

## CHAPTER -7 PENSION AND ANNUITIES

### Question 1

Which of the below risk cannot be addressed through pensions?

- I. Life longevity
- II. Inflation
- III. Investment risk
- IV. Early death**

### Question 2

With relation to annuities, explain what does “Liquidation period” refer to?

- I. Period between the purchase of annuity and commencement of payments
- II. Period during which insurer makes annuity payments**
- III. Time taken to build up the corpus
- IV. Insolvency period

### Question 3

Amount of annuity payable depends on which of the following:

- 1. Principal sum of money
  - 2. Investment period
  - 3. Rate of return
  - 4. Duration of annuity payments
- I. 1 and 2
  - II. 1,2 and 3
  - III. 1,3 and 4
  - IV. 1,2,3 and 4**

### Question 4

Amount of annuity payable is inversely related to which of the following:

- 1. Principal sum of money
  - 2. Investment period
  - 3. Rate of return
  - 4. Duration of annuity payments
- I. 1 only
  - II. 2 only
  - III. 3 only
  - IV. 4 only**

### Question 5

What is the basic contingency associated with pensions?

- I. Mortality
- II. Morbidity
- III. Post-retirement income security**
- IV. Disability

### Question 6

Which of the below best describes an ordinary annuity?

- I. Equal cash flows at equal time intervals forever
- II. Equal cash flows at equal time intervals for a specific time period**

- III. Lumpy cash flows at equal time intervals forever
- IV. Lumpy cash flows at equal time intervals for a specific time period

**Question 7**

From the choices mentioned below, select the one that cannot be categorised as an annuity.

- I. Rs. 2000 received today, Rs. 2000 received next year and Rs. 2000 received in 2 years

**II. Electricity Bill**

III. Car payments

IV. Mortgage payments

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**Question 8**

In an ordinary annuity, payments are made or received \_\_\_\_\_ of each period.

I. At the beginning

**II. At the end**

III. On maturity

IV. 6 months before expiry

**Question 9**

\_\_\_\_\_ is an annuity with an infinite life and making continuous annual payments.

I. APR

II. Amortised loan

**III. Perpetuity**

IV. Principal

**Question 10**

\_\_\_\_\_ is a term used to refer pensions that have some level of Government administration.

I. Insurance Pension Fund

**II. Public Pension Fund**

III. Private Pension Fund

IV. Market Pension Fund

**Question 11**

Who provides public pensions?

**I. State**

II. Employers

III. Insurers

IV. NGO's

**Question 12**

Who bears the investment risk in a fixed benefit annuity?

**I. Insurer**

II. Insured

III. State

IV. Risk pool

**Question 13**

Which among the below statements is true?

Statement I: Every pension is an annuity

Statement II: Every annuity is a pension

I. I and II are true

II. I and II are false

**III. I is true and II is false**

IV. I is false and II is true