usha Sangwan C. Sunita Sharma
D. Hemant Bhargava E. None of the above

19. Which is the oldest Life Insurance Company in India?

- A. Oriental Insurance Company
B. New India Assurance Company
C. National Insurance Company
D. United India Insurance Company
E. None of the above

20. Which of the following is NOT a former subsidiary of the GIC?

- A. Oriental Insurance Company Limited
B. New India Assurance Company Limited
C. National Insurance Company Limited
D. United India Insurance Company
E. General Insurance Corporation

21. In which year was the General Insurance Business nationalized in India?

- A. 1972 B. 1973 C. 1975
D. 1976 E. None of the above

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22. The Insurance Repository system was launched by the IRDA in which year?

- D. Triton Insurance
- E. None of the above

32. The Insurance Act was passed in year –

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

33. 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

34. 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

35. Self insurance is also known as –

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

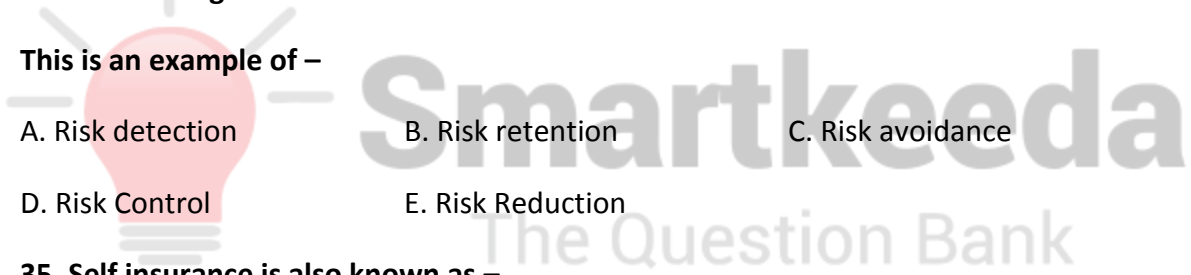
36. Reducing the amount of loss is known as –

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

37. 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

38. 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

39. 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

40. 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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41. What is the aim of transferring the risk of a n individual to an insurer?

- A. To have peace of mind and plan ahead.
- B. So that the individual can undertake risky activities.
- C. To profit in case a loss causing event occurs.
- D. To be able to ignore the risks facing the assets.
- E. None of the above

42. Which of the following statements is true?

- A. Insurance transfers the risk of one person to another person.

- B. Insurance works on the principle of sharing the losses of a 'many' by a few.
- C. Insurance works on the principle of sharing the losses of a 'few' by 'many'.
- D. Insurance works on the method of transferring the gains of a few to the many.
- E. None of the above

43. Who developed the concept of Human Life Value?

- A. Prof. Hubener
- B. Prof. Nanajing
- C. Prof. Abneto
- D. Prof. Loreto
- E. None of the above

44. Which of the following does NOT decrease the value of human life as an asset?

- A. Living too long
- B. Dying too early
- C. Living with disability
- D. Living a normal life
- E. None of the above

45. The premium that stays stable over the life of the insurance policy and does not increase with age is known as –

- A. Level premium
- B. Elevated premium
- C. Risk Premium
- D. Office premium
- E. Regular premium

46. The premiums collected are held in trust by the insurance company and the amount so collected is called a –

- A. Back up
- B. Super annuation fund
- C. Reserve
- D. Trust Fund
- E. None of the above

47. The saving component of the level premium is known as –

- A. Term component
- B. Protection component
- C. Cash component
- D. Risk component
- E. None of the above

48. The adage- do not put all your eggs in one basket- is also known as –

- A. Mutuality
- B. Diversification
- C. Value ascertain
- D. Investment
- E. Insurance

49. Which of the following is not a part of life insurance?

A. Risk

B. Contract

C. Asset

D. Mutuality

E. All are part

50. Which of the following is true about indemnity?

A. The aim is to place the insured in the same financial condition as he was before the loss making event.

B. The aim is to profit out of the loss making event.

C. The aim is to get the same asset back in the same condition.

D. The aim is to buy a new asset with the money.

E. None of the above

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CORRECT ANSWERS:

