1. Which of the following intermediaries do not require IRDA's license/ approval to operate in India?

a) Insurance Brokers
b) Insurance Agents
c) Third Party Administrators
d) Surveyors
e) All the above intermediaries require IRDA's license/ approval

Answer: E

As per IRDA Act 1999 section 2(1) (f) Insurance intermediaries are defined. Insurance intermediaries are required to obtain license/approval through IRDA to operate in India.

Insurance intermediaries serve as a bridge between consumers and insurance companies. An Insurance Intermediary means individual agents, corporate agents including banks and brokers, insurance marketing firm. Insurance Intermediary also includes Surveyors, Insurance Repositories, Insurance self-network platform ISNP and Third Party Administrators but these intermediaries are not involved in procurement of business. Surveyors assess losses on behalf of the insurance companies. Third Party Administrators provide services related to health insurance for insurance companies.

2. The principle of _____________ ensures that an insured does not profit by insuring with multiple insurers

a) Subrogation
b) Contribution
c) Co-insurance
d) Indemnity
e) Particular Average

Answer: B

Insurance policies are contracts that provide people with financial security and protection from future uncertainty. In order for the insurance contract to work there are essential principles that must be upheld. These are:

I. Indemnity
II. Contribution
III. Insurable Interest
IV. Subrogation
V. Loss Minimization
VI. Proximate Cause
VII. Utmost Good Faith

Contribution: When there are two or more insurances on one risk, the principle of contribution comes into play. The aim of contribution is to distribute the actual amount of loss among the different insurers who are liable for the same risk under different policies in respect of the same subject matter. Any one insurer may pay to the insured the full amount of the loss covered by the policy and then become entitled to contribution from his co-insurers in proportion to the amount which each has undertaken to pay in case of the loss of the same subject matter. In other words, the right of contribution arises when:-

- There are different policies which relate to the same subject matter.
- The policies cover the same peril which caused the loss.
- All the policies are in force at the time of the loss.
- One of the insurers has paid to the insured more than his share of the loss.

For example, imagine that you own a truck that is insured by both Company A and Company B to the extent of Rs.50,000 each. If another driver hits your truck and it will cost you Rs.50,000 to fix it, you can submit your claim to Company A, Company B, or to both companies. If Company A compensates you fully, then it can claim a proportionate contribution from Company B (Here Rs.25,000). However, if both companies compensate you fully, you can't keep the full amount and turn a profit, because this would amount to an unfair windfall.

3. A policy where the policyholder makes a one-time payment of premium, is known as a ______________:

a) Money-back policy
b) Single premium policy
c) Salary Savings Scheme policy
d) Half-yearly policy
e) Annual policy

Answer: B

LIC's Single Premium Endowment Plan is a participating non-linked savings cum protection plan, where premium is paid in lump sum at the outset of the policy. This combination provides financial protection against death during the policy term with the provision of payment of lump sum at the end of the selected policy term in case of his/her survival. This plan also takes care of liquidity needs through its loan facility.

4. As per IRDA Regulations what is the minimum paid up capital required for a General Insurance Company to establish its operations in India.

a) 25 crores
b) 50 crores
c) 75 crores
d) 100 crores
e) 200 crores

Answer: D

As per the guidelines set by the Insurance Regulatory and Development Authority (IRDA), the **minimum paid-up capital** requirement for **life or general insurance companies**, including standalone health insurers, is **Rs.100 crore**. This is applicable for all irrespective of product portfolio or geographic presence.

5. In an insurance contract …………….principle means that the insured is not entitled to make a profit on his loss.

a) Subrogation
b) Causa proximate
c) Indemnity
d) Uberrimate Fidel
e) Contribution

Answer: C

Insurance policies are contracts that provide people with financial security and protection from future uncertainty. In order for the insurance contract to work there are essential principles that must be upheld. These are:

I. Indemnity
II. Contribution
III. Insurable Interest
IV. Subrogation
V. Loss Minimization
VI. Proximate Cause
VII. Utmost Good Faith

Indemnity: A contract of insurance is a contract of 'indemnity'. It means that the insured, in case of loss against which the policy has been issued, shall be paid the actual amount of loss not exceeding the amount of the policy, i.e. he shall be fully indemnified. The object of every contract of insurance is to place the insured in the same financial position, as nearly as possible, after the loss, as if the loss has not taken place at all. This is applicable to all types of insurance except life, personal accident and sickness insurance. A contract of insurance does not remain a contract of indemnity if a fixed amount is paid by the insurer to the insured on the happening of the event against, whether he suffers a loss or not. Like, in case of life insurance, the insurer is liable to pay the sum mentioned in the policy on the death, or expiry of a certain period.

6. An Insurance ombudsman is entrusted with………..functions

a) Managing & concealing
b) Conciliation and award making
c) Agency and principal
d) Judicial
e) None of the above

Answer: B

The Governing Body of Insurance Council (GBIC) has been established under **Redressal of Public Grievances Rules 1998**, to set-up and facilitates the Institution of Insurance Ombudsman in India. The aim was quick disposal of the grievances of the insured customers and to mitigate their problems involved in redressal of those grievances so as to protect the interests of policyholders and build their confidence in the insurance system.
Insurance ombudsman has two types of functions to perform – **conciliation and award making**. The insurance ombudsman is empowered to receive and consider complaints in respect of personal lines of insurance from any person who has any grievance against an insurer.

Conciliation vs. Arbitration:
The process of adjusting or settling disputes in a friendly manner through extra judicial means.

Conciliation means bringingtwo opposing sides together to reach a compromise in an attempt to avoid ta king a case to trial.

Arbitration, in contrast, is a contractual remedy used to settle disputes out of court. In arbitration the two parties in controversy agree in advance to abide by the decision made by a third party called in as a mediator, whereas conciliation is less structured.

7. _________ is a contract between two insures i.e. original insurer and another insurer.

a) Insurance
b) Reinsurance
c) Policy
d) Double insurance
e) Actuary

Answer: B

A reinsurer is an insurance company that insures the risks of other insurance companies

In November 2000, GIC was renotified as India's Reinsurer. This was followed by the General Insurance Business (Nationalization) Amendment Act of 2002. Coming into effect from 21 March 2003, this amendment ended GIC's role as a holding company of its subsidiaries. The ownership of the subsidiaries was transferred to the Government of India.

As a result of these reforms, GIC became the **sole Re-Insurer in India**, and is now called **GIC Re.**

8. The danger of loss from the unforeseen circumstances in future refers to _________

a) Perils
b) Hazards
c) Damage
d) Risk
e) Cover

Answer: D

Risk denotes a potential negative impact on an asset or some characteristic of value that may arise from some present process or some future event. "Risk" is often used synonymously with "probability" of a loss or threat.

There are various essential conditions that need to be fulfilled before acceptance of insurability of any risk. In case of a scenario where the loss is too huge that no insurer would want to pay for it, the risk is said to be uninsurable.

A risk may not be termed as insurable if it is immeasurable, very large, certain or not definable

9. NAIS stands for

a) National Agricultural Insurance Scheme
b) National Association for Insurance Systems
c) National Accidental Insurance Schemes
d) National Authority for Insurance Schemes
e) National Actuaries and Insurance System

Answer: A

The National Agricultural Insurance Scheme (NAIS) was introduced from 1999-2000 replacing the erstwhile Comprehensive Crop Insurance Scheme (CCIS). The main objective of the scheme is to protect the farmers against crop losses suffered on account of natural calamities such as drought, flood, hailstorm, cyclone, fire pests and diseases.

The Agriculture Insurance Company of India Ltd. implements the NAIS.

The NAIS and the Modified NAIS (MNAIS) was subsumed by the Pradhan Mantri Fasal Bima Yojna (PMFBY)which was launched in February 2016.

10. …………are those where a part of the premium is charged for the risk cover and the rest is invested in selected mutual funds as per the choice of the investor.

a) Mutual fund insurance
b) Double insurance
c) Partial insurance
d) Exchange traded insurance
e) Unit-linked insurance

Answer: E

ULIP stands for unit linked insurance plans.

ULIP is a combination of insurance and investment. Wealth creation is the goal along with life cover where the insurance company puts a portion of investment towards life insurance and rest into a fund that is based on equity or debt or both just like in a mutual fund and matches with individual long-term goals. Here policyholder can pay a premium monthly or annually.

11. Which of the following is not the name of Government sponsored socially oriented Insurance Scheme?

a) Pradhan Mantri Jeevan Jyoti Bima Yojana(PMJJBY)
b) Life Cover under Pradhan Mantri Jan Dhan Yojana (PMJDY)
c) Pradhan Mantri Fasal Bima Yojana(PMFBY)

d) Pradhan Mantri Vaya Vandana Yojana(PMVVY)
e) Varsha Crop Insurance Scheme (VBCIS)

Answer: E

Government Sponsored Socially Oriented Insurance Schemes

- Pradhan Mantri Jeevan Jyoti Bima Yojana(PMJJBY)
- Pradhan Mantri Suraksha Bima Yojana(PMSBY)
- Life Cover under Pradhan Mantri Jan Dhan Yojana (PMJDY)
- Varishtha Pension Bima Yojana
- Pradhan Mantri Fasal Bima Yojana(PMFBY)
- Pradhan Mantri Vaya Vandana Yojana(PMVVY)
- Restructured Weather Based Crop Insurance Scheme (RWBCIS)

Varsha Bima or Rainfall insurance was a scheme introduced in 2005 and later became a part of other government scheme for agriculture implemented through Agriculture Insurance Company of India. Varsha Bima is a Rainfall based crop insurance scheme and compensation is paid when the actual rainfall recorded during the season falls short of specified percentage of normal rainfall of the area.

