



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