

Roots Institute of Financial Markets

RIFM



Practice Book

Risk Analysis and Insurance Planning



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Forward

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Unit 1

Risk Analysis

1. Moral hazard is determined on the basis of the data given by_____
 - A. Special enquires
 - B. Proponent
 - C. Agent
 - D. All of these

2. Which of the following client categories are considered to be a high-risk group in context of accidental death or injury?
 - A. College going student
 - B. Young adult with family
 - C. Matured person of 45 years ago
 - D. Retired person

3. Loss of income derived from a property is an example of_____
 - A. Consequential Loss arising out of Property risk
 - B. Direct Loss arising out of Property risk'
 - C. Personal Risk
 - D. Liability risk

4. Risk management is scientific approach that deals in managing the_____
 - A. Speculative Risk
 - B. Static Risk
 - C. Pure Risk
 - D. Dynamic Risk

5. Liability arising from the ownership or occupation of a property is an example of_____
 - A. Fixed Liability
 - B. General Liability
 - C. Speculative Liability
 - D. Personal Liability

6. Perils in insurance means_____
 - A. The condition which can increase the loss
 - B. The cause of loss
 - C. Financial loss
 - D. The amount of compensation in case of loss

7. Generally in terminology, the pure risks are classified in the following categories_____
 - A. Private and Official Risk
 - B. Personal property and liability Risk
 - C. Property and Liability Risk
 - D. None of the above

83. All the following statement are true about insurance EXCEPT:-
 - A. A large, uncertain loss is traded for a small, certain loss
 - B. It is a social device for spreading loss over a large number of people



- C. Insurance is a mechanism for handling speculative risk
- D. Insurance transfers risk from one party to a group

84. Normally insurance is an example of

- A. Risk prevention
- B. Risk transfer
- C. Risk Retention
- D. Risk Reduction

91. A particular fact is material to the risk or not is decided by the _____

- A. Proposer
- B. agent
- C. Underwriter
- D. Any of the above

92. The process of due diligence observed by an insurance agent can be termed as _____

- A. Underwriting
- B. Site Check
- C. Inspection
- D. Investigation

93. Whenever an insurer partly reinsurer the risk with Reinsures, it is a case of _____

- I. Risk avoidance
 - II. Risk Transfer
 - III. Risk Retention
- A. I and II
 - B. II and III
 - C. Only I
 - D. I and III

94. Risk control means _____

- A. Avoiding, reducing and eliminating the chance of occurrence of all events
- B. Anticipation, ascertaining and increasing the chances of occurrence of loss producing events or limiting the severity of losses that do happen
- C. Avoiding, reducing and eliminating the chances of occurrence of loss producing events or limiting the severity of losses that do happen
- D. None of the above

205. The following is the similarity between insurance and gambling

- A. Promise to pay on the happening of an event
- B. The amount of loss to be paid is known beforehand
- C. Bothe the parties win on happening of an event
- D. Both are enforceable at law

206. The income of a client is used to determine:

- I. The amount of income protection cover required
 - II. The amount of premium loading and/or any exclusion applicable to the policy
 - III. What level of income would be required for dependants in the event of premature death?
 - IV. What level of income would be required in the event of disability?
- A. I and II



- B. II and IV
- C. I, III and IV
- D. I, II and IV

207. Which of the following is a benefit of having multiple lives covered under the one policy?
- A. The premium is calculated based on the details of 'the person of least risk'
 - B. The clients are only required to pay the equivalent of one person's premium, being whichever is the most expensive
 - C. Each of persons covered has access to their own sum insured plus that of the other life insured, effectively doubling their level of cover
 - D. The clients only incur one policy fee
208. A financial adviser must demonstrate to the underwriter that they have considered:
- A. The insurer's requirements, for the proposed amount of cover, has been fulfilled
 - B. Their clients ability to meet the cost of premiums
 - C. Alternative methods to control or avoid the risk
 - D. The amount of risk that the insurer is taking on by accepting the client
209. Step 2 in the insurance review process is, 'Establish changes in client circumstances'. What would NOT be considered a 'change'?
- A. The client is made redundant
 - B. The client wants their insurances reviewed more frequently
 - C. The client's mother has permanently moved in
 - D. The client's marriage recently ended
210. A client explains that she only wants an insurance policy that will cover her family against financial risk over the next five years, while she still has dependent children and a large mortgage. It is unlikely her income will increase over this period. What type of insurance is she looking for?
- A. An unit linked insurance plan
 - B. Money back policy
 - C. Term insurance with a level premium
 - D. Term insurance with a stepped premium
211. Mrs. Kavita, a 40-year-old widow, has a 8-year-old son. Her current savings are not adequate to provide for her son's post graduate studies however she will be able to save it up by the time he finishes graduation i.e. when he is 20 years old. Mortality tables indicate that her life expectancy is another 30 years. Which of the following is true?
- A. She needs to insure her life for 12 years
 - B. She does not need to insure her life
 - C. She needs to insure her life for 30 years
 - D. She needs to insure her son's life for 30 years
212. Mohan, 36 years and married, works for a multinational firm, which provides adequate medical and related covers. He is also able to accumulate sick leave. He already has his own home and savings of Rs. 35 lakh, which are well invested. Which insurance cover does he require the most?
- A. Life Cover
 - B. Medical Cover
 - C. Property Insurance
 - D. Temporary Total Disablement Cover



