

## I. CHOOSE THE BEST ANSWER:

1. The basic principle of insurance is \_\_\_\_\_.  
(a) Insurable Interest      (b) Co-operation      (c) Subrogation      (d) Proximate cause
2. \_\_\_\_\_ is not a type of general insurance.  
(a) Marine Insurance      (b) Life Insurance  
(c) Fidelity Insurance      (d) Fire Insurance
3. Which of the following is not a function of insurance?  
(a) Lending Funds      (b) Risk Sharing  
(c) Capital formation      (d) Protection of life
4. Which of the following is not applicable in insurance contract?  
(a) Unilateral Contract      (b) Conditional Contract  
(c) Indemnity Contract      (d) Inter-personal contract
5. Which of the following is a type of marine insurance?  
(a) Money back      (b) Mediclaim      (c) Hull insurance      (d) Corgo insurance

## II. VERY SHORT ANSWER QUESTIONS

### 1. List any five important types of policies.

- ▲ Whole Life Policy
- ▲ Joint Life Policy
- ▲ Annuity Policy
- ▲ Children's Endowment Policy

### 2. What is health insurance?

Health insurance policy is a contract between an insurer and an individual or group, in which the insurer agrees to provide specified health insurance at an agreed upon price.

### III. SHORT ANSWER QUESTIONS:

#### 1. Define Insurance.

“Insurance is a plan by themselves which large number of people associate and transfer to the shoulders of all, risk that attacks to individuals”.

- *According to John Merge*

#### 2. Give the meaning of crop insurance

- ➔ This policy is to provide financial support to farmers in case of a crop failure due to drought or flood.
- ➔ It generally covers all risks of loss or damages relating to production of rice, wheat, millets, oil seeds.

#### 3. Write a note on IRDAI

- ❖ IRDAI – Insurance Regulatory Development and Authority of India is the statutory, independent and apex body that governs, regulates and supervises the Insurance Industry in India.
- ❖ It was constituted in the year 2000 by Parliament of India Act called IRDAI Act, 1999.
- ❖ Presently IRDAI headquarters is in Hyderabad.

### IV. LONG ANSWER QUESTIONS

#### 1. Explain the various types of Insurance

##### i). Life Insurance

- ➔ Life Insurance may be defined as a contract in which the insurance company called insurer undertakes to insure the life of a person called assured in exchange of a sum of money called premium which may be paid in one lump sum or monthly, quarterly, half yearly or yearly.
- ➔ Life insurance policies are of many kinds. Some of them are given below:
  - ➔ Whole Life Policy
  - ➔ Joint Life Policy (JLP)
  - ➔ Annuity Policy

##### ii). Non – Life Insurance

It refers as the insurance not related to human but related to properties.

### **iii). Fire Insurance**

Fire insurance is a contract whereby the insurer, in consideration of the premium paid, undertakes to make good any loss or damage caused by a fire during a specified period upto the amount specified in the policy.

### **iv). Marine Insurance**

- It is a contract of insurance under which the insurer undertakes to indemnify the insured in the manner and to the extent thereby agreed against marine losses.
- The insured pays the premium in consideration of the insurer's guarantee to make good the losses arising from marine perils or perils of the sea.

### **v). Health Insurance**

- In mid 80's, most of the hospitals in India were government owned and treatment was free of cost.
- Presently the health insurance exists primarily in the form of 'Mediclaim policy'.

### **vi). Miscellaneous Insurance**

- ★ Motor Vehicle Insurance
- ★ Burglary Insurance
- ★ Cattle Insurance
- ★ Crop Insurance
- ★ Sports Insurance

## **2. Explain the principles of insurance.**

### **i). Utmost Good Faith**

- ✿ According to this principle, both insurer and insured should enter into contract in good faith.
- ✿ Insured should provide all the information that impacts the subject matter.
- ✿ Insurer should provide all the details regarding insurance contract.

### **ii). Insurable Interest**

- The insured must have an insurable interest in the subject matter of insurance.
- Insurable interest means some pecuniary interest in the subject matter of the insurance contract.

### **iii). Indemnity**

- ✿ Indemnity means security or compensation against loss or damages.

- ✱ This principle ensures that the insured does not make any profit out of the insurance.
- ✱ This principle of indemnity is applicable to property insurance alone.

#### **iv). Causa Proxima**

- ✕ The word 'Causa proxima' means 'nearest cause'.
- ✕ The direct, the most dominant and most effective cause of loss should be taken into consideration.
- ✕ The insurance company is not liable for there mote cause.

#### **v). Contribution**

- ⊕ The same subject matter may be insured with more than one insurer then it is known as 'Double Insurance'.
- ⊕ In such a case, the insurance claim to be paid to the insured must be shared on contributed by all insurers in proportion to the sum assured by each one of them.

### **3. Discuss the causes of risk.**

#### **(i) Natural Causes**

- ★ Human beings have little control over natural calamities like flood, earthquake, lightning, heavy rains, famine, etc.
- ★ These result in heavy loss of life, property, and income in business.

#### **(ii) Human Causes**

- ➔ Human causes include such unexpected events like dishonesty, carelessness or negligence of employees, stoppage of work due to power failure, strikes, riots, management inefficiency, etc.

#### **(iii) Economic Causes**

- ♣ Financial problems like rise in interest rate for borrowing, levy of higher taxes, etc., also come under this type of causes as they result in higher unexpected cost of operation of business.

#### **(iv) Other Causes**

- ✕ These are unforeseen events like political disturbances, mechanical failures such as the bursting of boiler, fluctuations in exchange rates, etc. which lead to the possibility of business risks.

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