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36	A	B	C	D	E
37	A	B	C	D	E
38	A	B	C	D	E
39	A	B	C	D	E

PRACTICE QUESTIONS

Chartered Insurance Institute (CII)

AAGYZX8B

IMP - Motor insurance products and policies (India)

EDITION

Demo

QUESTIONS

9

FORMAT

Limited Edition PDF

Before you begin

What this is

9 practice questions for Chartered Insurance Institute (CII) AAGYZX8B , each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, AAGYZX8B
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

QUESTION 1 SINGLE CHOICE

Which type of motor insurance policy in India provides coverage for own damage to the insured vehicle as well as third-party legal liability?

- ☐ A Third-party only policy
- ☒ B Comprehensive policy
- ☐ C Liability-only policy
- ☐ D Standalone own damage policy

ANSWER B

WHY A comprehensive motor insurance policy covers both own damage to the insured vehicle and the mandatory third-party legal liability. Option A and C only cover third-party liability, while a standalone own damage policy (D) only covers the insured vehicle's damage.

QUESTION 2 SINGLE CHOICE

Under the Motor Vehicles Act in India, which category of vehicle must compulsorily be insured under a third-party liability policy?

- ☐ A Only commercial goods vehicles
- ☐ B Only vehicles used for hire or reward
- ☒ C Every motor vehicle plying on a public road
- ☐ D Only vehicles above 1500 cc engine capacity

ANSWER C

WHY As per the Motor Vehicles Act, 1988, every motor vehicle plying on a public road in India must be covered at minimum by a third-party liability insurance policy. This is a mandatory requirement with no exceptions based on vehicle category, use or engine capacity.

QUESTION 3

SINGLE CHOICE

Which of the following perils is generally NOT covered under the standard own damage section of a private car comprehensive policy in India?

- ☐ A Damage caused by fire and explosion
- ☐ B Damage caused by a riot or strike
- ☒ C Wear and tear of components due to ageing
- ☐ D Damage caused by an earthquake

ANSWER C

WHY Wear and tear, mechanical or electrical breakdown, ageing and depreciation-related deterioration are standard exclusions under the own damage section. Fire, explosion, riot, strike and earthquake (with the applicable add-on where required) are covered perils, although earthquake typically requires an extra premium.

QUESTION 4

SINGLE CHOICE

When an insured transfers ownership of a private car, what happens to the no-claim bonus (NCB) earned on the policy?

- ☐ A The NCB is automatically forfeited and cannot be used by the new owner
- ☒ B The NCB can be transferred to the new owner provided the original NCB certificate is furnished to the new insurer
- ☐ C The NCB can only be transferred if the vehicle is sold within the first year of insurance
- ☐ D The NCB lapses entirely and a fresh NCB period begins with the new owner

ANSWER B

WHY As per the Indian motor tariff guidelines, the accrued NCB may be transferred to the new owner of the vehicle on production of the original NCB certificate issued by the previous insurer, enabling the new owner to retain the discount on the premium for the new policy.

QUESTION 5

SINGLE CHOICE

What is the primary function of a Third-Party Administrator (TPA) in motor insurance claims in India?

- ☐ A To underwrite and price the motor insurance policies
- ☒ B To process and settle cashless claims on behalf of the insurer
- ☐ C To manufacture vehicles covered under the policy
- ☐ D To set the premium rates approved by IRDAI

ANSWER B

WHY TPAs are licensed by IRDAI to provide claim-processing services to insurers, including arranging cashless treatment, managing hospital networks and coordinating claim settlement. Underwriting, premium-setting and vehicle manufacturing are not within the scope of a TPA.

QUESTION 6

SINGLE CHOICE

Under the standard own damage policy in India, what depreciation rate is applied to glass (fibreglass) parts when settling a claim for a vehicle older than two years?

- ☒ A Nil
- ☐ B 15%
- ☐ C 30%
- ☐ D 50%

ANSWER A

WHY As per the Indian motor tariff, no depreciation is deducted on glass (fibreglass) items at the time of claim. Plastic, rubber and nylon parts and tyres and tubes attract depreciation, but glass is settled without any depreciation deduction under standard policy terms.

QUESTION 7

SINGLE CHOICE

Which document is issued by the insurer as evidence of motor insurance cover and is legally recognised under the Motor Vehicles Act?

- ☐ A Cover note
- ☒ B Certificate of insurance
- ☐ C Endorsement memo
- ☐ D Premium receipt

ANSWER B

WHY The Certificate of Insurance (commonly referred to as the policy document) is the legal evidence of cover under the Motor Vehicles Act, 1988. A cover note is only a temporary proof of insurance pending issuance of the policy, while an endorsement memo only records changes to an existing policy.

QUESTION 8

TRUE FALSE

Under a third-party liability policy in India, there is a statutory limit on the amount that can be claimed by a third party for death or bodily injury.

- ☐ A True
- ☒ B False

ANSWER B

WHY False. Under the Motor Vehicles Act, 1988, there is no upper monetary limit on the third-party liability for death or bodily injury; the quantum is determined by the Motor Accident Claims Tribunal (MACT) based on the facts of each case. Only third-party property damage has a prescribed limit of liability under the Act.

QUESTION 9

SINGLE CHOICE

Under Indian motor insurance practice, which of the following best describes the role of a Third-Party Administrator (TPA) appointed in connection with a motor claim?

- ☐ A It underwrites the policy and decides the premium to be charged on behalf of the insurer
- ☒ B It processes and settles claims on behalf of the insurer under a service agreement, without bearing the underwriting risk
- ☐ C It manufactures vehicles and supplies them to the insured
- ☐ D It certifies driving licences for drivers of insured vehicles

ANSWER B

WHY A Third-Party Administrator (TPA) is an independent service provider engaged by an insurer to administer claims — for example, receiving intimation, appointing surveyors, coordinating repairs and processing settlements. The underwriting risk and final claim decision rest with the insurer; the TPA does not underwrite policies. Options A, C and D describe functions unrelated to a TPA's role.