CHAPTER -10 PRICING AND VALUATION IN LIFE INSURANCE

Question 1
What does the term "premium" denote in relation to an insurance policy?
I. Profit earned by the insurer
II. Price paid by an insured for purchasing the policy
III. Margins of an insurer on a policy
IV. Expenses incurred by an insurer on a policy

Question 2
Which of the below is not a factor in determining life insurance premium?
I. Mortality
II. Rebate
III. Reserves
IV. Management expenses

Question 3
What is a policy withdrawal?
I. Discontinuation of premium payment by policyholder
II. Surrender of policy in return for acquired surrender value
III. Policy upgrade
IV. Policy downgrade

Question 4
Which of the below is one of the ways of defining surplus?
I. Excessive liabilities
II. Excessive turnover
III. Excess value of liabilities over assets
IV. Excess value of assets over liabilities

Question 5
Which of the below is not a component of ULIP premiums?
I. Policy allocation charge
II. Investment risk premium
III. Mortality charge
IV. Social security charge

Question 6
Life insurance companies may offer rebate to the buyer on the premium that is payable on the basis of ___________.
I. Sum assured chosen by the buyer
II. Type of policy chosen by the buyer
III. Term of the plan chosen by the buyer
IV. Mode of payment (cash, cheque, card) chosen by the buyer

Question 7
Interest rates are one of the important components used while determining the premium. Which of the below statement is correct with regards to interest rates?
I. Lower the interest rate assumed, lower the premium

II. Higher the interest rate assumed, higher the premium
III. Higher the interest rate assumed, lower the premium
IV. The interest rates don't affect premiums

Question 8
Which of the below statement is correct?
I. The typical loading to a net premium would have 3 parts: a) a constant amount for premiums b) a constant amount for each '1000 sum assured' and c) a constant amount per policy
II. The typical loading to a net premium would have 3 parts: a) a percentage of premiums b) a constant amount for each '1000 sum assured' and c) a constant amount per policy
III. The typical loading to a net premium would have 3 parts: a) a percentage of premiums b) a constant percentage for each '1000 sum assured' and c) a constant amount per policy
IV. The typical loading to a net premium would have 3 parts: a) a percentage of premiums b) a constant amount for each '1000 sum assured' and c) a percentage amount per policy

Question 9
With regards to valuation of assets by insurance companies, ___________ is the value at which the life insurer has purchased or acquired its assets.
I. Discounted future value
II. Discounted present value
III. Market value
IV. Book value

Question 10
In case of ___________, a company expresses the bonus as a percentage of basic benefit and already attached bonuses.
I. Reversionary bonus
II. Compound bonus
III. Terminal bonus
IV. Persistency bonus

Question 11
What does a policy lapse mean?
I. Policyholder completes premium payment for a policy
II. Policyholder discontinues premium payment for a policy
III. Policy attains maturity
IV. Policy is withdrawn from the market

Question 12
Who bears the investment risk in case of ULIPs?
I. Insurer
II. Insured
III. State
IV. IRDA