12. Which of the following words/ terms is closely associated with the insurance business?

a) SIP
b) Open-ended scheme
c) Actuary
d) Forwards
e) All of the above

Answer: C

"Actuary" means a person skilled in determining the present effects of future contingent events or in finance modeling and risk analysis in different areas of insurance, or calculating the value of life interests and insurance risks, or designing and pricing of policies, working out the benefits recommending rates relating to insurance business, annuities, insurance and pension rates on the basis of empirically based tables and includes a statistician engaged in such technology, taxation, employees' benefits and such other risk management and investments.

13. India's largest National Health Protection Scheme has been implemented under the name________

a) Ayushman Bharat
b) Aadarsh Bharat
c) Samman Bharat
d) Nirman Bharat

e) Aayush Bharat

Answer: A

Pradhan Mantri Jan Arogya Abhiyaan, also known as Ayushman Bharat or the National Health Protection Mission (AB-NHPM), was launched on September, 2018

Ayushman Bharat – National Health Protection Mission will subsume the on-going centrally sponsored schemes – Rashtriya Swasthya Bima Yojana (RSBY) and the Senior Citizen Health Insurance Scheme (SCHIS). It is an important reform and progressive step in healthcare sector.

- The scheme focuses on the poor and weaker sections of the society.
- It aims to provide insurance of up to 5 lakh rupees to each family.
- It intends to improve secondary and tertiary healthcare services for crores of Indians.

Ayushman Bharat has two components namely-

- **HEALTH AND WELLNESS CENTRE [HWC]**

HWC'S will be upgraded form of primary health centres [PHC].the focus area includes non-communicable diseases and infectious diseases along with neonatal and maternal care. HWC are primarily meant for early detection and prevention. This is significant in sense as burden on secondary and tertiary health system will reduce if early detection takes place, moreover rural areas will benefit as HWC will spread across India.

A Strong Network of 1.5 Lakhs Health and Wellness Centers across the Country would constitute Foundation of India's new Healthcare Systems.

- **NATIONAL HEALTH PROTECTION SCHEME [NHPS]**

NHPS is an insurance scheme which covers costing up to 5 lakh rupees per family per year for secondary and tertiary care hospitalization. It will cover 10 crores poor and vulnerable families. The scheme will reduce out of pocket expenditure and offers a choice for treatment at private hospitals.

14. As per the annual report 2017-18 of IRDA what is the overall insurance penetration (Premium as % of GDP) in India?

a) 3.11
b) 2.69
c) 3.69
d) 7.14
e) 8.22

Answer: C

As per the annual report 2017-18 of IRDA the overall insurance penetration (Premium as % of GDP) in India is 3.69% which is a slight increase from previous year however it is much below the world average i.e. 6.13%.

Insurance penetration and Insurance density reflects the country's level of development of insurance. Insurance penetration is measured as the percentage of insurance premium to GDP, whereas insurance density is calculated as the ratio of premium to population (per capita premium) sector in a country.

Insurance density in India is 73.0 (US $) which is very low than the world average of 650.

15. Which of the following is a reason to hedge a portfolio?

a) To increase the probability of gains
b) To limit exposure to risk
c) To profit from capital gains when interest rates fall
d) To ensure a steady flow of income
e) All of the above

Answer: B

The Hedging is a financial technique that helps to reduce or mitigate the effects of measurable type of risk from the future changes in the fair value of commodities, cash flows, securities, currencies, assets and liabilities. It is a kind of an insurance that do not eliminate the risk completely but mitigate its effect.

16. Match the following

A. RBI	I. Capital market
B. SEBI	II. Pension Market
C. PFRDA	III. Insurance Market
D. IRDA	IV. Money Market

a) A-I, B-II, C-III, D-IV
b) A-IV, B-III, C-II, D-I
c) A-IV, B-I, C-II, D-III
d) A-I, B-II, C-IV, D–III
e) A-II, B-I, C-IV, D-III

Ans. C

- Reserve Bank of India (RBI) is the regulator for money markets in India
- Securities and Exchange Board of India (SEBI) is the regulator for capital markets
- Pension Fund Regulatory and Development Authority (PFRDA) is the regulator for pension in India
- Insurance Regulatory and Development Authority (IRDA) is responsible for regulating and promoting the insurance and re-insurance industries in India.

17. Mutual funds in India are registered with ______ as _______.

a) SUUTI, Public companies
b) GoI, Public companies
c) SEBI, Trusts
d) RBI, AIF
e) PFRDA, Trust

Ans: C

Mutual Fund act as **trusts** which pool the savings of investors, reinvest them in securities/funds to earn profits and then distribute the dividend earned amongst the investors. In return, the **Asset Management Companies (AMC's**) charge a certain amount as fees for this service. **These AMC's are registered with SEBI and is regulated by the SEBI (Mutual Fund) Regulations, 1996.**

Mutual funds are described **as TRUSTS** in the SEBI Regulations, 1996.

18. Health insurance can help in tax planning by allowing deduction under which section of Income tax Act?

a) 80 C
b) 80 CCC
c) 80 D
d) 80 E
e) 80 G

Ans. C

80 c = certain investments eligible for deduction up to Rs.150000 from income
80CCC = deduction allowed for premium paid for annuity plan of an insurer
80 D = deduction for premium paid for health/medical insurance
80 E = deduction allowed for interest on education loan
80G = deduction for donations made

19. Which of the following cannot extend a loan to an individual/business?

a) Commercial Bank
b) Small finance Bank
c) Payments Bank
d) NBFC
e) All of the above can extend loans

Ans. C

A Payment Bank is set up to provide small savings accounts and payments/remittance services to migrant labour workforce, low-income households, small businesses, other unorganised sector entities and other users. The deposits can be accepted upto Rs.1 Lakh only in form of demand deposits only.
The payments bank **cannot undertake lending activities** and **cannot issue credit cards**.

20. SIDBI stands for

a) Speciality Investment Development Bank of India
b) Solar Industries Development Bank of India

c) Small Industries Development Bank of India
d) Savings & Insurance Development Bank of India
e) State Investment for Development Bank of India

Ans. C
Small Industries Development Bank of India (SIDBI) is a development financial institution in India for developing and financing micro, small and medium enterprise sector. It was established in 1990.

21. Banks check the CIBIL of an individual borrower to know his/her ________

a) Bank balance
b) Income profile
c) KYC details
d) Credit score
e) None of the above

Ans. D

CIBIL (Credit Information Bureau (India) Limited) is a Credit Bureau or Credit Information Company. This company is engaged in maintaining the records of all the credit-related activities of companies as well as individuals including credit cards and loans. As such, banks check the CIBIL to know the credit score of an individual/business before extending it a new loan.

A credit score is a numerical expression based on a level analysis of a person's credit files, to represent the creditworthiness of an individual. A credit score is primarily based on a credit report information typically sourced from credit bureaus.

22. A company can take a loan from various financial institutions like banks or NBFCs. What is an NBFC?

a) Network of Banking and Financial Co-operatives
b) New Banks and Finance Company
c) Nationalized Banks and Financial Companies
d) Non-Banking Financial Company
e) New Business Financing companies

Ans. D

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 of India, engaged in the business of loans and advances, acquisition of shares, stock, bonds, hire-purchase, leasing, factoring, peer-to-peer lending, asset reconstruction, micro-finance, etc. NBFCs are also regulated by Reserve Bank of India (RBI) in India.

23. National Pension System (NPS) is a pension cum investment scheme launched by Government of India to provide old age security to Citizens of India. NPS is regulated by?

a) RBI
b) SEBI
c) IRDA
d) PFRDA

e) None of the above

Ans. D

The National Pension System (NPS) is a voluntary defined contribution pension system administered and regulated by the Pension Fund Regulatory and Development Authority (PFRDA), created by an Act of the Parliament of India. he Central Government had introduced the National Pension System (NPS) with effect from January 1, 2004 (except for armed forces). Any individual not being covered by any Government or State Sector has been allowed to join NPS architecture under the All Citizens of India sector from May 01, 2009.

24. What two factors determine prices in a market

a) Demand and supply
b) Inflation and unemployment
c) Number of buyers and sellers
d) Interest rates and exchange rates
e) None of these

Ans: A

Demand and Supply are the most integral and vast concept or you can say the backbone of the economic world or the market.

DEMAND- Demand refers to the quantity of certain goods and services desired by the consumers in the market

SUPPLY- Supply refers to the quantity of certain goods and services which are provided to the market place by the desired suppliers of the market.

The law of supply and demand is an economic theory that explains how supply and demand is related to each other and how that relationship affects the price of goods and services. It's a fundamental economic principle that when supply exceeds demand for a good or service, prices fall. When demand exceeds supply, prices tend to rise.

There is an inverse relationship between the supply and prices of goods and services when demand is unchanged. If there is an increase in supply for goods and services while demand remains the same, prices tend to fall to a lower equilibrium price and a higher equilibrium quantity of goods and services. If there is a decrease in supply of goods and services while demand remains the same, prices tend to rise to a higher equilibrium price and a lower quantity of goods and services.

