SRI GURU NANAK DEV KHALSA COLLEGE
INSURANCE AND RISK MANAGEMENT
GE BCOM HONS
SEMESTER IV
JANUARY – APRIL

INTERNAL ASSESSMENT

ATTEMPT ANY 4

5*4=20

Time duration: 1 Hr

1. Explain the concept of reinsurance and coinsurance.
2. What are different steps in risk management plan
3. Risk Evaluation is the most critical step in Risk Management". Explain with the help of example.
4. Discuss essential of contract as per Section 10 of Indian Contract Act, 1872
5. Discuss powers and functions of IRDA.

ASSIGNMENT 1

10*2 =20 Marks

1. Explain types of risk with suitable examples.
2. Explain the regulatory framework of Insurance in detail.

Assignment 2

10*2=20

1. "Globalization of insurance sector has entailed opportunities for the new players but simultaneously brought threats to national interest. Explain statement in light of opportunities and challenges of globalization of insurance sector in India.
2. Write Short note on:
    - Risk Retention and Risk transfer

- Control of Malpractices in India
- principle of Proximate Cause
- Loss Assessment and Loss Control
- Principle of Insurable Interest

MULITPLE CHOICE QUESTION

Q1. Risks that insurance firms will not assume are called

A. uninsurable risks
B. Insurable risks.
C. Endorsements.
D. pure risks

Ans (A) Uninsurable risks

Q2. Insurance that provides protection for a stated period of time is defined as ________________ insurance.

A. straight life
B. single payment
C. term
D. limited payment

Ans (C) Term

Q3. Which of the following is not a condition for an insurable loss?

A. Using accurate and effective accounting and financial controls to protect the firm's inventories and cash from pilfering
B. Establishing a self-insurance health program that covers all employees
C. Installing burglar alarms, security guards, and even guard dogs to protect warehouses from burglary

D. Purchasing and using safety equipment, from hand guards on machinery to goggles and safety shoes for individuals e. Installing fire alarms, smoke alarms, and sprinkler systems to reduce the risk of fire and the losses due to fire

Ans (B) Establishing a self-insurance health program that covers all employees

Q4. A type of insurance that combines protection with an investment plan is called

A. Whole life.
B. Endowment.
C. Limited pay.
D. universal

Ans (D) Universal

Q5. Losses arising due to a risk exposure retained or assured are known as _______________

A. Risk Reduction
B. Risk Financing
C. Risk Retention
D. Risk Sharing

Ans (E) Risk Retention

Q6. Insurance is best suited to risk with ______________.

A. High frequency and low loss severity.
B. Low frequency and high loss severity.
C. Minimum frequency and no loss severity.
D. High frequency and high loss severity.

Ans (B) low frequency and high loss severity.

Q7. The risk manager maybe able to identify the new ventures involved in ____________.

A. Pure risk.
B. Group Risk.
C. Speculative risk.
D. Particular risk.

Ans (A) Pure risk

Q8. An instrument by which a pure risk is transferred by a party other than insurer is

A. Insurance
B. Retention.
C. Non-Insurance Transfer.
D. Reinsurance.

Ans(C) Non-Insurance Transfer.

Q9. The possibility that actual results may differ from predicted results in known as _______________.

A. Risk.
B. Uncertainty.
C. Peril.
D. Hazards.

Ans (A) Risk

Q10. The risk management can be done by____________.

A. Insurance
B. Hedging
C. Derivatives
D. All of the above

Ans (D) All of the above

Q11 Transfer of rights and remedies of the insured to the insurer after indemnity has been affected is called _______________.

A. Insurable interest
B. Subrogation
C. Proximate clause
D. Money back policy

Ans (B) Subrogation

Q12 The principle of indemnity is applicable to _______________ only.

A. Life Insurance
B. Personal accident insurance
C. Proximate Cause
D. Property insurance

Ans (D) Property Insurance

Q13. The first step in risk management process is _______________.

A. Risk avoidance
B. Risk Identification
C. Insurance
D. Risk Evaluation

(B) Risk Identification

Q14. Risk retention means _______________

A. Saving money to pay for the losses
B. Accepting and agreeing to finance the loss oneself
C. Not taking up any activity which is risky
D. Insuring the risk

Ans (B) Accepting and agreeing to finance the loss oneself

Q15. Risk Management process includes _______________

A. Risk Analysis
B. Risk Control
C. Risk Analysis and Control
D. Risk Reduction

Ans (C) Risk Analysis and Control

Q16. The Basis of risk is

A) liability
B) uncertainty
C) possibility of loss
D) insurance

Ans (C) possibility of loss

Q17. To indemnify means to

A) put back in the same financial position just prior to the loss.
B) Put aside funds to pay for losses reported but not yet paid.
C) Transfer risk to someone who has better financial resources and can withstand loss..
D) Make financial provisions for dealing with potential losses.

Ans (A) put back in the same financial position just prior to the loss.

Q18 Shield Insurance Ltd. agreed to insure a large commercial client. Due to the size of this client's operations, there is the potential that it could suffer a substantial loss. It would be financially difficult for Shield Insurance Ltd. to pay the entire claim itself. To spread this risk, Shield Insurance Ltd. contacted Adequate Insurance Company to request that it cover a portion of the risk. Adequate Insurance Company agreed, but only on the condition that it receive a portion of the premium the client has paid to Shield Insurance Ltd.

The term that best describes this scenario is

A) Retention.
B) Reinsurance.
C) Loadings.
D) Casualty insurance.

Ans (B) Reinsurance.

Q19 As part of their claims services, some insurers have set up special investigation units (SIUs) Their responsibilities include

A) establishing underwriting policies and risk and class limits to serve as guidelines for all business offered.
B) Investigating suspicious claims involving fraud and insurance crime.
C) Establishing yearly targets.
D) Overseeing the overall management of the administration and efficiency of the company's claims service.

Ans (B) investigating suspicious claims involving fraud and insurance crime.

Q20 On their way home from school, teenagers Jack and Tim enjoyed throwing rocks at vehicles from a bridge overlooking the freeway. One day, a rock they threw smashed the front windshield of a vehicle and startled the driver, who crashed into the guardrail. The driver was not injured, but the damage to the vehicle was substantial. Both Jack and Tim were later caught by the police, and their parents were forced to pay for the damages to the vehicle involved in the accident.

Jack and Tim's actions can be described as an example of

A) the theory of probability.
B) Negligence.

C) Exposure to risk.
D) The law of large numbers.

Ans (B) Negligence.