



BUDDHA SERIES

(Unit Wise Solved Question & Answers)

Course – B.Com 5th Sem

College – Buddha Degree College

(DDU Code-859)

Department: Commerce

Subject- Principle and practices of insurance-II

Faculty Name: Sakshi singh

UNIT-1

1. Marine insurance is a contract between:

- a) Employer and employee
- b) Insurer and insured
- c) Buyer and seller
- d) Government and citizen

Answer: b) Insurer and insured

2. The main purpose of marine insurance is to cover losses related to:

- a) Fire
- b) Life
- c) Transportation by sea
- d) Property on land

Answer: c) Transportation by sea

3. Marine insurance covers:

- a) House fire
- b) Car accidents
- c) Cargo, ship, and freight
- d) Agricultural crops

Answer: c) Cargo, ship, and freight

4. Marine insurance originated in:

- a) France
- b) England
- c) Greece
- d) Italy

Answer: d) Italy

5. Which of the following is not a type of marine insurance?

- a) Cargo insurance
- b) Hull insurance
- c) Freight insurance

d) Crop insurance

Answer: d) Crop insurance

6. The subject matter of marine insurance can be:

a) Goods in a warehouse

b) Personal life

c) Ship, cargo, or freight

d) Motor vehicles

Answer: c) Ship, cargo, or freight

7. An insurable risk in marine insurance must be:

a) Certain and predictable

b) Uncertain and accidental

c) Planned

d) Avoidable

Answer: b) Uncertain and accidental

8. Which principle is not applicable to marine insurance?

a) Principle of indemnity

b) Principle of subrogation

c) Principle of utmost good faith

d) Principle of contribution

Answer: d) Principle of contribution

9. The marine insurance contract must be based on:

a) Utmost good faith

b) Speculation

c) Hearsay

d) Bargaining

Answer: a) Utmost good faith

10. The person who agrees to compensate the loss in marine insurance is called:

a) Agent

b) Insured

c) Insurer

d) Broker

Answer: c) Insurer

11. Which of the following is a characteristic of marine insurance?

a) Covers only land risks

b) Indemnity against loss of ship, cargo, or freight

c) Covers illness

d) Involves fixed property

Answer: b) Indemnity against loss of ship, cargo, or freight

12. What is "insurable interest" in marine insurance?

a) Legal relationship with property insured

b) Interest earned from investment

c) Speculative interest

d) None of the above

Answer: a) Legal relationship with property insured

13. At what time must the insurable interest exist in marine insurance?

a) At the time of policy issuance

b) At the time of loss

c) At the time of contract signing

d) At the time of delivery

Answer: b) At the time of loss

14. Which of the following losses is generally not covered under marine insurance?

a) War risk (unless specifically covered)

b) Accidental sinking

c) Storm-related damage

d) Fire on board

Answer: a) War risk (unless specifically covered)

15. A voyage policy covers:

a) A specific period

- b) An unspecified time
- c) A particular journey
- d) Lifetime

Answer: c) A particular journey

16. What does "hull insurance" cover?

- a) Cargo only
- b) The ship and its machinery
- c) Freight charges
- d) Ports and warehouses

Answer: b) The ship and its machinery

17. Which type of marine insurance covers the risk of loss of freight revenue?

- a) Hull insurance
- b) Cargo insurance
- c) Freight insurance
- d) Term insurance

Answer: c) Freight insurance

18. Marine insurance is governed in India by:

- a) Companies Act
- b) Indian Marine Insurance Act, 1963
- c) Insurance Act, 1938
- d) IRDA Act

Answer: b) Indian Marine Insurance Act, 1963

19. A "floating policy" in marine insurance is used when:

- a) Goods are shipped occasionally
- b) Goods are shipped frequently over time
- c) A single trip is covered
- d) Only hull is insured

Answer: b) Goods are shipped frequently over time

20. Which of the following is not a principle of marine insurance?

- a) Principle of contribution
- b) Principle of indemnity
- c) Principle of utmost good faith
- d) Principle of gambling

Answer: d) Principle of gambling

21. The duration-based policy in marine insurance is known as:

- a) Floating policy
- b) Time policy
- c) Voyage policy
- d) Hull policy

Answer: b) Time policy

22. Which document is considered proof of marine insurance contract?

- a) Invoice
- b) Letter of credit
- c) Marine insurance policy
- d) Debit note

Answer: c) Marine insurance policy

23. Marine insurance helps in:

- a) Preventing accidents
- b) Recovering financial losses due to marine perils
- c) Enhancing market value
- d) Avoiding taxes

Answer: b) Recovering financial losses due to marine perils

24. Which clause protects the insured against "acts of God"?

- a) General average clause
- b) Perils of the sea clause
- c) Freight clause
- d) Warranty clause

