



# **BUDDHA SERIES**

**(Unit Wise Solved Question & Answers)**

**Course – B.Com III Sem.**

**College – Buddha Degree College  
(DDU Code-859)**

**Department: Commerce**

**Subject: Insurance Operations**

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## UNIT – I

1. Insurance provides protection against
  - A) Profit and loss
  - B) Risk and uncertainty**
  - C) Tax payments
  - D) Speculation

**Answer: B) Risk and uncertainty**
2. Insurance works on the principle of
  - A) Maximum risk
  - B) Risk pooling**
  - C) Profit sharing
  - D) Risk creation

**Answer: B) Risk pooling**
3. Insurance is considered a social security tool because
  - A) It increases government revenue
  - B) It helps avoid taxes
  - C) It protects individuals from unexpected losses**
  - D) It is managed by the state

**Answer: C) It protects individuals from unexpected losses**
4. Insurance contributes to economic development by
  - A) Increasing population
  - B) Encouraging investment and providing stability**
  - C) Encouraging inflation
  - D) Reducing productivity

**Answer: B) Encouraging investment and providing stability**
5. The term 'Agent' in insurance refers to
  - A) The policyholder
  - B) The intermediary selling insurance policies**
  - C) The company secretary
  - D) The underwriter

**Answer: B) The intermediary selling insurance policies**
6. The primary compensation for an insurance agent is through
  - A) Tips
  - B) Bonus
  - C) Commission on premium**
  - D) Fixed salary only

**Answer: C) Commission on premium**
7. The principle that an insured must disclose all facts is
  - A) Indemnity
  - B) Utmost Good Faith**
  - C) Subrogation
  - D) Contribution

**Answer: B) Utmost Good Faith**

8. Life insurance is based on the principle of

**A) Risk pooling**

B) Indemnity

C) Subrogation

D) Average clause

**Answer: A) Risk pooling**

9. The principle of indemnity applies to

A) Life insurance

**B) General insurance**

C) Term insurance

D) Endowment plan

**Answer: B) General insurance**

10. Marine insurance covers

A) Life of the sailor

**B) Ships, cargo, and freight**

C) Loans and deposits

D) Property damage

**Answer: B) Ships, cargo, and freight**

11. Fire insurance compensates for

A) Accident injuries

**B) Loss due to fire**

C) Pollution damage

D) Theft

**Answer: B) Loss due to fire**

12. Health insurance provides coverage for

A) Stock market losses

B) Property damage

**C) Medical expenses**

D) Natural disasters

**Answer: C) Medical expenses**

13. The key principle in marine insurance is

A) Risk creation

B) Contribution

**C) Insurable interest at the time of loss**

D) Return on investment

**Answer: C) Insurable interest at the time of loss**

14. The term 'Insurable interest' means

A) Interest earned from policies

B) Rate of interest on premium

**C) Legal right to insure**

D) Loan eligibility

**Answer: C) Legal right to insure**

15. Principle of contribution is applied when

**A) Multiple policies cover the same subject**

B) A single policy exists

C) Term insurance is bought

D) Loan is granted

**Answer: A) Multiple policies cover the same subject**

16. Subrogation allows

**A) Insurer to claim rights from third party**

B) Policyholder to switch companies

C) Agent to collect bonus

D) Nominee to modify claim

**Answer: A) Insurer to claim rights from third party**

17. A life insurance policy is usually a contract of

A) Indemnity

**B) Assurance**

C) Guarantee

D) Service

**Answer: B) Assurance**

18. The policyholder pays premium to

A) Agent

**B) Insurance company**

C) Nominee

D) Government

**Answer: B) Insurance company**

19. Medical insurance falls under

A) Life insurance

**B) General insurance**

C) Pension funds

D) Investment schemes

**Answer: B) General insurance**

20. Proximate cause refers to

A) Distant event

**B) Closest cause of loss**

C) Economic loss

D) Forecasted return

**Answer: B) Closest cause of loss**

21. Fire insurance is generally for

A) 15 years

**B) One year**

C) Lifetime

D) 10 years

**Answer: B) One year**

22. Life insurance protects against

A) Hospital charges

**B) Risk of death**

C) Theft

D) Business loss

**Answer: B) Risk of death**

23. Insurance contracts must have

A) Verbal agreement

**B) Insurable interest**

C) Voting rights

D) Political approval

**Answer: B) Insurable interest**

24. Insurance premium is

A) Claim amount

**B) Amount paid for coverage**

C) Refund

D) Bonus

**Answer: B) Amount paid for coverage**

25. The insurer is

**A) The company providing insurance**

B) Nominee

C) Policyholder

D) Agent

**Answer: A) The company providing insurance**

## **UNIT – II**

26. IRDA was established in

- A) 1997
- B) 1999**
- C) 2001
- D) 2004

**Answer: B) 1999**

27. The full form of IRDA is

- A) Indian Revenue Development Authority
- B) Insurance Regulatory and Development Authority**
- C) Insurance Risk Distribution Authority
- D) Insurance Rate and Deposit Agency