The same inverse relationship holds for the demand of goods and services. However, when demand increases and supply remains the same, the higher demand leads to a higher equilibrium price and vice versa.

25. Direct tax does not include

a) Wealth Tax
b) Corporation Tax

- **c) Sales Tax**
- d) Estate Tax
- e) Income Tax

Ans: C

Direct taxes are directly imposed on the tax payer. They depend on the income and wealth of an individual or entity.

Some of the important direct taxes imposed in India are mentioned below:

Income Tax- It is imposed on an individual who falls under the different tax brackets based on their earning or revenue and they have to file an income tax return every year after which they will either need to pay the tax or be eligible for a tax refund.

Estate Tax– Also known as Inheritance tax, it is raised on an estate or the total value of money and property that an individual has left behind after their death.

Wealth Tax– Wealth tax is imposed on the value of the property that a person possesses.

However, both Estate and Wealth taxes are now abolished.

Sales tax is an indoirect tax which has now been subsumed by the GST .

26. Cross-selling means ________

- a) Selling a interrelated services
- b) Cross country marketing
- **c) Selling other products to existing customers**
- d) Selling to insurance firms
- e) Selling to employees

Ans: C

Cross-selling identifies products that satisfy additional, complementary needs that are unfulfilled by the original item. For example, a comb could be cross-sold to a customer purchasing a blow dryer. Oftentimes, cross-selling points users to products they would have purchased anyways; by showing them at the right time, a store ensures they make the sale.

Cross-selling is prevalent in every type of commerce, including banks and insurance agencies. Credit cards are cross-sold to people registering a savings account, while life insurance is commonly suggested to customers buying car coverage.

In ecommerce, cross-selling is often utilized on product pages, during the checkout process, and in lifecycle campaigns. It is a highly-effective tactic for generating repeat purchases, demonstrating the breadth of a catalog to customers. Cross-selling can alert users to products they didn't previously know you offered, further earning their confidence as the best retailer to satisfy a particular need.

27. The Ratio ROA helps to analyse the profitability of a company. RoA means __________.

a) Rate of Allocation
b) Return on Assets
c) Return on Advances
d) Ratio of Assets
e) Risk of Assurance

Ans: B

Return on Assets (ROA) is a type of return on investment (ROI) that measures the profitability of a business in relation to its total assets. This ratio indicates how well a company is performing by comparing the profit it's generating to the capital it's invested in assets. The higher the return, the more productive and efficient management is in utilizing economic resources. Below you will find a breakdown of the ROA formula and calculation.

The ROA formula is:

ROA = Net Income / Average Assets

ROA = Net Income / End of Period Assets

Where:

Net Income is equal to net earnings or net income in the year (annual period)

Average Assets is equal to ending assets minus beginning assets divided by 2

28. Which of the following best describes a repo rate?

a) The rate at which the RBI lends to the commercial banks
b) The rate at which the commercial banks lend to RBI
c) The rate at which RBI lends to the Central Government
d) The rate at which the commercial banks lend to the Central government
e) The rate at which commercial banks lend to large corporates

Ans. A

Repo rate is the rate at which RBI lends to banks against government securities to meet their short term liquidity requirements. Repo and reverse repo rate are the monetary policy tools used by RBI to control credit in the system.

As of March 2019, the repo rate stands at 6.25% and reverse repo rate at 6%.

29. Rights issue is an offer of new securities by a listed company to it___________

a) Existing shareholders at zero cost basis
b) Existing majority shareholders on pre-determined basis
c) Existing minority shareholders on pre-determined basis
d) Existing shareholders on a pro-rata basis
e) Existing shareholders on first-come-first-serve basis

Ans. D

A rights issue is an offering of rights to a company's existing shareholders that entitles them to buy additional shares directly from the company in proportion to their existing holdings, within a fixed time period. The shareholders have to pay a price as determined by the company and it is not free of cost.

30. Amongst the following financial derivatives, which of the following limits the losses for an investor?

a) Forwards
b) Futures
c) Options
d) Swaps
e) Possibility of limiting loss is not possible

Ans. C

Options give an investor the right to buy or sell but not the obligation. As such it limits the loss of the investor and is therefore the least risky amongst the financial derivatives.

31. The Ayushman Bharat scheme will subsume which among the following central schemes?

I. Rashtriya Swasthya Bima Yojana (RSBY)
II. Central Government Health Scheme (CGHS)
III. Senior Citizen Health Insurance Scheme (SCHIS)

a) Only I
b) Only II
c) I and III
d) II and III
e) I and II

Answer: C

Pradhan Mantri Jan Arogya Abhiyaan, also known as Ayushman Bharat or the National Health Protection Mission (AB-NHPM), was launched on September, 2018

Ayushman Bharat – National Health Protection Mission will subsume the on-going centrally sponsored schemes – Rashtriya Swasthya Bima Yojana (RSBY) and the Senior Citizen Health Insurance Scheme (SCHIS). The scheme focuses on the poor and weaker sections of the society. It aims to provide **insurance of up to 5 lakh rupees** to each family. It intends to improve secondary and tertiary healthcare services for crores of Indians.

<u>Ayushman Bharat has two components namely</u>-

- **HEALTH AND WELLNESS CENTRE [HWC]**

HWC'S will be upgraded form of primary health centres [PHC].the focus area includes non-communicable diseases and infectious diseases along with neonatal and maternal care. HWC are primarily meant for early detection and prevention. This is significant in sense as burden on secondary and tertiary health system will reduce if early detection takes place, moreover rural areas will benefit as HWC will spread across India.

A Strong Network of 1.5 Lakhs Health and Wellness Centers across the Country would constitute Foundation of India's new Healthcare Systems.

- **NATIONAL HEALTH PROTECTION SCHEME [NHPS]**

NHPS is an insurance scheme which covers costing up to 5 lakh rupees per family per year for secondary and tertiary care hospitalization. It will cover 10 crores poor and vulnerable families. The scheme will reduce out of pocket expenditure and offers a choice for treatment at private hospitals.

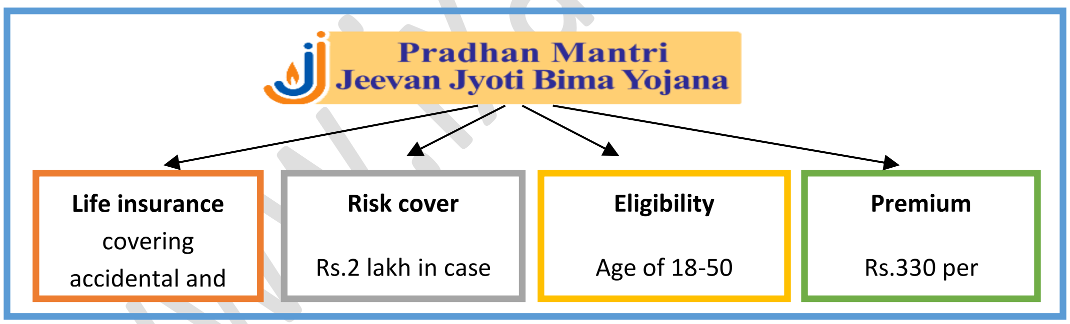
32. What is the annual premium payable by the subscriber to the Pradhan Mantri Jeevan Jyoti Bima Yojana?

a) ₹ 210
b) ₹ 330
c) ₹ 450
d) ₹ 510
e) ₹ 230

Note – this is a dynamic question

Answer: B

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) is a one-year life insurance scheme, renewable from year to year, offering coverage for death. The features are summarised below:



33. Insurance Repository is a company formed and registered under which act?

a) Insurance Act, 1938
b) Companies Act, 1956
c) The IRDA Act 1999
d) Banking and Insurance Companies Act, 1949
e) The LIC Act 1956

Answer: B
"Insurance Repository" means a company formed and registered under the Companies Act, 1956 (1 of

1956) and which has been granted a certificate of registration by Insurance Regulatory and Development Authority (IRDA) for maintaining data of insurance policies in Electronic form on behalf of Insurers. The Insurance Repositories provide the ease of holding insurance policies issued in an electronic form.

Insurance Repositories currently licensed by IRDAI in India

I. Central Insurance Repository Limited (CIRL)
II. Karvy Insurance repository Limited
III. NSDL Database Management Limited
IV. CAMS Repository Services Limited

34. _____ is the amount the policy holder will get from the insurance company if he exits the policy before maturity.

a) Paid up value
b) Surrender value
c) Annuity Value
d) Lapse Value
e) Premium value

Answer: B

Surrender value is the amount the policy holder will get from the insurance company if he exits the policy before maturity, but after payment of premium for full 3 years. So if a person has payed premium for 3 years, he can opt out of the policy and get the money proportionally (it will obviously be less than that he would have got at maturity)

35. In insurance terms what does the term "Actuary" stands for

a) A specialist in Insurance claim settlement
b) A specialist in insurance marketing
c) A specialist in Insurance calculations
d) A specialist in Claim depository
e) None of this

Answer: C

"Actuary" means a person skilled in determining the present effects of future contingent events or in finance modeling and risk analysis in different areas of insurance, or calculating the value of life interests and insurance risks, or designing and pricing of policies, working out the benefits recommending rates relating to insurance business, annuities, insurance and pension rates on the basis of empirically based tables and includes a statistician engaged in such technology, taxation, employees' benefits and such other risk management and investments.