Answer: b) Perils of the sea clause

25. Which risk is specifically excluded unless covered under a special clause?

- a) Fire
- b) Theft
- c) War risk
- d) Collision

Answer: c) War risk

UNIT-2

1. A marine insurance contract is governed by:

- a) Indian Partnership Act, 1932
- b) Indian Marine Insurance Act, 1963
- c) Indian Companies Act, 2013
- d) Insurance Regulatory Act, 1999

Answer: b) Indian Marine Insurance Act, 1963

2. A marine insurance contract is based on the principle of:

- a) Mutual consent
- b) Utmost good faith
- c) Subrogation only
- d) Proximate cause only

Answer: b) Utmost good faith

3. Which of the following is an essential element of a marine insurance contract?

- a) Nomination
- b) Insurable interest
- c) Surety bond
- d) Collateral security

Answer: b) Insurable interest

4. The policy that covers a particular shipment or voyage is known as:

- a) Time policy
- b) Voyage policy
- c) Mixed policy
- d) Floating policy

Answer: b) Voyage policy

5. The policy that covers risk for a specific period is called:

- a) Voyage policy
- b) Time policy
- c) Blanket policy

d) Single risk policy

Answer: b) Time policy

6. A mixed policy in marine insurance covers:

a) Only fire damage

b) A single event

c) Both time and voyage risks

d) Land-based transport

Answer: c) Both time and voyage risks

7. A floating policy is used when:

a) Goods are shipped once

b) Frequent shipments are made

c) There's no risk

d) Goods are not declared

Answer: b) Frequent shipments are made

8. An open cover policy is generally:

a) Time-bound

b) Non-renewable

c) For long-term ongoing contracts

d) For domestic transport

Answer: c) For long-term ongoing contracts

9. The clause that allows partial loss sharing among all parties in case of voluntary sacrifice is:

a) Particular Average Clause

b) General Average Clause

c) Waiver Clause

d) FPA Clause

Answer: b) General Average Clause

10. A particular average loss refers to:

a) Total loss

b) Loss shared by all

c) Loss borne only by the owner

d) Fire damage

Answer: c) Loss borne only by the owner

11. In marine insurance, a constructive total loss occurs when:

a) There is no loss

b) Complete loss is certain

c) Cost of recovering the goods exceeds their value

d) Goods are delivered safely

Answer: c) Cost of recovering the goods exceeds their value

12. A total loss in marine insurance means:

a) Minor loss

b) Partial damage

c) The subject matter is completely destroyed

d) Temporary damage

Answer: c) The subject matter is completely destroyed

13. Which of the following is not a type of marine loss?

a) Total loss

b) Constructive total loss

c) Insurable loss

d) Particular average loss

Answer: c) Insurable loss

14. The clause in marine insurance that excludes minor losses is:

a) General Average Clause

b) Particular Average Clause

c) FPA Clause (Free of Particular Average)

d) Sue and Labour Clause

Answer: c) FPA Clause (Free of Particular Average)

15. The clause that covers expenses incurred to prevent/minimize a loss is:

a) Sue and Labour Clause

- b) FPA Clause
- c) General Average Clause
- d) Abandonment Clause

Answer: a) Sue and Labour Clause

16. Which clause allows the insured to abandon goods and claim full value?

- a) Subrogation Clause
- b) Abandonment Clause
- c) Indemnity Clause
- d) Contribution Clause

Answer: b) Abandonment Clause

17. In marine insurance, which clause protects the insurer's rights after compensation?

- a) Contribution
- b) Proximate Cause
- c) Subrogation
- d) Utmost Good Faith

Answer: c) Subrogation

18. The proximate cause in marine insurance refers to:

- a) Distant reason for the loss
- b) Dominant and most effective cause of loss
- c) Remote cause
- d) Legal issue

Answer: b) Dominant and most effective cause of loss

19. Which clause defines the scope of coverage in a marine policy?

- a) Coverage Clause
- b) Duration Clause
- c) Inchmaree Clause
- d) Marine Perils Clause

Answer: d) Marine Perils Clause

20. The Inchmaree Clause covers:

- a) War risks
- b) Loss by negligence of crew or machinery failure
- c) Theft by pirates
- d) Strike risks

Answer: b) Loss by negligence of crew or machinery failure

21. The clause that excludes loss due to delay or insolvency is:

- a) Inchmaree Clause
- b) Exclusion Clause
- c) Deductible Clause
- d) Warranty Clause

Answer: b) Exclusion Clause

22. The person who takes the policy and pays the premium is called:

- a) Underwriter
- b) Insurer
- c) Insured
- d) Surveyor

Answer: c) Insured

23. A marine insurance contract must be:

- a) Oral
- b) In writing only if requested
- c) In writing and signed
- d) Registered with SEBI