Answer Sheet Unit 1											
1	D	44	C	87	B	130	C	173	D	216	A
2	A	45	D	88	B	131	B	174	C	217	A
3	A	46	A	89	D	132	A	175	C	218	D
4	C	47	A	90	C	133	B	176	C	219	C
5	D	48	D	91	C	134	C	177	B	220	D
6	B	49	A	92	A	135	A	178	A	221	A
7	B	50	A	93	B	136	C	179	B	222	B
8	B	51	C	94	C	137	B	180	B	223	A
9	B	52	D	95	C	138	A	181	A	224	A
10	C	53	A	96	D	139	D	182	D	225	A
11	B	54	B	97	A	140	A	183	B	226	D
12	C	55	C	98	B	141	C	184	A	227	B
13	A	56	C	99	D	142	A	185	B	228	C
14	C	57	C	100	B	143	D	186	B	229	D
15	C	58	C	101	C	144	B	187	D	230	B
16	B	59	A	102	C	145	C	188	A	231	B
17	D	60	A	103	D	146	A	189	D	232	A
18	B	61	B	104	A	147	D	190	D	233	B
19	B	62	A	105	D	148	C	191	D	234	D
20	B	63	A	106	C	149	D	192	D	235	B
21	D	64	C	107	B	150	B	193	A	236	D
22	D	65	D	108	A	151	B	194	B	237	C
23	D	66	B	109	A	152	A	195	B	238	C
24	B	67	C	110	C	153	C	196	D	239	B
25	C	68	D	111	B	154	D	197	C	240	A
26	D	69	C	112	B	155	C	198	C	241	A
27	B	70	D	113	C	156	C	199	D	242	B
28	C	71	A	114	C	157	C	200	A	243	A
29	C	72	C	115	D	158	B	201	D		
30	B	73	B	116	C	159	C	202	C		
31	B	74	A	117	B	160	D	203	C		
32	A	75	D	118	B	161	A	204	C		
33	A	76	C	119	C	162	A	205	A		
34	C	77	B	120	A	163	D	206	C		
35	C	78	A	121	B	164	A	207	D		
36	B	79	C	122	D	165	C	208	A		
37	B	80	A	123	B	166	B	209	B		
38	C	81	C	124	B	167	A	210	C		
39	B	82	A	125	D	168	A	211	A		
40	D	83	C	126	A	169	C	212	A		
41	B	84	B	127	C	170	D	213	A		
42	A	85	C	128	C	171	B	214	D		
43	C	86	D	129	D	172	B	215	C		



Unit 2

Insurance Concepts

244. What does the insured's duty of disclosure mean?
- A. The insured must disclose everything to the insurer
 - B. If a proposer does not answer on the application form, the insurer does not have to pay claims
 - C. The insured must disclose to the insurer every relevant matter known
 - D. If an application form is ambiguous, and as such the meaning is misunderstood by the insured, the insurer can claim non-disclosure
245. Insurance is an agreement to
- A. Share the losses
 - B. Spread the economic burden throughout the group
 - C. Make the individual feel more secure
 - D. All of the above
246. (A) Under the principle of indemnity, the amount payable by the insurer in the event of contingency insured against happening, payment will be limited to the loss the insured suffers.
(B) In certain forms of medical/health insurance, the principle of indemnity is applicable
- A. Statement A is only correct
 - B. Statement B is only correct
 - C. Statement A and B are incorrect
 - D. Statement A and B are correct
247. Which among the following limits the applicability of the principle of indemnity in insurance?
- A. The subject matter of insurance is the insured's interest in that subject
 - B. The maximum liability of the insurer is limited to the sum insured
 - C. The sum insured may not always reflect the full value at risk
 - D. The value at risk is usually the depreciated value
248. A person owns a flat worth (market value) Rs.200000. He had insured it only for Rs 1, 50,000. The flat is damaged by an earthquake, which loss is assessed at Rs.40000. Assuming the insurer applies the principle of Average to the loss, the insured will get a claim payment of
- A. Rs.30,000
 - B. Rs.53,333
 - C. Rs.40,000
 - D. No
249. In life insurance, for a claim to be entertained, insurable interest must exist
- A. At the time of contract
 - B. At the time of occurrence of loss
 - C. Both at (a) and (b)
 - D. None of the above
250. In the above question if contract is for property insurance(excluding marine insurance) insurable interest must present
- A. At the time of contract.
 - B. At the time of occurrence of loss.
 - C. Both at (a) and (b) above.
 - D. None of the above.



251. (A) Debtors have insurable interest on the lives of creditors
(B) Children have insurable interest on the lives of parents
- A. Statement A is only correct
 - B. Statement B is only correct
 - C. Statements A and B are incorrect
 - D. None of these
252. In marine insurance claims, insurable interest must shown to exist at the time of
- A. Loss
 - B. Contract
 - C. Both a and b above
 - D. None of the above
337. Policy document is _____
- A. Evidence of the contract
 - B. Evidence of risk
 - C. Evidence of the company having accepted premiums
 - D. None of the above
338. Of the following which is the basis of the contract?
- A. Proposal form
 - B. Agent's confidential report
 - C. Occupational query form
 - D. Medical report
339. Parties to a contract must have intention to create _____ relationship.
- A. Social
 - B. Legal
 - C. Political
 - D. Emotional
340. Offer in life insurance contract refers to :
- A. Proposer paying first premium
 - B. Proposer's filling up application form for taking insurance
 - C. Original policy document
 - D. Company's brochure duly authenticated
341. The application of the law of contract does not apply to _____ contracts.
- A. Insurance
 - B. Stock markets
 - C. Property deals
 - D. None of them
342. Insurance can be _____ contracts.
A = Benefit, B= Indemnity, C= Negotiated.
- A. Only A
 - B. Either B or C
 - C. Only A
 - D. Only B
343. An insurance contract can be described as a contract of _____.