36. How many Insurance Ombudsman offices are presently operational in India?

a) 12
b) 14
c) 17

d) 19
e) 22

Note – this is a dynamic question

Answer: C

The Governing Body of Insurance Council (GBIC) has been established under **Redressal of Public Grievances Rules 1998**, to set-up and facilitates the Institution of Insurance Ombudsman in India. Insurance Ombudsman's offices have been established in **17 cities all over India**, each with its own jurisdiction.

Insurance ombudsman has two types of functions to perform – **conciliation and award making**. The insurance ombudsman is empowered to receive and consider complaints in respect of personal lines of insurance from any person who has any grievance against an insurer.

37. In Insurance we come across abbreviation e-IA. What does A stand for e-IA?

a) Applicant
b) Approval
c) Agent
d) Account
e) Actuary

Answer:D
e-IA stands for e-Insurance Account or "Electronic Insurance Account" which will safeguard the insurance policy documents of policyholders in electronic format. This e-Insurance account will facilitate the policyholder by providing access to the insurance portfolio at a click of a button through internet. IRDA has granted the Certificate of Registration to the 4 entities to act as 'Insurance repositories' that are authorized to open e-Insurance Accounts.

KYC document is mandatory for opening e-IA Account. Once KYC documents are submitted and eIA is opened, KYC documents not required for purchase of new life insurance policies.

38. Name the insurance that is a financial cover for a contingency linked with human life, like death, disability, accident, retirement etc.

a) Property Insurance
b) Health Insurance
c) Motor Insurance
d) Life Insurance
e) Travel Insurance

Answer: D

Life Insurance is a financial cover for a contingency linked with human life, like death, disability, accident, retirement etc. Human life is subject to risks of death and disability due to natural and accidental causes. When human life is lost or a person is disabled permanently or temporarily, there is loss of income to the household.

39. In Insurance a _______________ may be deducted for premature partial or full encashment of units wherever applicable, as mentioned in the policy conditions.

a) Policy Charges
b) Administration Charges
c) Surrender Charges
d) Fund Switching Charge
e) Mortality Charges

Answer: C

A surrender charge or discontinuance charge may be deducted for premature encashment of units, either partial or full. This charge is usually calculated as a percentage of the fund or of the annualized premiums.

Surrender value is the amount the policy holder will get from the insurance company if he/she exits the policy before maturity, but after payment of premium for full 3 years. So if a person has paid premium for 3 years, he can opt out of the policy and get the money proportionally (it will obviously be less than that he would have got at maturity)

A regular premium policy acquires surrender value after the policyholder has paid the premiums continuously for 3 years. Once the insurance policy is surrendered, all the benefits associated with it, including the protection cover, will cease to exist.

As per IRDA directive, life insurance companies do not levy surrender charges if the policyholder chooses to terminate the cover after 5 years.

40. Which of the following is **NOT** an insurance company functioning in India as of March 2019?

a) ICICI Prudential
b) HDFC ERGO
c) NSDL
d) New India Assurance
e) All of the above are functioning insurance companies

Note – this is a dynamic question

Answer: C

NSDL is the acronym for "National Securities Depository Limited", which is a depository registered with SEBI. The NSDL was created in August, 1996, under the aegis of the Depositories Act, 1996. NSDL is a registered depository which is used to hold various securities like Stocks, Shares, money, property etc. in an electronic form (called demat form)

The other depository functioning in India is CDSL (Central Depository Securities Limited). NSDL works for National Stock Exchange (NSE), whereas CDSL works for Bombay Stock Exchange (BSE).

41. Companies which take savings as premium, invest in bonds and make payments to beneficiaries are classified as ________

a) Mutual Fund
b) Life insurance companies
c) Pension Funds
d) PPF
e) Depositories

Answer: B

Insurance companies take savings as Insurance Premium. A premium is paid as a cost to cover a possibly unseen devastating loss. It is the actual amount of money charged by insurance companies for active coverage. Insurance is a form of risk management primarily used to hedge against the risk of a contingent loss. The insurance rate is a factor used to determine the amount (called the premium) to be charged for a certain amount of insurance coverage.

Insurance companies invest in many areas, but most of all they invest in bonds. Since bonds are perhaps the safest of all investment categories. Insurance companies – being in the business of risk assessment – would logically find the low risk investment & finds reasonable ways of investing premiums money to make more money. Investing the premiums does two good things: it increases the insurance company's profits and makes it possible for the company to lower its premium amounts, making its policies more attractive to clients.

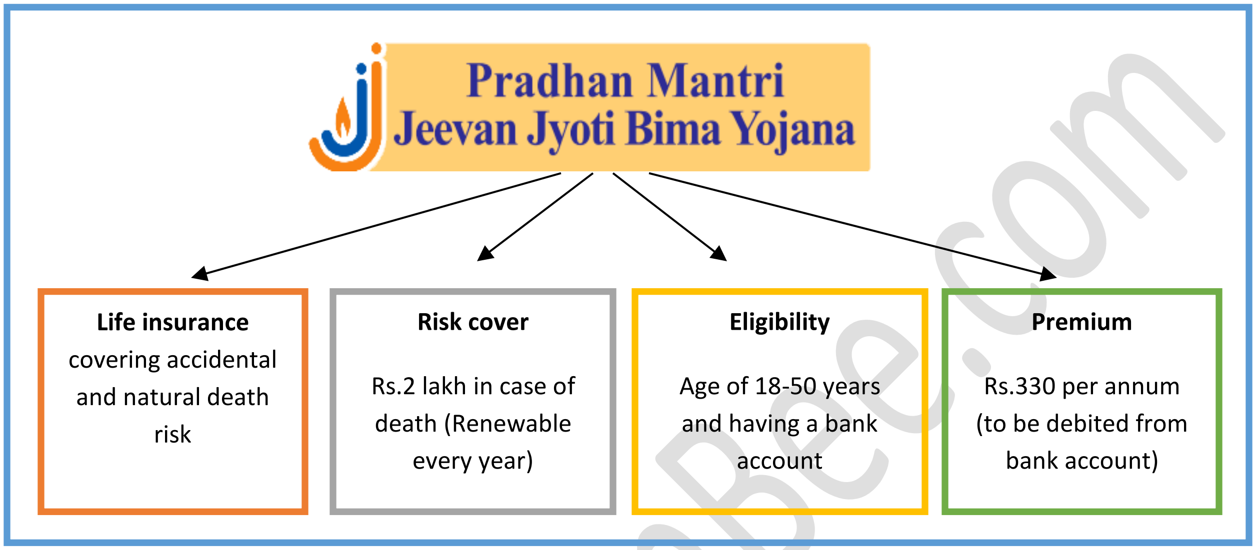
42. What is the insurance cover payable to the nominee on the death of the subscriber to the Pradhan Mantri Jeevan Jyoti Bima Yojana?

a) ₹ 50,000
b) ₹ 1,00,000
c) ₹ 1,50,000
d) ₹ 2,00,000
e) ₹ 2,50,000

Note – this is a dynamic question

Answer: D

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) is a one-year life insurance scheme, renewable from year to year, offering coverage for death. The features are summarised below:



43. The LIC of India has how many Zonal offices in India as of March 31, 2018?

a) Five
b) Eight
c) Ten
d) Fifteen
e) None of these

Note – this is a dynamic question

Answer: B

LIC has its **headquarters in Mumbai**, India and as of March 31, 2018 LIC functions with **8 zonal offices**, 113 divisional offices, 2048 fully computerized branch offices, 1431 satellite offices and 1226 mini offices. LIC's Wide Area Network covers 113 divisional offices and connects all the branches through a Metro Area Network.

44. In every insurance policy a date is mentioned which is "Date of Maturity". What does it mean?

a) This is the date on which the policy was sold to the customer/person insured.
b) This is the date on which the policy holder will have to submit his/her claim seeking the amount of the policy. Otherwise the company will not make any payment to him/her.

c) This is the date on which the contract between the person and insurance company will come to an end.
d) The date on which the insurance company makes the final payment to the insured person which is normally fifteen days after the "payment due date".
e) None of these

Answer: C

"Date of Maturity": The date at which the face amount of a life insurance policy becomes payable by either death or other contract stipulation.

In general a maturity date is the exact time at which a financial obligation must be paid in full. In insurance, it is the time when the insurer pays the insured the money owed to them, as stipulated in the insurance contract. Certain insurance policies can be monetized when the policyholder reaches a certain age. The insured can choose to extend the maturity date of their policy as part of their tax planning strategy.

45. All of the following is true regarding ULIPs EXCEPT:

a) Unit Holders can choose between different kinds of funds.
b) Life insurers provide Guarantee for all unit values.
c) Units may be purchased by payment of single premium or via regular premium payments.
d) ULIP policy structure is transparent with regards to insurance expenses components.
e) ULIP is a type of life insurance policy

Answer: B

There is no guarantee provided by the life insurer on ULI Plans.

Unit Linked Insurance Plans (ULIPs) are a type of **'Protection + Savings' plans**. It is a combination of **life insurance** and investment. Here wealth creation is the goal along with life cover where the insurance company puts a portion of investment towards life insurance and rest into a fund that is based on equity or debt or both just like in a mutual fund and matches with individual long-term goals. Here policyholder can pay a premium monthly or annually.

