



**BUDDHA SERIES**  
**(Unit Wise Solved Question & Answers)**  
**Course – B.Com V Sem.**

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

**Department: Commerce**  
**Subject: Principles & Practices of**  
**Insurance-I**

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## **UNIT – I**

1. Risk refers to

- A) Profit in business
- B) Possibility of loss or injury
- C) Financial gains
- D) Price hike

**Answer: B) Possibility of loss or injury**

2. Pure risk involves

- A) Only gains
- B) Possibility of loss or no loss
- C) Profit and loss
- D) Speculation

**Answer: B) Possibility of loss or no loss**

3. Speculative risk includes

- A) Only losses
- B) Natural disasters
- C) Possibility of gain or loss
- D) Physical injury

**Answer: C) Possibility of gain or loss**

4. Static risks arise from

- A) Natural causes and human dishonesty
- B) Market fluctuations
- C) Government policies
- D) Seasonal change

**Answer: A) Natural causes and human dishonesty**

5. Dynamic risks are related to

- A) Weather change
- B) Economic and social changes
- C) Fire hazard

D) Road accidents

**Answer: B) Economic and social changes**

6. Business risks may arise from

A) Gambling

B) Competition and changing tastes

C) Stable income

D) Fixed assets

**Answer: B) Competition and changing tastes**

7. Which of the following is a type of personal risk?

A) Stock market loss

B) Machinery failure

C) Loss of life or health

D) Fire accident

**Answer: C) Loss of life or health**

8. Property risk includes

A) Damage or loss of physical assets

B) Only theft

C) Software update

D) Loan repayment

**Answer: A) Damage or loss of physical assets**

9. Liability risk arises when

A) Building gets damaged

B) Others suffer losses due to your actions

C) Business expands

D) Employee resigns

**Answer: B) Others suffer losses due to your actions**

10. Financial risk relates to

A) Change in mood

B) Loss in investments or income

C) Office maintenance

D) Theft of ideas

**Answer: B) Loss in investments or income**

11. Risk due to inflation is a

A) Static risk

B) Dynamic financial risk

C) Natural risk

D) Personal risk

**Answer: B) Dynamic financial risk**

12. Fire, flood, and earthquake are

A) Natural risks

B) Human-made risks

C) Speculative risks

D) Economic risks

**Answer: A) Natural risks**

13. Which of the following is a human-made risk?

A) Earthquake

B) Fraud and theft

C) Tsunami

D) Lightning

**Answer: B) Fraud and theft**

14. Methods of handling risk include

A) Running away

B) Ignoring it

C) Risk avoidance, retention, transfer, and reduction

D) Complaining

**Answer: C) Risk avoidance, retention, transfer, and reduction**

15. Risk transfer means

A) Shifting the burden of risk to another party

B) Taking more risks

C) Ignoring the risk

D) Recording the loss

**Answer: A) Shifting the burden of risk to another party**

16. Risk retention means

A) Accepting the risk when losses are manageable

B) Passing the risk

C) Eliminating the risk

D) Avoiding all activities

**Answer: A) Accepting the risk when losses are manageable**

17. Which method is most suitable for unavoidable risks?

A) Risk avoidance

B) Outsourcing

C) Risk retention

D) Funding

**Answer: C) Risk retention**

18. Risk reduction involves

A) Avoiding loss completely

B) Minimizing the frequency or severity

C) Postponing decisions

D) Investing in risky projects

**Answer: B) Minimizing the frequency or severity**

19. Risk avoidance is

A) A method to eliminate risk by not engaging in risky activity

B) Transferring the loss

C) Creating backup

D) Ignoring insurance

**Answer: A) A method to eliminate risk by not engaging in risky activity**

20. Hedging is a technique used to

A) Increase risk

B) Offset potential losses in investments

C) Spend more

D) Avoid taxes

**Answer: B) Offset potential losses in investments**

21. Risk can be measured by

A) Number of customers

B) Quality of office

C) Probability and impact of loss

D) Interest rates

**Answer: C) Probability and impact of loss**

22. Risk management starts with

A) Paying premium

B) Purchasing insurance

C) Identifying risks

D) Hiring an accountant

**Answer: C) Identifying risks**

23. Risk analysis includes

A) Revenue generation

B) Studying probability and impact

C) Counting customers

D) Legal drafting

**Answer: B) Studying probability and impact**

24. The main objective of risk management is to

A) Eliminate risk completely

B) Minimize adverse effects of risk

C) Avoid all work

D) Increase expenditure

**Answer: B) Minimize adverse effects of risk**

25. Insurance is mainly used for

A) Risk transfer

B) Risk creation

C) Tax collection

D) Budget planning

**Answer: A) Risk transfer**

## **UNIT – II**

26. Insurance is a contract between

- A) Agent and nominee
- B) Agent and government
- C) Insurer and insured
- D) Insured and hospital

