

Module 2 – Sample Questions

- Q1.** A risk averse individual is likely to have _____.
- A. More insurance.**
 - B. More self insurance.
 - C. Greater deductibles.
 - D. Under insurance.
- Q2.** Conditions that increase either the frequency or severity of loss are called:
- A. Extenuating circumstances.
 - B. Risks.
 - C. Hazards.**
 - D. Perils.
- Q3.** Which of the following statements is not true regarding mortality and morbidity?
- A. Age for age, assured lives mortality rates are lower than population mortality rates.
 - B. For a given population, age for age, the incidence of female morbidity is lower than male morbidity.**
 - C. Age for age, females experience lower mortality than males.
 - D. In costing life annuities, it is important to provide for expected future improvements in annuitants' mortality.
- Q4.** The premium rates for which class of insurance is most sensitive to the interest rate assumption?
- A. Whole-of-life policies.
 - B. Endowment policies.**
 - C. Temporary Assurance policies.
 - D. Disability Income policies.
- Q5.** The sum that a life insurance policyholder must contribute as his share of the death claims in any particular policy year is called the _____.
- A. Benefit of survivorship.
 - B. Mean actuarial reserve.
 - C. Net level premium.
 - D. Cost of insurance.**

Q6. A contract for investment linked life insurance may be characterized as a/an _____.

- I. Unilateral contract.
 - II. Aleatory contract.
 - III. Conditional contract.
 - IV. Personal contract of adhesion.
- A. I, II, III
 - B. I, III
 - C. II, IV
 - D. All of the above.**

Q7. The following are examples of payments incurred by a deceased person's estate:

- I. Settlement of the deceased's debts.
 - II. Probate and administration costs.
 - III. Insurance claims costs.
- A. I, II**
 - B. I, III
 - C. II, III
 - D. All of the above.

Q8. Personal accident insurance does not cover _____.

- A. Temporary or permanent disablement.
- B. Self afflicted injuries.**
- C. Corrective surgery.
- D. Funeral expenses.

Q9. "It is possible to predict the approximate number of deaths or frequency of disabilities within a certain group over a specific time."

Which of the following insurance concepts describes the above statement?

- A. The Quantum Insurance Principle.
- B. The Principle of large loss.
- C. The Law of large numbers.**
- D. The Law of diminishing return.

- Q10.** Exclusions are inserted into policies for the following reasons except:
- A. Cover can be provided under more appropriate policies.
 - B. The risks are uninsurable.
 - C. The cover is not demanded by the insured.**
 - D. Insurers require higher premiums to provide such cover.
- Q11.** Peter, aged 55, is the nominee of his mother's RM200,000 life insurance policy. The insurer has requested him to select a settlement option for payment of the proceeds. What factors should he consider before making the selection?
- I. His current income needs.
 - II. His asset management ability.
 - III. His net worth.
 - IV. The tax liability on the RM200,000.
- A. I, II, IV
 - B. I, II, III**
 - C. I
 - D. IV
- Q12.** The main purpose for which insurance companies are required by statute to undertake annual valuation of their liabilities is to:
- A. Enable them to determine the profits arising from insurance operations.
 - B. Enable the Inland Revenue to charge the appropriate tax on the insurance companies' profits.
 - C. Enable investors to form an opinion on their management.
 - D. Establish their solvency position.**
- Q13.** The profits of an insurer will decrease when _____.
- A. Revenue increase.
 - B. Policyowner dividends decrease.
 - C. Taxes increase.**
 - D. Expenses decrease.

Q14. _____ is the amount that is added to the risk premium to cover the possible variability of claims cost.

- A. Pure premium.
- B. Expenses loading.
- C. Profit loading.
- D. Contingency loading.**

Q15. Which of the following Acts has impact on the insurance industry in Malaysia?

- I. Insurance Act, 1996.
 - II. Road Transport Act 1987.
 - III. Companies Act, 1965.
- A. I, II
 - B. I, III**
 - C. II, III
 - D. All of the above.

Q16. On the occurrence of a loss, a valued contract is one where the policyholder is _____.

- A. Indemnified.
- B. Paid an amount agreed at the outset.**
- C. Paid the replacement value.
- D. Paid the replacement value less the applicable deductible.

Q17. Which of the following is not an essential element of a valid contract?

- A. The intention to create legal relations.
- B. An offer made in writing.**
- C. Acceptance of an offer.
- D. Consideration.

- Q18.** Which of the following statements is not true pertaining to the economic value of an individual?
- A. It refers to the contribution of an individual to society.**
 - B. For insuring an individual, the projected flow of income to his family should be discounted ignoring mortality.
 - C. A typical individual's economic value diminishes as potential income is converted into actual income.
 - D. For insuring an individual, the projected flow of income to his family should be discounted allowing for investment income.
- Q19.** A policyholder lapsed her RM150,000 nonparticipating whole life insurance policy. The annual premium on this policy was RM500. When the policy lapsed, its reduced paid-up insurance non-forfeiture provision took effect. At the time the policy lapsed, there were no outstanding policy loans, and the amount of the policy's net cash value was RM5,000. In this situation, the effect of the non-forfeiture option was that:
- A. A net single premium of RM5,000 was used to purchase whole life insurance in an amount less than RM150,000.
 - B. A net single premium of RM5,000 was used to purchase whole life insurance in an amount equal to RM150,000.
 - C. The insurer automatically paid the overdue premium by making a RM500 loan against the policy's cash value.**
 - D. RM5,000 was paid in a lump sum to the policyholder.
- Q20.** Which of the following is usually the primary source of internally generated capital (surplus) for a life insurance company?
- A. Favourable deviations of actual experience from assumed experience on established policies.**
 - B. Funds raised by selling bonds in traditional capital markets.
 - C. The effective use of reinsurance to transfer risk to others.
 - D. Voluntary policy terminations at early durations when policy surrender values are less than their reserves.

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