One of the changes brought about by the Insurance Regulatory and Development Authority of India (IRDAI) in the year 2010 as regards ULIPs, was to increase the **lock in a period** from 3 years to **5 years**. However, insurance being a long-term product, as an investor one may not really reap the benefit of the policy unless he/she hold it for the entire term of the policy which can range from 10 to 15 years.

46. Mr. Mittal has purchased a life assurance policy so that his family-members do not have to depend on anyone, in case of his untimely death. Which of the following risk-management technique is Mr. Mittal following?

a) Risk avoidance
b) Risk retention
c) Risk transfer
d) Risk reduction and risk control
e) Risk deduction

Answer: C

Here Mr. Mittal is managing his risk of untimely death by **risk transfer strategy.** Risk transfer is most commonly, done by buying an insurance policy. The risk is transferred to a third-party entity (in most cases an insurance company). Risk Transfer is the act of shifting the responsibility of risk to another in the form of an insurance contract. Through the insurance contract, the burden of carrying the risk and indemnifying the financial loss is transferred from the individual to the insurance company. Purchasing insurance does not eliminate risk entirely; however, it is one of the most effective ways of transferring risk.

PURE RISK SOLUTION		
	LOW FREQUENCY OF LOSSES	HIGH FREQUENCY OF LOSSES
LOW SEVERITY OF LOSSES	RETENTION- SELF INSURANCE	RETENTION WITH LOSS CONTROL-RISK REDUCTION
HIGH SEVERITY OF LOSSES	RISK TRANSFER-INSURANCE	RISK AVOIDANCE

Traditional Risk management matrix

47. Which of these is not an essential feature of a bill of exchange?

a) Unconditional
b) Certainty of amount
c) In writing
d) The parties involved can be certain or ambiguous
e) Instrument must contain an order to pay money and money only

Answer: D

According to the Indian Negotiable Instruments Act of 1881, under section (5) - A bill of exchange is an instrument in writing containing an unconditional order signed by the maker directing a certain person to pay a certain sum of money only to the order of certain person or to the bearer of the instrument.

Essentials of a bill of exchange

- ✓ It must be in writing.
- ✓ It must contain an unconditional order to pay.
- ✓ It must be signed by the drawer.
- ✓ There must be three parties to the instrument and the parties must be certain.
- ✓ The order must be to pay a certain sum of money.
- ✓ The instrument must contain an order to pay money and money only.
- ✓ It must comply with the formalities as regards date, consideration, stamp etc.

A bill of exchange like a promissory note may be written in any language. It may be written in any form of words provided the requirements of the section are complied with.

48. Which of the following is/are investment risk management strategies?

a) Hedging
b) Diversification
c) Insurance
d) Avoidance
e) All of these

Answer: D

Risk management refers to involves analysing all exposures to the possibility of loss and determining how to handle these exposures through such practices as avoidance, reducing the risk, retaining the risk, or transferring the risk.

This can be done through various techniques like Hedging (reducing risk), diversification (reduces overall risk) and insurance (transferring risk) which are all part of investment risk management strategies.

49. Mutual funds in India are permitted to invest in which of the following?

a) Securities
b) Securities and Gold only
c) Securities other than real estate
d) Securities, gold and real estate
e) Equity and Debt securities

Answer: D

MF is allowed to invest in securities (equity, debt or government securities), gold (known as gold mutual funds) and real estate (real estate investment funds).

A mutual fund is prohibited from investing in any unlisted security or a security issued through private placement by an associate or a group company of the sponsor. Moreover, investments are restricted up to 25% of the net assets in the case of listed securities of group companies of the sponsor. This is to ensure that sponsors do not use investor funds to strengthen their other group companies.

50. What is the full form of FIMMDA?

a) Fixed Income Money Markets & Derivatives Association
b) Foreign Income Money Markets & Derivatives Association
c) Foreign Inflow for Money Markets, Derivatives & Actuaries
d) Fixed Income Money Markets & Derivatives Affiliation
e) Fixed Inflow for Money Market & Dealers Association

Answer: A

FIMMDA stands for The **Fixed Income Money Market and Derivatives Association of India** (FIMMDA). It is an Association of Commercial Banks, EXIM Bank, NABARD, Insurance Companies like LIC, ICICI Prudential Life Insurance Company, and all Primary Dealers, Financial Institutions and Primary Dealers. FIMMDA is a voluntary market body for the bond, Money & Derivatives Markets.

FIMMDA represents market participants and aids the development of the bond, money and derivatives markets. It acts as an interface with the regulators on various issues that impact the functioning of these markets. It also undertakes developmental activities, such as, introduction of benchmark rates and new derivatives instruments, etc. FIMMDA releases rates of various G-Secs that are used by market participants for valuation purposes.

51. What does diversification mean in financial markets?

a) Collecting funds from multiple sources and investing them in one place
b) Investing funds across various asset classes
c) Maintaining time difference between investments
d) Investing in safe assets
e) Investing in Real estate

Answer: B

Diversification is a technique that reduces risk by allocating investments among various financial instruments, industries, and other categories. It aims to maximize return by investing in different areas that would each react differently to the same event.

52. Consider an economic scenario, If inflation goes up in the India relative to other countries, it is expected that the price of the ₹ will

a) Depreciate
b) May increase or decrease
c) Appreciate
d) Remain the same
e) Become less volatile

Answer: A

Inflation is a sustained, rapid increase in prices, as measured by some broad index (such as Consumer Price Index) over months or years, and mirrored in the correspondingly decreasing purchasing power of the currency. Inflation is calculated from two points of view - the producer’s point of view, captured by the Wholesale Price Index (WPI) and the consumer’s point of view, captured by the Consumer Price Index (CPI).

RBI monitors Inflation in India from CPI point of view.
Inflation is more likely to have a significant negative effect, rather than a significant positive effect, on a currency's value and foreign exchange rate.

A higher inflation rate in the India compared to other countries will tend to reduce/depreciate the value of ₹ because:

- High inflation in the India means that Indian goods increase in price quicker than rest of the world goods. Therefore Indian goods become less competitive. Demand for Indian exports will fall, and therefore there will be less demand for ₹ in international market.
- Also, India consumers will find it more attractive to buy imports. Therefore they will supply ₹ to be able to buy Euros, $ etc. and their imports. This increase in the supply of ₹ decreases the value of ₹ in international market

Therefore, in the long run, changes in relative inflation rates should lead to a change in the exchange rates.

53. Which of the following International institutions would **NOT** be included in the international financial and monetary system?

a) IMF
b) WTO
c) BIS
d) World Bank
e) All are International Financial Institutions

Answer: B

WTO is not an Institution amongst international financial and monetary system.

World Trade Organization (WTO) is an international organization established **to supervise and liberalize world trade**. The Uruguay round of GATT (1986-93) gave birth to World Trade Organization. The members of GATT signed on an agreement of Uruguay round in April 1994 in Morocco for establishing a new organization named WTO.

Roles of WTO: It operates a global system of trade rules, it acts as a forum for negotiating trade agreements, it settles trade disputes between its members and it supports the needs of developing countries.

54. The difference between the buy and the sell rate is known as the

a) Bid-Ask exchange rate
b) Quotation spread
c) Bid-Ask quotation
d) Bid-Ask Spread
e) Bid-Ask Variance

Answer: D

Bid-Ask spread means the amount by which the ask price (what sellers asks for) exceeds the bid price (what buyer wants to pay) for an Asset in market. Ask price is the value point at which the seller is ready to sell and bid price is the point at which a buyer is ready to buy. When the two value points match in a marketplace, i.e. when a buyer and a seller agree to the prices being offered by each other, a trade takes place. These prices are determined by two market forces -- demand and supply, and the gap between these two forces defines the spread between buy-sell prices.

Liquidity has an inverse relationship with Bid-Ask spread because when the shares are readily available in the market there will be less difference between highest price buyer willing to pay and lowest price seller willing to accept.

55. Which type of open ended Mutual fund scheme allows its investors to sale out their share during any normal trading hours?

a) Exchange traded fund
b) Funds of fund
c) Money trade fund
d) Capital trade fund
e) Debt Fund

Answer: A

Exchange Traded Funds (ETFs) are an **open-ended mutual fund scheme listed and traded on stock exchanges** like shares. Index ETFs are created by institutional investors swapping shares in an index basket, for units in the fund. Usually, ETFs are **passive funds** where the fund manager doesn't select stocks on investor's behalf. Instead, the ETF simply copies an index and endeavors to accurately reflect its performance. In an ETF, one can buy and sell units at prevailing **market price on a real time basis during market trading hours**.

In the year 2017 GoI launched Bharat 22 ETF as a vehicle to achieve its disinvestment target.

Bharat 22 ETF is an open-ended exchange traded fund which will invest in similar composition and weightages as they appear in Bharat 22 Index. The special index S&P BSE BHARAT-22 Index was created on BSE. The index is a blend of shares of key CPSEs, public sector banks (PSBs) and government-owned shares in blue-chip private companies like L&T (L&T), Axis Bank and ITC.

56. "Twins of Wood" refres to two institutes in the financial world. These are:

a) ITO & World Bank
b) RBI & IMF
c) World Bank & WTO
d) World Bank & IMF
e) IMF & ITO

Answer: D

The World Bank was established in December 1945 with the IMF on the basis of the recommendation of the Bretton Wood Conference. As such, IMF and World Bank are also referred to as the 'Bretton Wood Twins' or 'Twins of Wood'.