- A. Indemnity
- B. Profit
- C. Capital gains
- D. Earning return

344. In an insurance contract the side making the offer is _____

- A. The insurance company
- B. The insured
- C. The beneficiary
- D. All of the above

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Answer Sheet Unit-2

244	C	278	D	312	D	346	C
245	D	279	D	313	C	347	D
246	D	280	C	314	A	348	A
247	C	281	C	315	B	349	A
248	A	282	B	316	A	350	D
249	A	283	B	317	A	351	C
250	C	284	B	318	D	352	D
251	C	285	B	319	A	353	B
252	A	286	D	320	B	354	C
253	D	287	A	321	A	355	D
254	D	288	A	322	D	356	A
255	B	289	D	323	D	357	C
256	A	290	D	324	A	358	B
257	A	291	B	325	A	359	B
258	D	292	C	326	D	360	C
259	A	293	B	327	B	361	C
260	A	294	C	328	A	362	B
261	C	295	D	329	A	363	D
262	D	296	C	330	A	364	D
263	A	297	D	331	B	365	B
264	A	298	B	332	B	366	B
265	C	299	C	333	B	367	A
266	A	300	A	334	A	368	D
267	C	301	C	335	D	369	A
268	C	302	A	336	C	370	D
269	B	303	C	337	A	371	D
270	B	304	A	338	A	372	B
271	D	305	D	339	B	373	B
272	C	306	B	340	B	374	A
273	D	307	A	341	D	375	C
274	D	308	B	342	B	376	C
275	B	309	B	343	A		
276	C	310	C	344	B		
277	B	311	A	345	B		



Solution287: Professional Indemnity requirement as per IRDA norms:

Direct broker Three times of remuneration in PY subject to Min 50 Lakh

Reinsurance Three times of remuneration in PY subject to Min 2.5Lakh

Composite Three times of remuneration in PY subject to Min 5 Crore

Solution 369: Intentional Tort could be Libel - Publication of false statement to damage others reputation. Slander - Damaging reputation verbally Assault - Unlawfully touching another person

Solution370: Landless Agricultural Labourers Group Insurance (LALGI) scheme is a social security group scheme where in head of the family between 18 to 60 years is eligible if has no land. On his death a sum of Rs.2000/ is paid to the family.

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Unit 3

Insurance Policies and Strategies

390. General insurance policies shall be void unless the person affecting the insurance has an insurable interest in that property at the time the policy is affected as well as at the time of the occurrence of the insured event.

- A. True
- B. False

391. Amita purchased collision insurance on her new car. While Amita was driving home from work, another driver failed to stop at the traffic signal and hit Amita's car. Amita called up her insurance agent and reported the accident. The agent said, "Don't worry, Amita, we'll pay to get your car fixed. And after we pay for the damage to your car, we will try to collect the damages from the driver who damaged your car." The process the agent described is called _____.

- A. Waiver.
- B. Consideration.
- C. Estoppels.
- D. Subrogation.

392. For dependent parents, the least important risk to be covered is

- A. Life insurance cover
- B. Hospitalization / Sickness Insurance
- C. Disability Insurance
- D. Long term Care cover

393. Liability exposure is NOT

- A. Self - injury in an accident
- B. Injury to employees
- C. Bodily injury or property damage
- D. Professional negligence in giving advice

394. Mohan and Sohan are healthy, able bodied men. Mohan lives on a flood plain and Sohan lives on a hill next town. While talking out insurance, the insurance company proposes a higher premium for Mohan. How would you discuss the present situation?

- A. Both are healthy, so both should be charged the same premiums
- B. They should get a discount for being healthy
- C. Living on a flood plain does not in any way affect the premium
- D. Mohan should understand that that the risk is higher so the premium is also higher.

395. Mr. Rihan lives in Kerela, which is not earthquake prone. He decides to take out insurance on his property. As an insurance advisor, you would advise him that _____.

- A. He should not take out property insurance since he does not need it.
- B. He should not take the earthquake option, since it will be expensive
- C. He should not take out property insurance, since it will be expensive
- D. He can take out property insurance as the premium will depend on the risk and will therefore be cheaper.



396. Which of the following is NOT a control measure, which may be used to reduce Property risk?
- A. Extinguishers and fire blankets
 - B. An excess on the house and contents insurance
 - C. Car alarm
 - D. Cutting back trees around the home
397. Professional Indemnity Insurance upholds that:
- I. Duty of care is owed by suppliers of advice or information
 - II. Suppliers of advice or information present themselves as having special skill and knowledge in the area that the information is related to
 - III. It was reasonable that the person who took the advice or information would rely and act on that advice
 - IV. Liability only arises as a result of dishonest service
- A. I, II, III & IV
 - B. I, III & IV
 - C. I, II & IV
 - D. I, II & III
478. What does annuity signifies?
- A. Regular monthly payments
 - B. Regular quarterly payments
 - C. Regular half yearly payments
 - D. All of the above
479. Nomination can be made subsequent to issuance of policy by_____
- A. Passing an Endorsement
 - B. Intimating the insurer
 - C. Intimating the new nominee
 - D. Both A & B
480. State which of the following statement is correct?
- A. A policyholder loses his rights on the policy money once the assignment is done
 - B. Assignment can be cancelled by crossing/tearing the deed of assignment
 - C. Both the statements above are correct
 - D. Both the statements above are wrong
481. What do you mean by proposal form?
- A. It is written document by medical examiner
 - B. It is a document submitted by prospective insured to insurance company
 - C. It is written document by insurance broker
 - D. None of the above
482. A policy that has been assigned will revert back to the assignor_____
- A. If the assignment is conditional
 - B. Whenever the assignor demands it
 - C. When the conditions specified in the conditional assignment are completed



