

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