International Bank for Reconstruction and Development (IBRD) and its associate institutions as a group are known as the World Bank. It is headquartered in **Washington; D.C.** The World Bank aims to reduce poverty in middle income and credit worthy poorer countries but promoting sustainable development through loans, guarantees, risk management products and analytical and advisory services.

The World Bank Group consists of 5 organizations:

I. The International Bank for Reconstruction and Development (IBRD) – it lends to governments of middle-income and creditworthy low-income countries.
II. The International Development Association (IDA) provides interest-free loans — called credits — and grants to governments of the poorest countries.

Together, IBRD and IDA make up the World Bank.

III. The International Finance Corporation (IFC) is the largest global development institution focused exclusively on the private sector. It helps developing countries achieve sustainable growth by financing investment, mobilizing capital in international financial markets, and providing advisory services to businesses and governments.
IV. The Multilateral Investment Guarantee Agency (MIGA) was created in 1988 to promote foreign direct investment into developing countries to support economic growth, reduce poverty, and improve people's lives. MIGA fulfills this mandate by offering political risk insurance (guarantees) to investors and lenders.
V. The International Centre for Settlement of Investment Disputes (ICSID) provides international facilities for conciliation and arbitration of investment disputes.

Except (ICSID), India is part of all 4 World Bank organizations.

57. Which Institution in India regulates the Capital Market of the country?

a) RBI
b) SEBI
c) IRDAI
d) AMFI
e) SIDBI

Answer: B

Capital market is the market for long term investments that have explicit or implicit claims to capital. A long term investment refers to those investments whose lock-in period is greater than one year. The capital markets in India are **regulated by SEBI.**

In the capital market, both equity and debt instruments, such as equity shares, preference shares, debentures, zero-coupon bonds, secured premium notes and the like are bought and sold, as well as it covers all forms of lending and borrowing. The Securities Market, however, refers to the markets for those financial instruments/ claims/obligations that are commonly and readily transferable by sale.

The Securities and Exchange Board of India (SEBI), a statutory body appointed by an Act of Parliament (SEBI Act, 1992), is the chief regulator of securities markets in India. SEBI functions under the Ministry of Finance. The main objective of SEBI is to facilitate growth and development of the capital markets and to ensure that the interests of investors are protected. SEBI has codified and notified regulations that cover all activities and intermediaries in the securities markets.

- **Roles and objectives of SEBI:**
  - ✓ Regulation of the activities of the stock market
  - ✓ Protecting the rights of investors

- ✓ Ensuring the safety of the investments.
- ✓ To prevent malpractices and fraudulent activities.
- ✓ To develop a code of conduct for the intermediaries such as brokers, mutual fund sellers etc.

58. In financial sector, the __________ is a good fit to offer hedging protection against transactions risk exposure.

a) Forward Market
b) Spot Market
c) Transactions Market
d) Inflation-rate Market
e) Capital Market

Answer: A

In a forward market, a contract is entered between a buyer and seller for future delivery of stock or currency or commodity. It deals with transactions (sale and purchase of foreign exchange) which are contracted today but implemented sometimes in future. Exchange rate that prevails in a forward contract for purchase or sale of foreign exchange is called Forward Rate. Thus, forward rate is the rate at which a future contract for foreign currency is made.

The buyer in a forward contract gains if the price at which he buys is less than the spot price and he will lose if the price is higher than the spot price

A forward contract is entered into for two reasons:

- To minimize risk of loss due to adverse change in exchange rate (i.e., hedging)
- To make a profit (i.e., speculation)

59. What is meant by an “Asset” in finance?

a) An asset is some-thing that is freely available
b) An asset is some-thing that yields a value or a return
c) An asset is some-thing that yields no return, and only provides a utility
d) An asset is some-thing that cannot be owned
e) An asset is something that cannot be transferred

Answer: B

An asset is an economic resource that can be owned, and is expected to provide future economic benefits. Assets are classed as capital/fixed, current, tangible or intangible and expressed in terms of their cash value on financial statements.

In accounting terms, a company's assets can be defined as:

- Resources or things of value that are owned by a company as the result of company transactions
- Prepaid expenses that have not yet been used up or have not yet expired
- Costs that have a future value that can be measured

60. Which of the following is an instrument traded in the money market?

a) Bonds
b) Shares
c) NCDs
d) Commercial Papers
e) None of the above

Answer: D

The Money market refers to the market where borrowers and lenders exchange short- term funds to solve their liquidity needs. Money market instruments are generally financial claims that have low default risk, and are characterized by maturities under one year and high marketability.

Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note. It is a short term debt instrument issued by corporations.

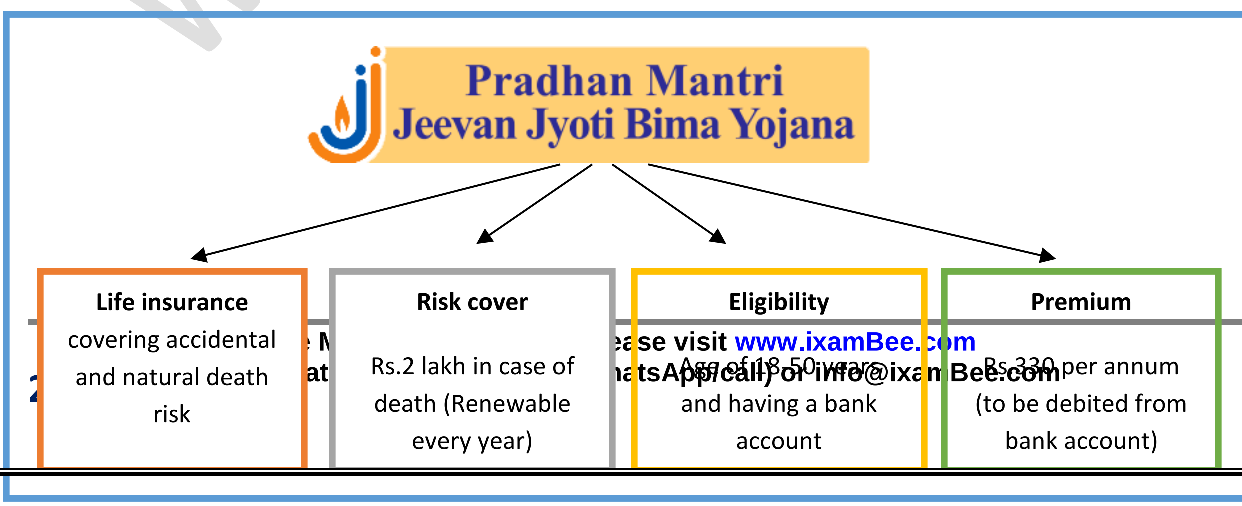
61. What is the insurance cover payable to the nominee on the death of the subscriber to the Pradhan Mantri Jeevan Jyoti Bima Yojana?

a) ₹ 50,000
b) ₹ 1,00,000
c) ₹ 1,50,000
d) ₹ 2,00,000
e) ₹ 2,50,000

Note – this is a dynamic question

Answer: D

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) is a one-year life insurance scheme, renewable from year to year, offering coverage for death. The features are summarised below:



62. As per the annual report 2017-18 of IRDA what is the overall insurance density (Insurance density is measured as ratio of premium (in US Dollar) to total population) in India?

a) 12
b) 15
c) 63
d) 56
e) 73

Note – this is a dynamic question

Answer: E

As per the annual report 2017-18 of IRDA what is the overall insurance penetration (Premium as % of GDP) in India is 3.69% which is a slight increase from previous year however it is much below the world average i.e. 6.13%.

Insurance penetration and Insurance density reflects the country's level of development of insurance. Insurance penetration is measured as the percentage of insurance premium to GDP, whereas insurance density is calculated as the ratio of premium to population (per capita premium) sector in a country.

Insurance density in India is 73.0 (US $) which is very low than the world average of 650.

63. While reading insurance policy news we come across "Churning of life insurance policies". Which of the following most closely describes this?

a) Up selling insurance policies by intermediaries
b) Down selling insurance policies by intermediaries
c) Misrepresentation of policies by insurance intermediaries to make a profit
d) Lapse of Insurance policies before maturity
e) Lapse of insurance policies when no premium is paid by insurer

Answer: C

Insurance "twisting" and "churning" are types of bad faith actions that involve an insurance company persuading policyholders to surrender policies or let them lapse only to replace the policy at the detriment of the policyholders.

It can be defined as when an insurance agent purposefully misrepresents facts, defrauds a policyholder, or makes an unfair/unreasonable comparison with another company or policy to make a profit off the policyholder's losses, it's an act of bad faith.

In 2014, (IRDA) mandated that "no life insurance agent, insurance intermediary or an insurer is permitted to replace a life insurance policy, except, if it is in the interest of the policyholder". The move is also to discourage intermediaries from persuading customers into lapsing on or surrendering an existing life insurance policy “with the intent of canvassing or soliciting a new life insurance policy on the same life".

64. In the insurance Sector, what is meant by free look period?

a) The time you may cancel your policy be returning it to the insurance company
b) The time you may stop paying premium as it is overpaid before your payment.
c) The time in which you can draw back death penalty.
d) The time during which your policy remains active even if premium remains unpaid
e) The time after the premium payments are over but the benefit under the policy continues

Answer: A

A free look period is a period of time in which a new life insurance policy owner can terminate the policy without penalties, such as surrender charges.