D. On maturity of the policy

483. Numerical rating systems refers to _____

- A. Rating of performance of insurers
- B. Rating of premium of standard lives
- C. Rating of performance of agent
- D. Rating the risk of proposer

484. Implosion in fire insurance means

- A. Inward burst
- B. Sudden burst with loud report
- C. Damage caused by corrosion
- D. Damage cause by tempest

485. State which of the following Statement is true

Statement A: Declaration by insured/proposer, in proposal form is accepted by insurer based on the Principle of Utmost Good Faith

Statement B: Declaration by insured/proposer, in proposal form is accepted by the insurer based in the principle of indemnity

- A. Both Statement A & B are true
- B. Only Statement A is True
- C. Only Statement B is True
- D. Both Statements A & B are False

486. Kavita, aged 34 years, is having a policy of Rs. 1, 25,000 and paying a premium of Rs. 2,000 for last 12 years. The cash surrender value of this policy is at the end of previous year was Rs. 30,000. It is estimated that by this year end, the cash surrender value of this policy would be Rs. 34,000. New term insurance of sum assured of Rs. 1, 00,000 costs Rs. 400 per annum today as per Kavita. If rate of interest is 7% then advise Niharika if it is better to continue this policy or discontinue it?

- A. To discontinue the policy
- B. To continue the policy
- C. More information required
- D. None of the above

630. A group of 55000 persons each aged 40 years wish to apply for term insurance for a one year period for a sum of Rs. 3,00,000. If mortality tables show that out of 60, 00,000 people 55,000 die within a year, find the premium to be paid by each of the 55000 applicants.

- A. 1500
- B. 1250
- C. 1400
- D. 2750

635. Calculate half yearly premium on SA 150000/-on the basis of the following data:

- Plan Term – Endowment 25 years, tabular premium Rs. 53.40 per thousand
- Accepted with DAB extra Re.1 per thousand S.A.



- Occupation Extra Rs. 3 per thousand
- S.A. Rs. 1, 50,000 Rebate Rs. 2
- Yearly Mode = Rebate – less 3%
- Half yearly premium – Rebate – Less 1.5%
- Quarterly premium – Rebate – Nil
- Monthly premium – Rebate – plus 5%
 - A. 8070
 - B. 4095
 - C. 7740
 - D. 8610

636. Which of the following is / are true regarding the ownership of life insurance?

1. A policy can only be issued to the insured.
 2. Generally, assigning a policy requires proof that the insured is still “insurable” meaning still in good health.
 3. Only a person with an insurable interest, generally a relative, a business associate, or lender, can be named as a beneficiary.
 4. The owner can assign (transfer) the policy to whomever he or she chooses, even if the assignee has no insurable interest.
- A. 1, 2, and 3 only.
 - B. 1 only.
 - C. 2 and 4 only.
 - D. 4 only.

637. The amount required to meet the risk of death for a given age in a particular year is called

- A. Risk premium
- B. Net premium
- C. Gross premium
- D. None of the above

638. The proposal form includes:

- A. Personal details of the client
- B. Policy details
- C. Information about the insurer
- D. Risk factors in insurance business

639. The proposal form has to be signed by :

- A. The proposer and witnessed by a third party
- B. The proposer and the agent
- C. The proposer and the person whose life is to be assured
- D. Both A and C

640. The surplus generated from the investment division of an insurance company, which is distributed amongst the policyholders is called as _____

- A. Bonus
- B. Interest



- C. Maturity value
- D. None of the above

813. Domiciliary hospitalization period is defined as _____

- A. One day
- B. Two days
- C. Three days
- D. Four days

814. Bhavishya Arogya policy is meant for persons in the age group between _____

- A. 25 to 55 years
- B. 30 to 55 years
- C. 25 to 60 years
- D. 30 to 60 years

815. The waiting period under a disability benefit policy refers to _____

- A. The period of time that must elapse before the policy benefit commence.
- B. The period of time that must elapse between submission of claim and settlement of the claim.
- C. The period of time that must elapse before the issue of the policy document.
- D. The period of time that must elapse before the proposal can be considered.

816. Under an Overseas Travel Insurance policy, the maximum cover for third party liability is

- A. US \$ 1,00,000
- B. US \$ 2,00,000
- C. US \$ 5,00,000
- D. None of the above

817. Insurance under Disability Insurance is not provided for _____

- A. Disabilities caused by sickness
- B. Disabilities caused by accidents
- C. Disabilities caused by hereditary causes
- D. None of these

818. A Hospital Expenses Insurance policy will NOT cover:

- A. Expenses incurred due to outstation treatment
- B. Pre and post hospitalization expenses
- C. Hospitalization expenses following an accident injury
- D. None of these

819. Under a disability benefit policy, the waiting period is the period of time that must elapse

- A. before the issue of the policy document
- B. before the policy benefit will commence
- C. before the proposal can be considered
- D. before the settlement of claim after submission

820. When should one inform the insurer in case of a health insurance claim?



- A. When the insured person is hospitalized
- B. When the health disorder is noticed
- C. When the course of treatment for the insured person is complete
- D. When the bills of the hospital, where the insured individual was hospitalized, are paid.