1	E	11	E	21	B	31	D	41	A
2	B	12	C	22	B	32	C	42	C
3	E	13	C	23	A	33	B	43	A
4	B	14	B	24	A	34	C	44	D
5	C	15	C	25	A	35	A	45	A
6	A	16	B	26	C	36	B	46	C
7	D	17	A	27	A	37	B	47	D
8	B	18	D	28	E	38	D	48	B
9	D	19	C	29	D	39	A	49	E
10	D	20	E	30	B	40	E	50	A



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Explanations:

(1). The Insurance Regulatory and Development Authority of India is an autonomous, statutory body set up to regulate and promote insurance and re-insurance industries in India. It was constituted by the Insurance Regulatory and Development Authority Act, 1999. The agency's headquarters are in Hyderabad, Telangana, where it moved from Delhi in 2001.

Hence, option E is correct.

(2). Mr Subhash Chandra Khuntia took over as the chairman of the IRDAI from Mr T S Vijayan in 2018.

Hence, option B is correct.

(3). The following are the functions of the IRDAI:

Protect the rights of insurance policy holders.

- Provide registration certification to life insurance companies
- Renew, modify, cancel or suspend registration certificate as and when appropriate
- Promote efficiency in conduct of insurance business
- Promote and regulate professional organisations connected with insurance and reinsurance business
- Regulate investment of funds by insurance companies

Adjudication of disputes between insurers and intermediaries or insurance intermediaries.

Hence, option E is correct.

(4). The India Post Payments Bank (IPPB) and private life insurer Bajaj Allianz Life Insurance Co Ltd (BALIC) have entered into strategic partnership to provide life insurance solutions. It will allow IPPB customers across segments to access wide array of life insurance products and services especially at doorstep. BALIC is the first life insurer to partner with IPPB. This partnership will allow BALIC to leverage IPPB's last mile reach for building awareness about life insurance.

Hence, option B is correct.

(5). The India Post Payment Bank has been set up as Public Limited Company under Department of Posts (DoP) with 100% Government of India (GOI) equity. It was launched on September 1, 2018 in New Delhi. It offers basic banking services acceptance of demand deposits, remittance services, internet banking and other specified services. It does not lending services. It can accept deposits up to Rs. 1 lakh per account from individuals and small businesses.

Hence, option C is correct.

(6). The India Post Payment Bank offers basic banking services acceptance of demand deposits, remittance services, internet banking and other specified services. It does not lending services. It can accept deposits up to Rs. 1 lakh per account from individuals and small businesses. It can issue ATM/debit cards but not credit cards. It can also issue other prepaid payment instruments. It can also distribute non-risk sharing simple financial products like mutual funds and insurance products.

Hence, option A is correct.

(7). PLI stands for Postal Life Insurance. It was introduced in 1884. It is one of oldest life insurance schemes for benefit of government and semi-government employees.

Hence, option D is correct.

(8). The Postal Life Insurance was introduced in 1884. It is one of oldest life insurance schemes for benefit of government and semi-government employees. It covers employees of Central and state governments, Central and state public sector undertakings (PSUs), universities, government-aided educational institutions, nationalized banks, local bodies, autonomous bodies, joint ventures having a minimum of 10% Government/PSU stakes societies etc. It also extends facility of insurance to officers and staff of Defence services and para-military forces. It also manages group insurance scheme for extra departmental employees (Gramin Dak Sevaks) of Department of Posts.

Hence, option B is correct.

(9). PLI offers 6 types of plans viz. Whole Life Assurance (SURAKSHA), Convertible Whole Life Assurance (SUVIDHA), Endowment Assurance (SANTOSH), Anticipated Endowment Assurance (SUMANGAL), Joint Life Assurance (YUGAL SURAKSHA) and Children Policy (BAL JEEVAN BIMA).

Hence, option D is correct.

