CHAPTER-2- WHAT LIFE INSURANCE INVOLVES

(1) How does diversification reduce risks in financial markets?
I. Collecting funds from multiple sources and investing them in one place
II. Investing funds across various asset classes
III. Maintaining time difference between investments
IV. Investing in safe assets

(2) Which of the below is not an element of the life insurance business?
I. Asset
II. Risk
III. Principle of mutuality
IV. Subsidy

(3) Who devised the concept of HLV?
I. Dr. Martin Luther King
II. Warren Buffet
III. Prof. Hubener
IV. George Soros

(4) Which of the below mentioned insurance plans has the least or no amount of savings element?
I. Term insurance plan
II. Endowment plan
III. Whole life plan
IV. Money back plan

(**5**)Which among the following cannot be termed as an asset?
I. Car
II. Human Life
III. Air
IV. House

(6) Which of the below cannot be categorized under risks?
I. Dying too young
II. Dying too early
III. Natural wear and tear
IV. Living with disability

(7) Which of the below statement is true?
I. Life insurance policies are contracts of indemnity while general insurance policies are contracts of assurance
II. Life insurance policies are contracts of assurance while general insurance policies are contracts of indemnity
III. In case of general insurance the risk event protected against is certain
IV. The certainty of risk event in case of general insurance increases with time

(8) Which among the following methods is a traditional method that can help determine the insurance needed by an individual?
I. Human Economic Value

II. Life Term Proposition
III. Human Life Value
IV. Future Life Value

(**9**)Which of the below is the most appropriate explanation for the fact that young people are charged lesser life insurance premium as compared to old people?
I. Young people are mostly dependant
II. Old people can afford to pay more
III. Mortality is related to age
IV. Mortality is inversely related to age

(**10**)Which of the below is not an advantage of cash value insurance contracts?
I. Safe and secure investment
II. Inculcates saving discipline
III. Lower yields
IV. Income tax advantages

(**11)**Which of the below is an advantage of cash value insurance contracts?
I. Returns subject to corroding effect of inflation
II. Low accumulation in earlier years
III. Lower yields
IV. Secure investment