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Answers Unit 3

377	C	420	D	463	B	506	C	549	C
378	C	421	B	464	A	507	D	550	A
379	B	422	D	465	A	508	D	551	D
380	A	423	C	466	A	509	A	552	C
381	D	424	B	467	B	510	D	553	D
382	C	425	B	468	B	511	D	554	C
383	C	426	C	469	D	512	A	555	A
384	B	427	B	470	A	513	A	556	C
385	C	428	A	471	D	514	A	557	A
386	C	429	A	472	A	515	A	558	C
387	C	430	D	473	A	516	C	559	B
388	B	431	D	474	D	517	D	560	C
389	C	432	B	475	A	518	B	561	C
390	A	433	D	476	B	519	B	562	D
391	D	434	B	477	A	520	D	563	A
392	A	435	A	478	D	521	D	564	A
393	A	436	B	479	D	522	A	565	B
394	D	437	A	480	A	523	C	566	B
395	D	438	C	481	B	524	D	567	C
396	B	439	A	482	C	525	C	568	D
397	D	440	B	483	D	526	B	569	C
398	C	441	C	484	A	527	A	570	A
399	C	442	B	485	B	528	B	571	A
400	C	443	C	486	B	529	A	572	D
401	B	444	A	487	B	530	C	573	B
402	A	445	B	488	A	531	B	574	C
403	D	446	C	489	B	532	C	575	B
404	B	447	B	490	D	533	B	576	B
405	B	448	C	491	D	534	A	577	D
406	C	449	C	492	B	535	C	578	B
407	A	450	B	493	A	536	C	579	C
408	B	451	C	494	C	537	A	580	B
409	A	452	B	495	C	538	C	581	D
410	D	453	B	496	C	539	C	582	C
411	C	454	C	497	D	540	A	583	C
412	D	455	A	498	A	541	D	584	A
413	C	456	C	499	B	542	A	585	A
414	D	457	D	500	A	543	A	586	C
415	C	458	B	501	A	544	B	587	B
416	A	459	B	502	C	545	A	588	C
417	D	460	D	503	A	546	B	589	C
418	B	461	C	504	B	547	B	590	C
419	A	462	D	505	B	548	A	591	C



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592	C	635	B	678	B	721	C	764	D	807	A
593	A	636	D	679	C	722	A	765	D	808	D
594	D	637	A	680	B	723	A	766	A	809	A
595	A	638	A	681	C	724	B	767	B	810	C
596	C	639	C	682	C	725	C	768	B	811	B
597	A	640	A	683	A	726	D	769	B	812	A
598	A	641	C	684	B	727	A	770	D	813	C
599	D	642	A	685	C	728	B	771	A	814	D
600	B	643	B	686	D	729	C	772	A	815	A
601	B	644	C	687	C	730	D	773	A	816	A
602	D	645	B	688	A	731	C	774	B	817	C
603	A	646	C	689	C	732	A	775	B	818	A
604	A	647	B	690	A	733	A	776	D	819	D
605	A	648	A	691	A	734	A	777	A	820	A
606	C	649	A	692	B	735	D	778	B	821	D
607	B	650	A	693	D	736	D	779	C	822	D
608	D	651	C	694	B	737	D	780	D	823	C
609	D	652	B	695	A	738	A	781	C	824	D
610	A	653	A	696	A	739	B	782	C		
611	B	654	A	697	C	740	C	783	C		
612	A	655	C	698	A	741	A	784	D		
613	D	656	A	699	B	742	C	785	A		
614	A	657	C	700	B	743	E	786	D		
615	A	658	D	701	A	744	B	787	D		
616	C	659	D	702	A	745	B	788	D		
617	A	660	C	703	A	746	A	789	B		
618	C	661	B	704	B	747	C	790	A		
619	C	662	B	705	B	748	A	791	B		
620	B	663	C	706	A	749	D	792	D		
621	C	664	C	707	C	750	A	793	A		
622	A	665	B	708	D	751	B	794	C		
623	A	666	A	709	A	752	D	795	D		
624	A	667	B	710	B	753	A	796	C		
625	C	668	C	711	D	754	A	797	C		
626	C	669	D	712	A	755	C	798	C		
627	A	670	B	713	C	756	C	799	D		
628	A	671	C	714	B	757	D	800	D		
629	B	672	D	715	A	758	B	801	C		
630	C	673	B	716	B	759	D	802	A		
631	A	674	D	717	C	760	C	803	D		
632	B	675	B	718	C	761	A	804	C		
633	C	676	A	719	A	762	B	805	D		
634	A	677	C	720	D	763	B	806	B		



Solution444: The purpose of excess is to keep away the small claims and reduce the expenses of servicing claims. So, nothing would be paid here as excess is 5000 and loss is 4500 which is below excess limit

$$\text{Solution 463: CPT} = \{(P+CVP) (1+i)-(CSV+D) = 23.380 = 17.71 \\ (F-CSV) * 0.001 1.320\}$$

$$\text{Solution 475: Earning} = 80,000 * 12 = 9,60,000$$

$$\text{Maintenance expenses:-, Professional tax} = 6000 + \text{Income tax} = 1,50,000 + \text{Self Expenses} = \\ 30,000 + \text{Insurance Premium} = 43,000 \\ 2,29,000$$

$$\text{Earnings- maintenance expenses} = 9,60,000 - 2,29,000 = 7,31,000$$

CMPD option

$$\text{Set-Begin, } n = 60 - 30 = 30, l = 6, \text{PMT} = 7,31,000, \text{FV} = 0, \text{PV} = (-) 1,06,65,817.70$$

$$\text{Human Life value} = 1,06,65,817.07 - 2,50,000 = 1,04,15,817.70$$

$$\text{Solution 486: CPT} = \{(2,000 + 30,000)(1.07) - (34,000 + 0)\}$$

$$(1,25,000 - 34,000) (0.001)$$

$$= 34,240 - 34,000 = 240 = 2.6373$$

$$91 \ 91$$

$$\text{Cost of existing policy} = 2.6373$$

$$\text{Cost of new policy} = 400 * 1000 = 4$$

$$1,00,000$$

So, existing life insurance is better than purchasing a new policy as its cost is lower than the new policy.

