

Key for Licentiate Examination

Guide to
Practice of Life Insurance

(Paper No. 02 of I.I.I)

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Preface

We are happy to launch the 6th edition of Guide to Practice of Life Insurance. This is a guide book to help candidates in preparing for the exam conducted by the Insurance Institute of India(III).

We have covered thoroughly the whole syllabus prescribed by I.I.I and the questions and answers are given based on each chapter.

We hope the candidates will find this book very useful in preparing for the examination. Please do go through the tips given in this book for clearing the exam successfully. We have also covered the objective questions that were asked in the previous exams of Licentiate exams from November 2002 which will be very useful to you.

We are thankful to Shyam Agarwal, M.Com,ACA,FIII and editorial team of The Insurance Times who worked very hard to bring out the book on schedule.

Though we have tried to make this publication error free, if you come across any error please email us so that we can correct the same in next edition.

We wish you best of luck for the examination.

- Chief Editor,
R. G. Agarwala
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Sample Model Questions prescribed by Insurance Institute of India

I. Select the appropriate answer to complete the sentence (*Checking learning - Direct*)

- i. In cases where a Life Insurance Agent collects the premium from the policyholder and remits it to the insurer's office, he is acting as an agent of _____:
- a. IRDA
 - b. the Insurance Company
 - c. the Policyholder
 - d. the broker
 - e. the general public

Ans: b. the Insurance Company

- ii. A policy where the policyholder makes a one-time payment of premium, is known as a _____:
- a. Money-back policy
 - b. Single premium policy
 - c. Salary Savings Scheme policy
 - d. Half-yearly policy
 - e. Annual policy

Ans: b. Single premium policy

ii. i. State which of the statements given below is correct (*Checking learning - Direct*)

- a. An organisation can exist only with employees
- b. An organisation can exist only with different sections
- c. An organisation can exist only with its own office building
- d. An organisation can exist without a purpose
- e. An organisation will grow as years pass by

Ans: a. An organisation can exist only with employees

ii. State which of the statements given below is correct (*Checking learning - Direct*)

- a. People generally feel that life related risks are imminent
- b. Religious beliefs interfere with the purchase of life insurance
- c. People are always keen to buy insurance
- d. Life insurance cannot be denied to anyone at any time
- e. Life insurance is to be sold to people who are not in good health

Ans: b. Religious beliefs interfere with the purchase of life insurance

III. Answer the questions below by selecting the correct answer: (*Checking learning - Direct*)

- i. Which of the following is/ are important activities of an organisation's Accounts Department?
- a. Keeping control on cash
 - b. Investments of funds
 - c. Processing bills
 - d. Reconciling bank statements
 - e. All of the above

Ans: e. All of the above

- ii. Which of the following is an important reason for insurers to sell life insurance policies through agents?
- a. The benefits of life insurance policies are simple and clear to all
 - b. People can decide which policy is best for them
 - c. Agents have to earn their commissions
 - d. Agents have to meet their marketing targets
 - e. Many people require personalised guidance for selecting the right policy

Ans: e. Many people require personalised guidance for selecting the right policy

IV. Fill in the Blanks using the appropriate word(s) (*Checking understanding - Indirect*)

- i. Compared to the premium for a Whole Life plan, the premium for an Endowment plan will be _____ for the same age
- a. more
 - b. less
 - c. the same
 - d. double
 - e. half
- Ans: a. more**

- ii. A nomination can be made only in favour of _____
- a. a bank
 - b. spouse and children with guardian
 - c. spouse and minor children
 - d. parents, spouse and children
 - e. any individual
- Ans: d. any individual**

V. Select the expanded form of the abbreviation given (*Checking understanding - Indirect*)

- i. Select the expanded form of SA as commonly used in life insurance
- a. Sum Assured
 - b. Surrender of Assurance
 - c. Supplementary Assurance
 - d. Stamp Act
 - e. Survivor's Annuity
- Ans: a. Sum Assured**

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- ii. Select the expanded form of OR as commonly used in life insurance
- a. Oral Rehydration
 - b. Once Renewed
 - c. Ordinary Rates
 - d. Ordinary Renewal
 - e. Ombudsman's Assurance

Ans: c. Ordinary Rates

- iii. Select the expanded form of SV as commonly used in life insurance
- a. Summary Valuation
 - b. Selected Value
 - c. Surrender Value
 - d. Stamp Value
 - e. Survivor Value

Ans: c. Surrender Value

VI. Select the word(s) that most closely matches the given term. (Checking understanding - Indirect)

- i. Which of the following terms matches closest with 'Automatic Teller Machines'?
- a. Divisional Offices
 - b. Branch Offices

- c. Agents
- d. Information Kiosks
- e. Interactive Voice Response Systems

Ans: d. Information Kiosks

- ii. Which of the following terms matches closest with 'Foreclosure'?
- a. Surrender Value
- b. Nominee
- c. Death Claim
- d. Maturity Claims
- e. Bonus

Ans: a. Surrender Value

VII.i. Find out which of the given statements is incorrect (*Checking application of learning*)

- a. An organisation must have a purpose
- b. An organisation is identified by its actions
- c. An organisation is identified by the building it occupies
- d. A organisation can sue and be sued
- e. A organisation can own assets

Ans.: c. An organisation is identified by the building it occupies.