Answer: c) In writing and signed

24. The sum insured under a marine policy is:

- a) Face value
- b) Estimated market value of goods
- c) MRP
- d) Purchase price

Answer: b) Estimated market value of goods

25. The document issued by the insurer to confirm the contract is called:

- a) Invoice
- b) Marine Insurance Policy
- c) Bill of Lading
- d) Survey Report

Answer: b) Marine Insurance Policy

UNIY-3

1. Fire insurance provides protection against:

- a) Theft of goods
- b) Damages caused by fire
- c) Life risks
- d) Marine risks

Answer: b) Damages caused by fire

2. Fire insurance is a contract between:

- a) Buyer and seller
- b) Insurer and insured
- c) Principal and agent
- d) Employer and employee

Answer: b) Insurer and insured

3. The objective of fire insurance is to provide:

- a) Profit
- b) Interest
- c) Indemnity for loss due to fire
- d) Market value

Answer: c) Indemnity for loss due to fire

4. A fire insurance policy generally does not cover:

- a) Loss caused by fire
- b) Loss by explosion
- c) Loss by arson
- d) Loss caused intentionally by insured

Answer: d) Loss caused intentionally by insured

5. The document that evidences a fire insurance contract is called:

- a) Policy document
- b) Invoice

c) Survey report

d) Memorandum

Answer: a) Policy document

6. Fire insurance contracts are based on the principle of:

a) Utmost good faith

b) Maximization of profits

c) Consideration

d) Assignment

Answer: a) Utmost good faith

7. The maximum amount payable under a fire insurance policy is called:

a) Premium

b) Sum assured

c) Market value

d) Book value

Answer: b) Sum assured

8. Fire insurance covers which of the following hazards?

a) Accidental fire

b) Lightning

c) Explosion

d) All of the above

Answer: d) All of the above

9. Fire insurance provides compensation for:

a) Emotional loss

b) Business profit

c) Financial loss due to fire

d) Stock appreciation

Answer: c) Financial loss due to fire

10. Which of the following is a physical hazard in fire insurance?

a) Poor wiring

- b) Dishonesty of employees
- c) Financial difficulties
- d) Moral attitude

Answer: a) Poor wiring

11. Moral hazard in fire insurance refers to:

- a) Fire due to poor maintenance
- b) Dishonest intention of insured
- c) Lack of fire equipment
- d) Overheating of machinery

Answer: b) Dishonest intention of insured

12. The principle of indemnity ensures:

- a) Profit from insurance
- b) Double recovery
- c) Compensation for actual loss only
- d) Lump sum payment

Answer: c) Compensation for actual loss only

13. Fire insurance is usually taken for a period of:

- a) 6 months
- b) 1 year
- c) 2 years
- d) 5 years

Answer: b) 1 year

14. In a fire insurance contract, the proposer must disclose:

- a) All material facts
- b) Irrelevant information
- c) Personal beliefs
- d) Tax details

Answer: a) All material facts

15. Fire insurance helps to:

- a) Increase profit
- b) Save taxes
- c) Minimize business loss
- d) Provide credit guarantees

Answer: c) Minimize business loss

16. The subject matter of fire insurance is:

- a) Human life
- b) Goods and property
- c) Ship
- d) Legal rights

Answer: b) Goods and property

17. The person who receives the insurance amount in case of a fire is called:

- a) Nominee
- b) Agent
- c) Insured
- d) Broker

Answer: c) Insured

18. The cost paid by the insured to the insurer is called:

- a) Claim
- b) Benefit
- c) Premium
- d) Bonus

Answer: c) Premium

19. One major importance of fire insurance is:

- a) Promotes fire
- b) Stops business
- c) Provides financial stability
- d) Reduces production

Answer: c) Provides financial stability

20. The cause nearest to the loss in fire insurance is called:

- a) Direct cause
- b) Remote cause
- c) Proximate cause
- d) Legal cause

Answer: c) Proximate cause

21. The fire insurance policy becomes void if:

- a) Premium is paid
- b) Loss occurs accidentally
- c) Insured intentionally causes fire
- d) Property is mortgaged

Answer: c) Insured intentionally causes fire

22. Fire insurance is not applicable to:

- a) Building
- b) Machinery
- c) Land
- d) Stock

Answer: c) Land

23. The loss due to fire must be:

- a) Speculative
- b) Accidental and uncertain
- c) Intentionally caused
- d) Government approved

Answer: b) Accidental and uncertain

24. The insured must have insurable interest at the time of:

- a) Policy issuance
- b) Fire loss
- c) Either a or b
- d) Both a and b

Answer: d) Both a and b

25. A fire insurance contract is:

- a) Executed contract
- b) Personal contract
- c) Void contract
- d) Unilateral contract