$$\text{Solution 490: Life Insurance} = 2,00,000 * 75 = 1,50,000$$

$$100$$

$$= 100 * 1,50,000 = 18,75,000$$

$$8$$

$$= 18,75,000 + 1,00,000 = 19,75,000]$$

$$\text{Solution 492: CPT} = \{(13,000 + 5,50,000) (1.09) - (6,00,000 + 0)\}$$

$$(20,00,000 - 6,00,000) 0.001$$

$$= (5,63,000) (1.09) - (6,00,000)$$

$$(14,00,000) 0.001$$

$$= 6,13,670 - 6,00,000 = 13,670$$

$$1400 \ 1400$$

$$= 9.76$$

$$\text{Solution 493: CPT} = \{(14,000 + 35,000) (1.08) - (40,000 + 10,000)\}$$

$$(15,00,000 - 40,000) 0.001$$

$$= (49,000 * 1.08) - 50,000$$

$$(1,46,000) 0.001$$

$$= 52,920 - 50,000 = 2$$

$$1460$$

$$\text{Cost of old policy} = 2$$

$$\text{Cost of the new policy} = 4200 * 1000 = 2.8$$

$$15,00,000$$

So, he should continue the policy

$$\text{Solution 499 CPT} = \{(30,000 + 6,50,000) (1.14) - (7,00,000 + 15,000)\}$$

$$(15,00,000 - 7,00,000) 0.001$$

$$= 7,75,200 - 7,15,000 = 75.25$$

$$800$$

$$\text{Solution 505: } \{(23,000 + 5,70,000) (1+.10) - (13,000 + 6,00,000)\}$$

$$(20,00,000 - 6,00,000) 0.001$$

$$= 6,52,000 - 6,13,000$$



1400
= 39,300 = 2 8.07
1400

Solution 519 :(HINT: $H = (E - M) \cdot A_n$ H=human life value, E= earnings per annum, M=maintenance charges+ taxes+ life insurance premium, an annuity factor at a given rate of discount, N=number of years (working span) Calculation Amount in Rs.

Gross total income= 240000

Less: Self maintenance expenses 30000

Taxes payable 35000

Life insurance premium 15000

Surplus income generated for the family 160000

This surplus income will be capitalized through discounting at the interest rate of 8% per annum for 25 years term.

160000 pmt, bgn mode, 25 n, 8 i

Comp PV=1844600

Solution 520 :(HINT: Mohan needs an annuity which will cover his expected span of life (1950+65=2015) as well as the expected life span of his wife Sujata (1955+70=2025). So the annuity should be life spans of both Mohan and Sujata)

Solution 526: Salary = $(55000 \times 12) - (3000 + 132000 + 45000 + 18000) = 462000/-$ PMT

Working Life left = $60 - 30 = 30$ years = NPER

Rate of Capitalization = 8% pa = Rate, HLV = 52 Lakhs (approx)

Net recommended amount = 52 Lakhs - 12 Lakhs = Rs. 40 Lakhs (approx)

Solution 527: Rs. 15 Lakhs - $(5000 + 410000 + 55000 + 100000) = 930000$

Rate is 5%, Nper is 25, HLV = PV = 1.31 crore, Hence the answer is Rs.2.26 crore.

Solution 532: Use capital liquidation approach, (i) Need Based:, PMT : $(5 - 1) = 2$ Lakhs

NPER: 40, Rate: 3%, Type: 1, PV = $47.61 - 20 = 27.61$ Lakh, Income approach

PMT : $(3.5 - 1) = 2.5$, NPER : 40, Type : 1, Rate : 3%, Pv : 59.52.

Solution 544 $5 + 1 + 2 = 8$ % of income....

$8/100 \times 500000 = 40000$.

Solution 546 $4 + 3 + 0.30 - 2 = 7.30$ Lakhs

Solution 547: Find FV given NPER = 15; Rate = 5 %; PMT = 23000

As one pays premium as advance this is Type =1, FV = 521122



Unit 4

Environment of an Insurance Advisor

836. In case of assessment of loss where the assessment is not carried out by licensed surveyor and loss assessor.

- A. Up to 20000/-
- B. More than 20000/-
- C. None
- D. Both A & B

837. In case of Non-Marine losses insured can exercise/opt for _____ as per policy in case amount offered by insurer is not acceptable to insured..

- A. Arbitration
- B. Litigation
- C. Grievance Redressal Committee
- D. Ombudsman

838. Which Surveyor's services are mandatory under section 64UM of Insurance Act 1938 where loss is 25000/-?

- A. Independent Surveyor
- B. In-House surveyor
- C. Both
- D. None of the above

839. Select the correct option in respect of pecuniary jurisdiction of the National Commission under the Consumer Protection Act 1986.

- A. Above Rs. 20 lakhs and up to Rs. 40 lakhs
- B. Above Rs. 20 lakhs and up to Rs. 50 lakhs
- C. Above Rs. 40 lakhs
- D. Above Rs. 20 lakhs and up to Rs. 40 lakhs

840. Which approach is good?

- A. Agent advises his prospect that he need not mention that he is an NRI.
- B. Agent advises his prospect that he need not mention death due to suicide in his family.
- C. Both approaches.
- D. Neither.