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- ii. Find out which of the given statements is incorrect (Checking application of learning)
- a. Accounts department has to monitor cash flow from subordinate offices
 - b. Marketing department has to monitor business inflow
 - c. Marketing department has to monitor performance of agents
 - d. Actuarial department is responsible for settling death claims
 - e. Underwriting department has to assess risk and determine premium

Ans.: d. Actuarial department is responsible for settling death claims.

VIII. Which of the following terms is dissimilar to the other four options? (Find the odd-man out?) (Checking application of learning)

- i. Which of the following terms is dissimilar to the other four in the context of insurable interest in life insurance?
- a. Employer
 - b. Creditor
 - c. Surety
 - d. Employee
 - e. Debtor
- Ans: e. Debtor***

- ii. Which of the following terms is dissimilar to the

other four in the context of death claims in life insurance?

- a. Early claims
- b. Non-early claims
- c. Foreclosure
- d. Claimant's statement
- e. Deeds of Assignment

Ans: c. Foreclosure.

Tips for passing the exam successfully

1. Plan out your study program
you do not leave any important
2. We have covered questions
options so that the concept of
candidates. Since the question
the exam it is not advisable to
3. Before appearing in the exam
questions in exam conditions
solving the questions as if appearing
4. Do not consult too many things
you will confuse everything. (
5. When you view the question
not try to read all questions in
your time and if you don't know
question you will get tensed.
6. Read and read carefully before
as the question might have been
7. Before deciding the answer
and you will get the correct answer

8. Always keep some
9. Once you complete an attempt for online well again go to the reattempt the question.
10. In the new pattern are large so before attempt carefully. A single construction may check whether question is
11. When you receive the questions in which 40 out of 100 questions you are confident you again start from twice/thrice if you have
12. As more and more MCQ pattern the latest new trend has started answers are right. Check the best option which
13. Adopt Elimination technique of 5 option first try to is absolutely wrong. See if any option is wrong

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options to arrive at the correct option.

14. Don't leave any question blank. There is no negative marking at / to arrive at the most likely option.
15. In many questions you will have more than one correct option. Most likely in such type of questions, the correct answer will be All the above. But sometimes they may intentionally give you more than one correct option.
16. Do not leave any chapter blank. MCQ questions are of equal weightage. At times it happens that in a particular chapter many questions are asked. So, you should attempt all the questions in a chapter at your sole risk.
17. Along with this guide, you should also attempt the questions given with this book including the previous years' questions for assessing your preparation.
18. Relax, relax and relax. Don't panic. If you will take strain to answer a question, you may answer incorrectly even if you know the answer.
19. Well we wish you Best of Luck. Be confident and hope you clear the paper.

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Note: All answers are marked in bold

Chapter -1

Life Insurance Organisation

(All answers are marked in bold)

- Q. An _____ is a legal entity which is created to do some activity or to achieve some purpose-
- a. **Organization**
 - b. Enterprise
 - c. Office
 - d. Firm
 - e. Company
- Q. Example of an organization is –
- a. Public Company
 - b. Private Company
 - c. Proprietary concerns
 - d. Government Company
 - e. Cooperative Societies and trusts
 - f. **All of the above**
- Q. Various Kind of organizations are-
- a. Proprietary Concern
 - b. Partnership Concern
 - c. Co-operative societies
 - d. **All of the above**

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- Q. Proprietary business is always small
- a. **False** b. True
- Q. Which of the following constitute proprietary concerns
- a. Retail shops only b. Small shops only
- c. Grocery shops only d. **All of the above**
- Q. In partnership firm there are _____
- a. 1 individual b. 2 individual
- c. 2 and more individual d. **Only b & c**
- Q. The agreement made between partners of a partnership firm is called-
- a. **Partnership Deed**
- b. Partner Deed
- c. Partnership Business Deed
- d. Business Deed
- Q. Partnership Deed contains-
- a. Name of the insurer
- b. Type of insurance policy taken
- c. Address of insurer
- d. Type of policy
- e. **None of the above**