As per IRDA Free look period provision allows customers to return their policies which they are not satisfied with and also get a refund for the same. As per the IRDA regulations, policyholders are granted a free look period, during which they can go through the terms and conditions stated in the insurance policy to evaluate if the policy is indeed beneficial for them or not. Usually there is a **15 day free look period** which is granted, during which policy holders may request for changes to be made to the features of their policy, cancel their policy and take a fresh new policy.

65. Which of the following correctly gives the difference between gambling and insurance?

a) Gambling has no insurable interest involved, while insurance always has an insurable interest
b) While gambling results in losses, insurance leads to only profitable outcomes.
c) Gambling is legally enforceable while insurance is only partially enforceable in India
d) Gambling is state subject while insurance sector comes under concurrent list of the government
e) None of the above; gambling and insurance are both almost the same

Answer: A

The risk in gambling is “speculative” risk. Gambling creates a risk situation that offers an opportunity for gain as well as for loss hence it has no insurable interest involved. On the other hand Insurance deals with “pure” risk. With pure risk there is the possibility that a certain event will occur, e.g., accident or sickness & therefore insurance has Insurable interest involved.

The purpose of insurance is to restore the insured to his original position, not to afford the injured person the possibility of making a profit. There might be gain in gambling. In insurance there is no possibility of gain.

66. What is the prime subject-matter of Life Insurance?

a) Premium
b) Property

c) Human Life
d) Goodwill
e) All of the Above

Answer: C

Life Insurance: It is the insurance which give protection form bad situation to insured person's family in case of death of insured or give a lump sum amount to insured at the end of maturity of policy which is great help for him. It is a contract between the insurer and insured upon human life. Life insurance is a way to secure the lives of rest of the family members when principal member of the family dies. So the main subject matter of life insurance is life of human being.

67. Which of the following depicts the insurance principle of "Uberrimae Fides"?

a) Timely payment of insurance premium
b) Disclosing all material information on the insurance proposal-form
c) Disclosing all information, whether material or immaterial, on the insurance proposal-form
d) Taking only one policy to cover one risk
e) Insuring the subject matter in which the insured has some interest

Answer: B

An insurance contract is a document representing the agreement between an insurance company and the insured. Central to any insurance contract is the insuring agreement, which specifies the risks that are covered, the limits of the policy, and the term of the policy.

- **Utmost Good Faith**: An insurance contract is known as a contract of 'Uberrimae Fides' or a contract based on 'utmost good faith'. It means both the parties must disclose all material facts. Any fact is material which goes to the root of the contract of insurance and has a bearing on the risk involved. It is only when the insurer knows the whole truth that he is in a position to judge
  - ✓ Whether he should accept the risk
  - ✓ What premium he should charge.

Concealment of any fact will entitle the insurer to deprive the assured of benefits of the contract. Also, as insurance shifts risk from one party to another, it is essential that there must be utmost good faith and mutual confidence between the insured and the insurer.

68. In India, which of the following insurance sector related entities, is/are **NOT** regulated by IRDA?

a) Third-Party Administrators
b) Insurance Brokers
c) Current Account-Savings Account Agents
d) Corporate Agents
e) Insurance web Aggregators

Answer: C

As per IRDA Act 1999 section 2(1) (f) Insurance intermediaries are defined as:

"Insurance intermediaries serve as a bridge between consumers and insurance companies. An Insurance Intermediary means individual agents, corporate agents including banks and brokers, insurance marketing firm (web aggregators). It also includes Surveyors, Insurance Repositories, Insurance self-network platform (ISNP) and Third Party Administrators (TPA). Surveyors assess losses on behalf of the insurance companies. Third Party Administrators provide services related to health insurance for insurance companies.

Insurance intermediaries are required to obtain license/approval through IRDA to operate in India.

The Current Account-Savings Account (CASA) refers to demand deposits opened with banks and is not related to insurance sector; as such it does not come under the regulatory purview of IRDA which is the insurance sector regulator . Bank agents may help with CASA accounts and there is nothing specifically as CASA agents.

69. In Indian insurance sector the fundamental purpose of insurance regulations is/are ________

a) To ensure that rural areas and weaker sections of population gets the adequate insurance coverage
b) To ensure that insurance companies generate the sufficient profits so that they can survive in the long term
c) To ensure that insurance cover is extended to all the citizens of India
d) To Protect the policy holders interests
e) All of the above

Answer: D

The fundamental purpose of Insurance regulation is to protect the policyholder's interest by keeping an eye on licensing, monitoring and regulating the insurance business sector in country.

70. Which of the following statement(s) is/are correct with respect to the essentials of general insurance?

a) Insurance reduces possibilities of loss
b) Insurance prevents the loss of an asset
c) Insurance protects the asset
d) Insurance pays when there is loss of asset
e) Insurance pays for the liabilities related to an asset

Answer: D

Insurance is a mechanism of risk transfer and sharing by pooling of risks and funds among a group of individuals who are exposed to similar kinds of risks for the benefit of those who suffer loss on account of the risk. Insurance is, thus, a financial tool specially created to reduce the financial impact of unforeseen events and to create financial security when and where there occurs a loss of asset already insured.

71. Which was the first general life insurer established in India?

a) General Insurance of India
b) United India Insurance Company
c) New India Assurance Company
d) The Triton Insurance Company Ltd
e) The Oriental Insurance Co. Ltd

Answer: D

The first general insurance company "Triton Insurance Company Ltd." promoted in 1850 by British nationals in Calcutta. The first general insurance company established by an Indian was "Indian Mercantile Insurance Company Ltd." in Bombay in 1907.

72. The main role of third-party administrator (TPA) under Health Insurance is to _________

a) Collect the premium
b) Manage the policyholders' records & claim settlements
c) Collect commission from insured for tied agents
d) Maintain the nominee details of the insured
e) All of the above

Answer: B

Introduced by the IRDA in 2001, TPAs function as an intermediary between the insurance provider and the insured.

TPA is a professional agency meant to coordinate the process of Claim settlement in a cost effective, timely, fair and hassle-free manner. As TPAs associate with multiple insurance companies, they get critical mass to best leverage technology and deliver cost effective services to the Policyholder as well as to the insurance providers.

Important roles of TPA in health insurance:

- ✓ Claim Settlement
- ✓ Cashless processing
- ✓ Maintaining Database
- ✓ Maintaining service center & Value added services

73. Which of the following institution is the regulatory body of money laundering in insurance sector?

a) PFRDA
b) FIMMDA
c) SEBI
d) IRDA
e) SIDBI

Answer: D

Money laundering is a series of financial transactions that are intended to transform ill-gotten/Illegal money into legitimate money or other assets by bringing it in an economy by hiding its illegal origin making it seem that the proceeds have come from a legitimate source. In India, money laundering is popularly known as Hawala transactions.

Prevention of Money Laundering Act, 2002 is an Act in India to prevent money-laundering and to provide for confiscation of property derived from money-laundering.

The vulnerability of the life insurance industry to money laundering is not as high as other sectors of the financial industry. Nonetheless, any such activity needs to be prevented and **falls under the responsibility of IRDA** as the overall regulator for insurance sector to ensure smooth functioning of the sector.

An example of money laundering in insurance sector - life insurance policy that can be cashed in is an attractive money laundering vehicle because it allows criminals to put dirty money in and take clean money out in the form of an insurance claim.

74. The micro-Insurance products concentrates on the core area of __

a) People with large families
b) People with low income
c) People employed with the government
d) People with high income
e) People in MSME Sector only

Answer: B

Micro-Insurance is the element of social protection in which the insurance service is/are provided to low-income people, designed and distributed in accordance to their needs and capacities. It acts as a risk management tools to counter the losses suffered in the event of crisis.

IRDAI has created a special category of insurance policies called micro-insurance policies to promote insurance coverage among economically vulnerable sections of society. The IRDA Micro-insurance Regulations, 2005 caters the need for micro-Insurance.

Micro insurance policy can be defined as a general or life insurance policy with a sum assured of Rs.50,000 or less

75. In the insurance policy a “claim” refers to

a) A demand made by the policyholder on the nominee
b) A demand by the insurer to fulfill the policyholder's obligations
c) A demand made by the policyholder/nominee to fulfill the insurer's obligations
d) A demand made by the insurer on the nominee to fulfill policyholders’ obligations
e) All of the above

Answer: C

Claim: Notification by or on behalf of a claimant that an event likely to be covered by a policy has occurred, or is likely to occur, and giving formal notice to the insurer accordingly. Usually a claim will be accompanied by a request for indemnification under the policy. It's a legal demand to fulfill the insurer's obligation as per the prior agreement between insured and insurer. This demand will be made by the policyholder/insured in case of general insurance and by the nominees/beneficiaries or insured, in case of a life insurance.