**Answer: C) Insurer and insured**

27. The origin of insurance can be traced to

- A) 2000s
- B) Ancient maritime trade practices
- C) The American Revolution
- D) The 21st century

**Answer: B) Ancient maritime trade practices**

28. In India, modern insurance began with

- A) IRDA
- B) Oriental Life Insurance Company (1818)
- C) National Insurance
- D) SBI Life

**Answer: B) Oriental Life Insurance Company (1818)**

29. Insurance is based on the principle of

- A) Law of returns
- B) Risk pooling and risk transfer
- C) Loan repayment
- D) Time value of money

**Answer: B) Risk pooling and risk transfer**

30. The main function of insurance is

- A) Maximizing profit
- B) Risk coverage and financial protection
- C) Legal protection



D) Investment only

**Answer: B) Risk coverage and financial protection**

31. Which of the following is a function of insurance?

A) Avoiding taxes

B) Increasing risk

C) Providing certainty and capital formation

D) Making losses

**Answer: C) Providing certainty and capital formation**

32. Life insurance covers

A) House damage

B) Risk of death

C) Vehicle theft

D) Fire accident

**Answer: B) Risk of death**

33. General insurance includes

A) Term plans

B) Health, fire, marine, and motor insurance

C) ULIPs

D) Endowment plans

**Answer: B) Health, fire, marine, and motor insurance**

34. Reinsurance means

A) Renewing the same policy

B) Insurance for insurers

C) Sharing profits with client

D) Government insurance

**Answer: B) Insurance for insurers**

35. Double insurance refers to

A) Two types of policies

B) Free insurance

C) Two or more policies for the same subject matter

D) Bonus policy

**Answer: C) Two or more policies for the same subject matter**

36. Principle of indemnity means

A) Giving profit

B) Compensating for actual loss only

C) Extra payment

D) Premium refund

**Answer: B) Compensating for actual loss only**

37. Principle of utmost good faith means

A) Denying information

B) Keeping secrets

C) Full disclosure of material facts

D) Reducing premium

**Answer: C) Full disclosure of material facts**

38. Contribution applies when

A) One policy is active

B) Multiple policies cover the same risk

C) No policy exists

D) Premium is high

**Answer: B) Multiple policies cover the same risk**

39. Subrogation means

A) Policyholder gains extra

B) Insurer gets legal rights to claim recovery

C) Premium waiver

D) Investment growth

**Answer: B) Insurer gets legal rights to claim recovery**

40. Principle of proximate cause determines

A) Amount of premium

B) Nominee details

C) Closest and effective cause of loss

D) Return on investment

**Answer: C) Closest and effective cause of loss**

41. Advantages of insurance include

A) Increase in inflation

B) Financial loss

C) Protection, savings, and peace of mind

D) Random profits

**Answer: C) Protection, savings, and peace of mind**

42. Insurance helps national economy by

A) Reducing taxes

B) Mobilizing funds and stabilizing income

C) Political promotions

D) Creating inflation

**Answer: B) Mobilizing funds and stabilizing income**

43. Which is not a principle of insurance?

A) Indemnity

B) Subrogation

C) Speculation

D) Contribution

**Answer: C) Speculation**

44. Which of the following is not a type of life insurance?

A) Term plan

B) Motor insurance

C) Endowment plan

D) Whole life plan

**Answer: B) Motor insurance**

45. Health insurance provides

A) Investment returns

B) Medical expense cover

C) Risk of fire

D) Life cover only

**Answer: B) Medical expense cover**

46. A nominee is

A) The person who receives the policy benefits

B) The underwriter

C) The agent

D) The auditor

**Answer: A) The person who receives the policy benefits**

47. Surrender value is related to

A) Term plan

B) General insurance

C) Life insurance policies with maturity value

D) Car insurance

**Answer: C) Life insurance policies with maturity value**

48. Group insurance is suitable for

A) One person

B) Employees of an organization

C) Business firms only

D) Unemployed people

**Answer: B) Employees of an organization**

49. IRDA regulates

A) Insurance companies in India

B) Banks

C) Stock market

D) Hospitals

**Answer: A) Insurance companies in India**

50. Insurance increases business confidence by

A) Raising taxes

B) Providing free services

C) Reducing uncertainty and risk

D) Stopping production

**Answer: C) Reducing uncertainty and risk**