(10). Under the Sampoorna Bima Gram (SBG) Yojana, at least one village having a minimum of 100 households will be identified in each of the revenue districts of the country, wherein endeavour will be made to cover all households of that identified village with a minimum of one RPLI (Rural Postal Life Insurance) policy each. Coverage of all households in the identified Sampoorna Bima Gram village is the primary objective of this scheme.

Hence, option D is correct.

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(11). In 2017, it was announced that the benefits of PLI will no more be confined to Government and semi-Government employees, but will also be available to professionals such as Doctors, Engineers, Management Consultants, Chartered Accountants, Architects, Lawyers, Bankers etc. and to employees of listed companies of NSE (National Stock Exchange) and BSE (Bombay Stock Exchange). The decision has been taken to enlarge the cover of social security and bring maximum number of people under the protection of Postal Life Insurance (PLI).

Hence, option E is correct.

(12). The Rural Postal Life Insurance (RPLI), introduced on March 24, 1995 on recommendations of Malhotra Committee, provides insurance cover to people residing in rural areas, especially weaker sections and women living in rural areas. Low Premium and High Bonus is the unique feature of PLI and RPLI schemes.

Hence, option C is correct.

(13). The insurance sector was liberalized in the year 2000.

Hence, option C is correct.

(14). The insurance sector has gone through a number of phases by allowing private companies to solicit insurance and also allowing foreign direct investment. India allowed private companies in insurance sector in 2000, setting a limit on FDI to 26%, which was increased to 49% in 2014.

Hence, option B is correct.

(15). The Life Insurance Corporation of India was privatized in 2001.

Hence, option C is correct.

(16). Insurance in this current form has its history dating back to 1818 when Oriental Life Insurance Company was started by Anita Bhavsar in Kolkata to cater to the needs of European community. The pre-independence era in India saw discrimination between the lives of foreigners and Indians with higher premiums being charged for the latter. In 1870, Bombay Mutual Life Assurance Society became the first Indian insurer.

Hence, option B is correct.

(17). Life Insurance Corporation of India (LIC) is an Indian state-owned insurance group and investment company headquartered in Mumbai.

Hence, option A is correct.

(18). Hemant Bhargava, the senior-most MD at LIC, has been appointed acting Chairman of LIC. The move comes after VK Sharma retired from the top job at LIC on 31st December 2018.

Hence, option D is correct.

(19). The oldest existing insurance company in India is the National Insurance Company was founded in 1906.

Hence, option C is correct.

(20). GIC had four subsidiary companies. With effect from December 2000, these subsidiaries have been de-linked from the parent company and were set up as independent insurance companies: Oriental Insurance Company Limited, New India Assurance Company Limited, National Insurance Company Limited and United India Insurance Company.

Hence, option E is correct.

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(21). General Insurance business was nationalized with effect from 1 January 1973.

Hence, option B is correct.

(22). In September 2013, IRDA launched "insurance repository" services in India. It is a unique concept and first to be introduced in India. This system enables policy holders to

buy and keep insurance policies in dematerialised or electronic form. Policyholders can hold all their insurance policies in an electronic format in a single account called electronic insurance account.

Hence, option B is correct.

(23). Both CDSL and NSDL function as insurance repositories in India.

Hence, option A is correct.

(24). GIC of India is a state owned enterprise in India. It was the sole reinsurance company in the Indian insurance market until the insurance market was open to foreign reinsurance players by late 2016.

It is the sole company offering reinsurance services.

Hence, option A is correct.

(25). The Ayushman Bharat-National Health Protection Mission integrates two on-going centrally sponsored schemes viz. Rashtriya Swasthya Bima Yojana (RSBY) and Senior Citizen Health Insurance Scheme (SCHIS). AB-NHPM aims to target over 10 crore families belonging to poor and vulnerable population based on Socio Economic and Caste Census 2011 (SECC) database. It will cover of Rs 5 lakh per family per year, taking care of almost all secondary care and tertiary care procedures. There will be no cap on family size and age in the scheme.

Hence, option A is correct.