845. State which statement is correct?

- A. Ombudsman is created by IRDA Act.
- B. Proportional paid up value is guaranteed by the Insurance Act 1938.
- C. Both statements are correct.
- D. Both statements are wrong

846. Social sector includes _____

- A. Formal sector
- B. Organized sector
- C. Economically vulnerable sector
- D. None of these



847. Consensus ad idem means parties are of ____ mind.

- A. Two
- B. Differing
- C. Same
- D. All of these

956. Reinsurance cannot exist _____

- A. Without its global character
- B. Without captive insurers
- C. Without there being direct insurance.
- D. Without past data of catastrophe risk covered

957. Every reinsurance instrument executed out of India chargeable with duty may be stamped _____

- A. Within four months
- B. Within five months
- C. Within three months
- D. Within six months

958. A person takes insurance for Rs. 5 Lakhs from one insurance company and Rs. 3 Lakhs from another for the asset worth Rs. 8 Lakhs. In this case when there is a loss of Rs. 6 Lakhs then the total sum paid by the two insurance companies put together will

be _____

- A. Rs. 5 Lakhs
- B. Rs. 6 Lakhs
- C. Rs. 8 Lakhs
- D. None of the above

963. Rate of premium depends on the basis of _____

- A. Age
- B. Term
- C. Policy type
- D. All of the above



Answer Sheet Unit – 4									
825	C	861	C	897	D	933	D	969	A
826	C	862	D	898	A	934	A	970	C
827	D	863	B	899	D	935	D	971	B
828	A	864	D	900	D	936	C	972	B
829	D	865	D	901	D	937	C	973	D
830	C	866	D	902	C	938	D	974	B
831	D	867	D	903	D	939	B	975	B
832	D	868	B	904	D	940	A	976	D
833	D	869	A	905	B	941	D	977	C
834	B	870	A	906	A	942	B	978	D
835	D	871	B	907	B	943	B	979	D
836	A	872	B	908	D	944	A	980	D
837	A	873	A	909	C	945	D	981	C
838	A	874	D	910	C	946	D	982	D
839	C	875	C	911	C	947	A	983	B
840	D	876	D	912	D	948	C	984	D
841	D	877	B	913	B	949	B	985	C
842	B	878	A	914	A	950	A	986	D
843	D	879	A	915	C	951	A	987	C
844	B	880	B	916	C	952	A	988	D
845	B	881	D	917	D	953	C	989	C
846	C	882	D	918	B	954	D	990	C
847	C	883	C	919	D	955	D	991	D
848	D	884	D	920	D	956	C	992	C
849	A	885	D	921	C	957	C	993	B
850	C	886	B	922	A	958	B	994	A
851	C	887	D	923	D	959	A	995	A
852	B	888	C	924	C	960	D	996	C
853	D	889	B	925	A	961	D	997	C
854	B	890	B	926	C	962	A	998	D
855	A	891	B	927	C	963	D	999	D
856	C	892	B	928	C	964	B	1000	D
857	C	893	D	929	C	965	D		
858	D	894	A	930	D	966	D		
859	C	895	B	931	D	967	A		
860	B	896	D	932	C	968	A		



Sample Paper 1

1 Mark (40 Questions)

1. What does a Pure Risk involve?

- A. Loss or no loss
- B. Loss and Gain
- C. Gain
- D. All the above

2 Insurable risks are categorized into

- A. Private and official risk
- B. Personal and property and liability risks
- C. Officials and property risks
- D. Private, official and property risks

3 An insurable loss must be

- A. Certain
- B. Fortuitous or accidental
- C. Indefinite
- D. Impossible to happen

Four Mark (15 Questions)

1 Sohan got some injuries at the building site when the building contractor's car ran over his toe. He was unable to attend work for 6 weeks. What are the options available to Sam?

- A. Sohan and the contractor get the Accident Insurance.
- B. Sohan gets Accident Insurance. The contractor gets third party Liability Insurance and Sam can sue the contractor for damages.
- C. Sohan gets Disability Insurance, if he has one. The Contractor gets a third party Liability Insurance and Sam also gets insurance for third party negligence.
- D. Sohan gets Disability Insurance, and the contractor gets Accident Insurance.

2. Mohan owns a flat worth Rs. 2,00,000 (market value). He has insured it only for Rs. 1,50,000. The flat is damaged by an earthquake, and loss is assessed at Rs. 1,00,000. Assuming the insurer applies the principle of Average to the loss the insurer will get a claim payment of _

- A. RS. 75,000
- B. Rs. 70, 000
- C. Rs. 37, 900
- D. Rs. 1,00,000

3 A Prospect and Planner agreed for an Endowment Assurance Policy for Rs. 41akhs, limited payment for 10 years with the term of 20 years. If Reversionary bonus is taken as 7.5% p.a and terminal bonus as Rs. 150/- per 1000/-. The maturity value would be _

- A. RS.10,50,000
- B. RS.10,60,000
- C. Rs. 10,70,000
- D. Rs.10,80,000

4 Malhotra Heart Centre has a great marketing centre and a full business. Dr. Kohli, the Chief Heart Surgeon is held in high esteem nationwide for his expertise and success rate in surgery. He has made an outstanding



contribution for the last 8 years to enable market leadership for Malhotra Heart Centre. The most appropriate policy that the owners may take in the interests of business on the life of Dr. Kohli would be _____

- A. Personal Accidental Insurance
- B. Term Insurance
- C. Key Man Insurance
- D. Mediclaim Insurance