Answer: b) Personal contract

UNIT-4

1. A fire insurance policy is valid only if:

- a) Fire is caused intentionally
- b) Fire is accidental and unforeseen
- c) Fire is due to riots
- d) Fire occurs in open land

Answer: b) Fire is accidental and unforeseen

2. One of the primary conditions of a fire insurance policy is:

- a) Regular premium payment
- b) Pre-existing damage
- c) Intentional loss
- d) No disclosure of material facts

Answer: a) Regular premium payment

3. Fire insurance covers loss or damage caused by:

- a) Earthquake
- b) Riot (if included)
- c) Intentional acts
- d) Nuclear damage

Answer: b) Riot (if included)

4. The insurer is not liable for:

- a) Accidental fire
- b) Fire caused by negligence
- c) Fire due to war or invasion
- d) Fire from electrical short-circuit

Answer: c) Fire due to war or invasion

5. In a fire insurance policy, the insured must:

- a) Keep silent after the incident
- b) Immediately report the fire to the insurer
- c) Wait till the surveyor visits

d) Replace damaged goods first

Answer: b) Immediately report the fire to the insurer

6. One condition of a fire insurance policy requires the insured to:

a) Not maintain any records

b) Prove the actual loss

c) Not disclose fire-related history

d) Hide material facts

Answer: b) Prove the actual loss

7. The claim amount under fire insurance is limited to:

a) Total revenue

b) Premium paid

c) Actual loss or sum insured, whichever is lower

d) Market value only

Answer: c) Actual loss or sum insured, whichever is lower

8. The policy becomes void if:

a) Insured tries to make a false claim

b) Fire is reported late

c) Fire is minor

d) Surveyor is unavailable

Answer: a) Insured tries to make a false claim

9. One standard procedure after a fire occurs is:

a) Do nothing

b) Inform friends

c) File a claim with necessary documents

d) Wait for one month

Answer: c) File a claim with necessary documents

10. Renewal of fire insurance is usually:

a) Monthly

b) Annually

c) Every 5 years

d) Once only

Answer: b) Annually

11. Motor insurance is mandatory in India under the:

a) Companies Act

b) IRDA Act

c) Motor Vehicles Act

d) Income Tax Act

Answer: c) Motor Vehicles Act

12. Motor insurance covers:

a) House rent

b) Theft or damage of vehicle

c) Personal loan

d) Travel expenses

Answer: b) Theft or damage of vehicle

13. Third-party motor insurance covers:

a) The driver only

b) The passengers

c) Damage to other person or property

d) Repair charges

Answer: c) Damage to other person or property

14. Burglary insurance covers:

a) Fire accidents

b) Theft by outsider forcefully entering premises

c) Market fluctuations

d) Political risks

Answer: b) Theft by outsider forcefully entering premises

15. Which of the following is covered under burglary insurance?

a) Earthquake damage

b) Fire

c) Theft involving force or break-in

d) Self-inflicted damage

Answer: c) Theft involving force or break-in

16. Livestock insurance provides protection against:

a) Market price of meat

b) Theft of poultry feed

c) Death of animals due to disease or accident

d) Price inflation

Answer: c) Death of animals due to disease or accident

17. Crop insurance covers:

a) Government subsidies

b) Crop failure due to natural calamities

c) Price hike

d) Income tax

Answer: b) Crop failure due to natural calamities

18. Crop insurance in India is promoted under:

a) PMGKY

b) PMFBY (Pradhan Mantri Fasal Bima Yojana)

c) Ayushman Bharat

d) MNREGA

Answer: b) PMFBY (Pradhan Mantri Fasal Bima Yojana)

19. Health insurance provides:

a) Loan facility

b) Coverage for medical expenses

c) Fire damage

d) Life coverage

Answer: b) Coverage for medical expenses

20. Health insurance plans may include:

- a) Road tax
- b) Life premium
- c) Pre and post-hospitalization expenses
- d) Car insurance

Answer: c) Pre and post-hospitalization expenses

21. A common type of health insurance in India is:

- a) LIC endowment
- b) Mediclaim
- c) Crop cover
- d) Motor shield

Answer: b) Mediclaim

22. In livestock insurance, the insured animal is identified through:

- a) Owner's name
- b) Photograph only
- c) Ear tag or microchip
- d) Fingerprint

Answer: c) Ear tag or microchip

23. Which one is not a type of miscellaneous insurance?

- a) Burglary
- b) Fire
- c) Crop
- d) Health

Answer: b) Fire

24. The main purpose of miscellaneous insurance is to:

- a) Generate savings
- b) Protect from non-life specific risks
- c) Offer tax benefits only
- d) Fund capital projects

Answer: b) Protect from non-life specific risks

25. The authority regulating miscellaneous insurance in India is:

- a) SEBI
- b) RBI
- c) IRDAI
- d) NITI Aayog

Answer: c) IRDAI