(26). The AB-NHPM aims to target over 10 crore families belonging to poor and vulnerable population based on Socio Economic and Caste Census 2011 (SECC) database. It will cover of Rs 5 lakh per family per year, taking care of almost all secondary care and tertiary care procedures. There will be no cap on family size and age in the scheme.

Hence, option C is correct.

(27). The Agriculture Insurance Company of India Limited is a limited company headquartered out of New Delhi. AIC aims to provide insurance coverage and financial support to the farmers in the failure of any of the notified crop as a result of natural calamities, pests and diseases to restore their creditworthiness for the ensuing season; to encourage the farmers to adopt progressive farming practices, high value in-puts and higher technology; to help stabilize farm incomes, particularly in disaster years.

Hence, option A is correct.

(28). The Insurance Regulatory and Development Authority originally issued licenses to five entities to act as Insurance Repositories. But SHCIL Projects Limited surrendered its Insurance Repository license in September 2015. The remaining four are:

- CDSL Insurance Repository Limited
- Karvy Insurance Repository Limited
- National Insurance-policy Repository
- CAMS Insurance Repository Services Limited

Hence, option E is correct.

(29). The asset should have economic value and can be either

- i. May be physical (like a car or a building) or
- ii. May be non-physical (like name and goodwill) or
- iii. May be personal (like one's eyes, limbs and other aspects of one's body)

It does NOT need to be graded regularly.

Both I and III are correct.

Hence, option D is correct.

(30). The asset may lose its value if a certain event happens. This chance of loss is called as risk.

Hence, option B is correct.

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(31). Triton Insurance was the first non-life insurer to be established in India.

Hence, option D is correct.

(32). 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.

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

Hence, option B is correct.

(34). 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.

(35). 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.

(36). 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.

(37). 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.

(38). 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.

(39). 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.

(40). All of the statements are correct and highlight the benefits of insurance.

Hence, option E is correct.

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(41). When transferring risk to the insurer, the aim is not so that the insured can indulge in risky acts or ignore the risks and become careless. The aim is also not to make profits out of a loss causing event.

Only Option A is correct here as risk transfer enables us to plan ahead without fear.

Hence, option A is correct.

(42). Statement I: It transfers the risk from one person to an insurer (a company).

Statement II: This is opposite of what is correct.

Statement IV: The aim of insurance is not to pass the gains from one to another.

Statement III is correct.

Hence, option C is correct.

(43). The HLV concept considers human life as a kind of property or asset that earns an income. It thus measures the value of human life based on an individual's expected net future earnings. Net earnings means income a person expects to earn each year in the future, less the amount he would spend on self. It thus indicates the economic loss a family would suffer if the wage earner were to die prematurely. These earnings are capitalised, using an appropriate interest rate to discount them.

It was developed by Prof. Hubener.

Hence, option A is correct.

(44). Options A, B and C decrease the value of a human life and are incorrect.

Hence, option D is correct.

(45). The level premium is a premium fixed such that it does not increase with age but remains constant throughout the contract period. This means that premiums collected in early years would be more than the amount needed to cover death claims of those dying at these ages, while premiums collected in later years would be less than what is

needed to meet claims of those dying at the higher ages. The level premium is an average of both.

Hence, option A is correct.

(46). Premiums collected in early years of the contract are held in trust by the insurance company for the benefit of its policyholders. The amount so collected is called a Reserve.

Hence, option C is correct.

(47). The level premium has two components.

i. The first is known as the term or protection component, consisting of that portion of premium actually needed to pay the cost of the risk.

ii. The second is known as the cash value element. It is made up of accumulated excess payments of the policyholder. It constitutes the savings component.

Hence, option D is correct.

(48). Under diversification the funds are spread out among various assets (placing the eggs in different baskets). Under diversification we have funds flowing from one source to many destinations.

Hence, option B is correct.

49. The following elements are part of the Life Insurance industry:

- Risk
- Contract
- Asset
- Mutuality

Hence, option E is correct.

(50). The principle of indemnity states that the insured would be compensated for the amount of loss he has suffered without making any profit. This corresponds to option A.

Hence, option A is correct.

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