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Sample Paper 1					
One Mark Questions		One Mark Questions		Four Mark Questions	
1	A	1	B	1	B
2	B	2	A	2	A
3	B	3	C	3	B
4	B	4	D	4	C
5	D	5	D	5	B
6	A	6	B	6	D
7	A	7	B	7	B
8	C	8	A	8	C
9	B	9	C	9	B
10	C	10	D	10	D
11	D	11	D	11	C
12	A	12	D	12	D
13	D	13	D	13	A
14	B	14	C	14	C
15	B	15	A	15	D
16	A	16	C		
17	B	17	C		
18	B	18	A		
19	B	19	C		
20	D	20	D		
21	A				
22	C				
23	D				
24	C				
25	D				
26	A				
27	B				
28	B				
29	C				
30	C				
31	D				
32	B				
33	A				
34	C				
35	C				
36	A				
37	C				
38	A				
39	A				
40	D				



Sample Paper 2

Two Mark (20 Questions)

1. If a claim arises out of the death of an insured individual _____ would be paid the money.
 - A. The first son of the insured individual
 - B. The spouse of the insured individual
 - C. The mother of the insured individual
 - D. the person nominated under the policy by the individual, if any
2. When does the insurer has to be informed in case of a health insurance claim?
 - A. When the insured person is hospitalized
 - B. When the health disorder is noticed
 - C. When the course of treatment for the insured person is complete
 - D. When the bills of the hospital, where the insured individual was hospitalized, are paid.
3. Who initiates the action with respect to maturity claims under a life insurance policy.
 - A. The planner
 - B. The policy holder
 - C. The intermediary who sold the policy
 - D. The insurance company
7. The insurance planner or intermediary is responsible for _____
 - A. Health insurance claims
 - B. Death claims in life insurance policies
 - C. Disability claims in personal accident. policies
 - D. All of these

Four Mark (15 Questions)

1. Given the following information, indicate which of the four options given below shows the monthly premium (rounded off to the nearest rupee) to be paid by a person born on 28.06.1974, who has taken an endowment policy on his life.

Sum Assured Rs. 40000

Term 35 years

Date of maturity 24.12.2037

Tabular premium for age nearest birthday 27 – Rs. 27.46 per thousand

Tabular premium for age nearest birthday 28 – Rs. 27.83 per thousand

Tabular premium for age nearest birthday 29 – Rs. 28.37 per thousand

Premium adjusted – 5% extra for monthly mode, Rs.1 less for half yearly mode and Rs. 1.50 less for yearly mode.

SA Rebate Rs. 1.50 less for Rs. 50000 and above

A. 97.00

B. 97.40

C. 97.50

D. None of the above

2. There are 2000 buildings in B, city valued at Rs. 20, 00,000 each. All the buildings are insured upto 50% of their value. The following fire losses occur:

2 total losses 30 partial losses at Rs. 2, 00,000 each.

What would be the pure premium rate?



- A. Rs. 1.25 per thousand
- B. Rs. 2.00 per thousand
- C. Rs. 2.50 per thousand
- D. Rs. 4.00 per thousand

3. Find out the loan payable at 90% of surrender value on the basis of the following data, (the answer to be rounded off to the next higher rupee) SA Rs. 50000 DOC-19.02.2002, endowment without profit-20 years due date of last unpaid premium 19.02.2006, mode yearly.

Bonus declared Rs. 60 per thousand SA every year since 2001, SV factor 32%

- A. 2880
- B. 8784
- C. 9760
- D. None of these

4. Given the following data, state which of the following is the correct amount of the claim payable under the policy

Plan and term Endowment 38 years

Sum Assured Rs. 50000

Date of commencement 20.05.1989

Date of death of life assured 18.08.2002

Quarterly premium Rs.320 due in August 2002 paid on 6th August 2002

Bonus vested Rs. 36000

Interim bonus declared after valuation on 31.03.2001 Rs. 38 per thousand

- A. 85360
- B. 88760
- C. 86320
- D. 89720

5. Rohan owns a laptop that was stolen. The laptop cost Rs. 35,000 when it was purchased one year back. A similar laptop can be bought today for Rs. 20,000. Assuming that the laptop was 50% depreciated, what is the amount payable by the insurer? Assume deductible to be Rs. 1,000.

- A. Rs.9,000
- B. Rs. 10,000
- C. Rs. 19,000
- D. RS.34,000

15. From the following data, calculate the amount of claim payable, if the insured dies on 27.10.2005:

Date of Commencement: 13/09/1989

Sum Assured: Rs. 1, 00,000

Plan Term: Money back (with profit) 25 years

Last premium paid due: 13/09/2004

Three installments of Rs. 20,000 each have been paid in 1994, 1999 and 2004

Assume that bonus declared is Rs. 600 per thousand SA

Assume premium: Rs. 2,000

(Ignore interest if any)

- A. Rs. 1,00,000
- B. Rs. 64,000
- C. Rs. 1,24,000
- D. Rs.1,56,000



One Mark Questions		Two Mark Questions		Four Mark Questions	
Question	Answer	Question	Answer	Question	Answer
1	A	1	D	1	A
2	D	2	A	2	C
3	C	3	B	3	A
4	D	4	D	4	B
5	A	5	D	5	D
6	C	6	A	6	A
7	D	7	D	7	B
8	D	8	B	8	A
9	D	9	B	9	C
10	A	10	A	10	D
11	D	11	D	11	C
12	D	12	C	12	B
13	D	13	A	13	D
14	B	14	D	14	A
15	A	15	B	15	D
16	B	16	C		
17	B	17	B		
18	B	18	A		
19	D	19	B		
20	C	20	D		
21	D				
22	D				
23	A				
24	A				
25	D				
26	D				
27	A				
28	D				
29	C				
30	B				
31	D				
32	C				
33	D				
34	C				
35	D				
36	D				
37	C				
38	A				
39	A				
40	C				



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7. *OPTION TRADING STRATEGIES*

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