76. The SARFAESI rights are given by RBI to various financial institutions. What does the R represent in SARFAESI?

a) Restructured
b) Reconstruction
c) Reconciliation
d) Recovery
e) Remedial

Ans. B
SARFAESI stands for The Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act. The Act was introduced in 2002. It is a legislation that helps financial institutions to ensure asset quality in multiple ways. Major feature of SARFAESI is that it promotes the setting up of asset reconstruction (RCs) and asset securitization companies (SCs) to deal with NPAs accumulated with the banks and financial institutions. The Act provides three methods for recovery of NPAs, viz:
(i) Securitization;
(ii) Asset Reconstruction; and
(iii) Enforcement of Security/collateral without the intervention of the Court

77. Which of the following is the variability of the return from a share associated with the market as a whole?

a) Unsystematic
b) Avoidable
c) Systematic
d) Diversifiable
e) None of the above

Ans. C
Systematic risk is associated with the whole market and not specific to any particular investment. It is non-diversifiable risk.
78. The ownership structure of a Regional Rural bank is?

a) Central government – 50%, state government – 15%, Nabard – 35%
b) Central government – 50%, state government – 35%, Nabard – 15%
c) Central Government – 50%, state government – 15%, Sponsor bank – 35%
d) Central Government – 50%, state government – 35%, Sponsor bank – 15%
e) Central Government – 50%, Nabard – 35%, Sponsor bank – 15%

Ans. C

Regional Rural Banks came into existence under the Regional Rural Banks Act 1976 on the recommendation of the Narsimham Committee working group. The purpose of these RRBs was to provide sufficient banking and credit facility for agriculture and other rural activities. The RRB Act allowed the government to set up banks from time to time wherever it considered necessary.
The RRBs were owned by three entities with their respective shares as follows:

- Central Government → 50%
- State government → 15%
- Sponsor bank → 35%

Regional Rural Banks were conceived as low cost institutions having a rural ethos, local feel and pro poor focus. Every bank was to be sponsored by a "Public Sector Bank", however, they were planned as the self-sustaining credit institution which were able to refinance their internal resources themselves and were excepted from the statutory pre-emptions.

79. The BIFR, an important government agency ceased to exist from December 2016. Which body replaced this agency?

a) Finance Commission
b) NITI Aayog
c) NCLT
d) A and B
e) B and C

Ans. C
The Board for Industrial and Financial Reconstruction (BIFR) was an agency of the government of India, part of the Department of Financial Services of the Ministry of Finance. Its objective was to determine sickness of industrial companies and to assist in reviving those that may be viable and shutting down the others. But from 1 December 2016, by an official notification, Government of India dissolved it and all proceedings to be referred to the National Company Law Tribunal (NCLT) and National Company Law Appellate Tribunal (NCLAT) as per provisions of Insolvency and Bankruptcy Code.

80. A short-term lease which is often cancellable is known as

a) Finance Lease
b) Net Lease
c) Operating Lease
d) Leverage Lease
e) Sale and back lease

Ans. C

- **Operating lease** is a contract that allows for the use of an asset but does not convey rights of ownership of the asset. An operating lease represents an off-balance sheet financing of assets, where a leased asset and associated liabilities of future rent payments are not included on the balance sheet of a company. It is cancellable and at the end of the lease, the leased asset is returned with no option to buy at the end.
- A **financial lease** is for a long term covering majority of the useful life of the asset with an option to transfer the asset at the end of the lease and lessee has the economic ownership of the asset but not the title to the asset.
- **Net lease** refers to a contractual agreement where a lessee pays a portion or all of the taxes, insurance fees and maintenance costs for a property in addition to rent. Net leases are most commonly used with commercial real estate.
- A **leveraged lease** is a lease agreement that is partially financed by the lessor through a third-party financial institution. In a leveraged lease, the lending company holds the title to the leased asset, while the lessor creates the agreement with the lessee and collects the payment. The payments are then passed on to the lender.

A **sale and leaseback** constitutes an arrangement where the seller of an asset leases back the same asset from the purchaser. The lease arrangement is made immediately after the sale of the asset with the amount of the payments and the time period specified. Essentially, the seller of the asset becomes the lessee and the purchaser becomes the lessor in this arrangement.

81.In 1980, to provide government more power and command over credit delivery, six commercial banks in India were nationalized. Which of the following was not one of the six banks that was nationalised in 1980?

a) Andhra Bank
b) Oriental Bank of Commerce
c) New Bank of India
d) Vijaya Bank
e) Dena Bank

Ans. E

Dena Bank was one of the 14 banks nationalised in 1969. These were ALLAHABAD BANK, BANK OF INDIA, CANARA BANK, DENA BANK, INDIAN OVERSEAS BANK, SYNDICATE BANK, UNION BANK OF INDIA, BANK OF BARODA, BANK OF MAHARASHTRA, CENTRAL BANK OF INDIA, INDIAN BANK, PUNJAB NATIONAL BANK, UCO BANK and UNITED BANK OF INDIA.

The six banks nationalised in 1980 were Andhra Bank, Punjab & Sind Bank, New Bank of India, Vijaya Bank, Corporation Bank and Oriental Bank of Commerce.

82. In a 3 years Bond purchased and held till maturity, the rate earned is called

a) Coupon Rate

- **b) Yield to Maturity**
- c) Current Yield
- d) Holding Period Return
- e) Yield to call

Ans. B

- Coupon rate is the nominal rate of interest paid on the bond and is specified at the time of issue of the bond.
- The return earned on the bond, bought from the secondary market, is held till maturity is known as yield to maturity.
- When the bond is bought in secondary market, coupon is earned on the bond and the bond is sold before maturity before next coupon payment without any capital gain, the return earned is known as the current yield.
- Holding period return in case the bond is the return from capital gain on the bond plus the coupon rate.
- Yield to call is the return earned in case of a callable bond when the bond is held till the bond is called upon by the issuer.

83. What is a Letter of credit?

- **a) An order from a bank to another bank abroad authorizing the payment of a particular amount to a person named in the letter**
- b) Statement of amounts standing to the credit of bank during a specified period
- c) The loan agreement letter issued to the borrower by the bank
- d) An irrevocable and unconditional guarantee to pay a particular amount to the bearer of the letter of credit
- e) An understanding between two banks to meet each others' shortfall in short term liquidity.

Ans. A

84. The CASA deposits of a bank are also referred to as:

- **a) Demand deposits**
- b) Time deposits
- c) Bulk deposits
- d) Recurring deposits
- e) Term deposits

Ans. A

The CASA deposits refer to deposits in the form of Current Account & Savings Account deposits. These are also known as demand deposits as these are payable to the depositor on demand i.e. the depositor can withdraw money from these deposits as and when he wants. Unlike demand deposits, time or term deposits or fixed deposits are made for a particular period of time before which withdrawal is restricted or may involve penalty on pre-mature withdrawal. Recurring deposit is also a type of term deposit in which the depositor deposits a fixed amount on a monthly basis into the recurring deposit account.

85. Under this analysis, a company compares its sales and expenses to determine that volume of production where there is no profit and no loss. What is it called?

a) Financial planning and analysis
b) Budget Analysis
c) Break even analysis
d) Variance analysis
e) Du-Pont analysis

Ans. C
Breakeven analysis is used to determine when your business will be able to cover all its expenses and begin to make a profit. The breakeven point is reached when revenue equals all business costs. To calculate your breakeven point, you will need to identify your fixed and variable costs.
Break Even point = Fixed cost / (Sale price-variable cost)

86. The market where debt and stocks are traded and maturity period is more than a year is classified as
a) Primary market
b) Capital market
c) Money market
d) Forex market
e) When issued market

Ans.B
The long term market for various market instruments is called the capital market. The market for short term instruments is known as the money market. Primary market is a part of the capital market where the first issue of any debt or equity is made by a company. Forex market deals with trading of foreign exchange currencies while a "when issued" market is the market for trading of bonds whose issue has been announced and not yet taken place.

87. Zero-coupon Bonds are redeemed at

a) Face Value
b) Premium to Face Value
c) Discount to Face Value
d) Either A or C
e) Any of the above as decided by Board of company

Ans. A
Zero coupon bonds are issued at a discount to face value and do not pay any coupon. They are redeemed at face value and the difference between the issue price and the face value is the return earned by the bond investor.

88. The process of transformation of physical shares, commercial paper or certificate of deposit into electronic form is called as –

a) Securitisation
b) Share truncation

- **c) Dematerialisation**
- d) Electronification
- e) Share Digitisation

Ans. C

Dematerialisation is the process of converting physical shares into electronic format. An investor who wants to dematerialise his shares needs to open a demat account with Depository Participant. In order to mitigate the risks associated with share trading in paper format, dematerialisation concept was introduced in Indian Financial Market. Dematerialisation or Demat in short is the process through which an investor's physical share certificate gets converted to electronic format which is maintained in an account with the Depository Participant.

89. The money raised by an issuing company in the form of foreign currency through a bond that has the option of being converted to equity is known as ________

- **a) FCCB**
- b) FII
- c) FDI
- d) FPI
- e) All of the above

Ans. A

FCCB is a Foreign Currency Convertible Bond that is issued by a company to raise money in a foreign currency. They have a coupon rate that is paid in the foreign currency. The investors of the bond have the option of redeeming their investment or converting the bonds into equity at maturity. The payment of the principal is usually in the currency in which the money is raised.

90. An unsecured short-term promissory note, negotiable and transferrable by endorsement and generally issued at discount is known as-

- a) Commercial Bill
- b) Certificate of Deposit
- **c) Commercial Paper**
- d) Demand Draft
- e) None of the above

Ans. C

Commercial paper is a money-market security issued (sold) by large corporations to obtain funds to meet short-term debt obligations (for example, equipment purchase), and is backed only by an issuing bank or company promise to pay the face amount on the maturity date specified on the note.