**Answer: B) Insurance Regulatory and Development Authority**

28. IRDA promotes

- A) Fair practices and consumer protection in insurance**
- B) Stock trading
- C) Bank deposits
- D) Agricultural subsidies

**Answer: A) Fair practices and consumer protection in insurance**

29. The head office of IRDA is located in

- A) New Delhi
- B) Mumbai
- C) Hyderabad**
- D) Bangalore

**Answer: C) Hyderabad**

30. Term insurance provides

- A) Fixed returns
- B) Death benefit only**
- C) Maturity amount
- D) Bonus

**Answer: B) Death benefit only**

31. Endowment plans provide

- A) Life cover + maturity benefit**
- B) Medical benefits
- C) Monthly pension
- D) No risk cover

**Answer: A) Life cover + maturity benefit**

32. ULIP stands for

- A) Unit Level Insurance Policy
- B) Unit Linked Insurance Plan**
- C) Universal Life Investment Plan
- D) Unified Life Insurance Protection

**Answer: B) Unit Linked Insurance Plan**

33. ULIPs are

- A) Fixed deposits
- B) Insurance-cum-investment products**
- C) Term plans
- D) Fire insurance

**Answer: B) Insurance-cum-investment products**

34. Which is an example of general insurance?

- A) ULIP
- B) Vehicle insurance**
- C) Endowment plan
- D) Term insurance

**Answer: B) Vehicle insurance**

35. A child plan is intended for

- A) Securing child's future needs**
- B) Car insurance
- C) Retirement only
- D) Fixed deposit

**Answer: A) Securing child's future needs**

36. Which plan helps after retirement?

- A) Term plan
- B) Pension plan**
- C) Endowment plan
- D) ULIP

**Answer: B) Pension plan**

37. Which one is an investment alternative to insurance?

- A) Motor insurance
- B) Public Provident Fund (PPF)**
- C) Term plan
- D) Whole life plan

**Answer: B) Public Provident Fund (PPF)**

38. Role of IRDA includes

- A) Licensing agents and regulating insurers**
- B) Tax auditing
- C) Agricultural planning
- D) Trading stocks

**Answer: A) Licensing agents and regulating insurers**

39. The maximum foreign investment allowed in insurance sector (as per recent updates) is

- A) 49%
- B) 74%**
- C) 100%
- D) 60%

**Answer: B) 74%**

40. Which plan offers lifelong coverage?

- A) Term insurance
- B) ULIP

**C) Whole life policy**

D) Pension plan

**Answer: C) Whole life policy**

41. Medical insurance premium is eligible for tax benefit under

A) Section 80C

**B) Section 80D**

C) Section 10(10D)

D) Section 24

**Answer: B) Section 80D**

42. Insurance against burglary is a type of

A) Life insurance

**B) General insurance**

C) Health insurance

D) Investment insurance

**Answer: B) General insurance**

43. The main objective of insurance is

A) Capital formation

B) Increase tax

**C) Risk transfer**

D) Increase inflation

**Answer: C) Risk transfer**

44. IRDA ensures policyholders' protection through

A) Banks

**B) Grievance redressal mechanism**

C) Political committees

D) Arbitration courts

**Answer: B) Grievance redressal mechanism**

45. The regulator of stock market in India is

**A) SEBI**

B) IRDA

C) RBI

D) NABARD

**Answer: A) SEBI**

46. Life insurance policy can be claimed upon

A) Asset sale

**B) Death of insured**

C) Market drop

D) Retirement of agent

**Answer: B) Death of insured**

47. A general insurance policy is usually valid for

A) 5 years

**B) 1 year**

C) 10 years

D) Lifetime

**Answer: B) 1 year**



48. IRDA issues license to

- A) Tax advisors
- B) Insurance agents and brokers**
- C) Real estate firms
- D) Mutual funds

**Answer: B) Insurance agents and brokers**

49. Which is NOT an insurance product?

- A) Term insurance
- B) Endowment plan
- C) Fixed deposit**
- D) ULIP

**Answer: C) Fixed deposit**

50. IRDA was established under

- A) Companies Act
- B) RBI Act
- C) IRDA Act, 1999**
- D) Banking Regulation Act

**Answer: C) IRDA Act, 1999**