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PFRDA Grade A Actuary Phase II 2026 Mock Test 1

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History and Principles of Insurance

Q.1 | 1 question

Q.1 A building worth Rs 10,00,000 is insured under a fire policy containing an average clause for Rs 6,00,000. A fire causes a partial loss of Rs 5,00,000. Ignoring deductibles, the insurer's liability is:

(A) Rs 3,00,000

(B) Rs 3,50,000

(C) Rs 2,00,000

(D) Rs 5,00,000

(E) Rs 4,00,000

Risk, Uncertainty and Pooling

Q.2–5 | 4 questions

Q.2 An insurer declines to cover a loss whose amount depends on the insured's own unverifiable valuation of mental distress. Which characteristic of an insurable risk is chiefly absent?

(A) The premium must be economically feasible

(B) The loss must be accidental and unintended

(C) The exposure units must be numerous and similar

(D) The loss must be definite and measurable

(E) The loss must not be catastrophic for the pool

Q.3 An insurer's motor portfolio is concentrated in a single flood-prone city. Which step best achieves diversification of risk?

(A) Writing a larger number of fresh policies in the same city

(B) Raising the deductible on policies written in that city

(C) Spreading policies across regions and uncorrelated classes

(D) Ceding the whole city portfolio to a single reinsurer

(E) Insuring vehicles of the highest sums insured alone

Q.4 In the Knightian sense, risk is distinguished from uncertainty because:

(A) risk arises in business activity whereas uncertainty arises in personal life

(B) risk concerns possible loss whereas uncertainty concerns possible gain

(C) uncertainty can be pooled and priced whereas risk cannot be pooled

(D) risk is a subjective feeling whereas uncertainty is objectively measured

(E) outcome probabilities can be measured under risk but not under uncertainty

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Q.5 A factory installs automatic sprinklers and conducts regular fire drills. In risk management terms, this is chiefly:

(A) Risk sharing

(B) Loss control (reduction)

(C) Risk retention

(D) Risk transfer

(E) Risk avoidance

Legal Foundations and Intermediation

Q.6–8 | 3 questions

Q.6 A person signs a life insurance proposal because an agent threatened him. Under the Indian Contract Act, 1872 the resulting contract is:

(A) Valid but unenforceable against the insurer

(B) Voidable at the option of the coerced party

(C) Illegal and punishable under the Insurance Act

(D) Void from the beginning for want of consent

(E) Fully enforceable since the premium was paid

Q.7 The gross premium of the insurance industry is Rs 8,40,000 crore and the population is 140 crore. Insurance density is:

(A) Rs 60,000 per person

(B) Rs 4,200 per person

(C) Rs 600 per person

(D) Rs 6,000 per person

(E) Rs 7,200 per person

Q.8 Under the Insurance Act, 1938, which statement correctly distinguishes nomination from assignment of a life policy?

(A) Nomination authorises a person to receive the policy money on death, whereas assignment transfers the rights in the policy

(B) Nomination is irrevocable once registered, whereas assignment can be altered by the policyholder at will

(C) Nomination transfers ownership of the policy to the nominee at once, whereas assignment merely names a person to receive proceeds

(D) Nomination requires a stamped deed and consideration, whereas assignment needs a simple notice to the insurer

(E) Nomination is available in term plans of insurers, whereas assignment is available in endowment plans of insurers

Group, Health Insurance and Pensions

Q.9–11 | 3 questions

Q.9 In a defined contribution pension arrangement, the investment risk is borne by:

(A) The government

(B) The insurer

(C) The employer sponsor

(D) The trustees of the fund

(E) The member (employee)

Q.10 A bank takes a group policy on the lives of its borrowers so that outstanding loans are cleared on death. This is:

(A) Group health floater for the borrowers' families

(B) Group superannuation scheme of the employer

(C) Group credit life (creditor group) insurance

(D) Group gratuity cover for retiring employees

(E) Group term insurance sponsored by an employer

Q.11 A hospital cash plan pays Rs 2,000 for each day of hospitalisation irrespective of the actual bill. Such a plan is a:

(A) Family floater health insurance policy

(B) Cashless network hospital insurance plan

(C) Fixed-benefit hospital cash insurance policy

(D) Indemnity-based reimbursement health policy

(E) Super top-up health insurance policy

Functions of Insurers

Q.12–17 | 6 questions

Q.12 Which of the following statements on the pricing of general insurance in India is correct?

(A) Free pricing in non-life began in 1956, when LIC was formed and tariffs for general insurers were abolished

(B) Tariffs for each class of non-life business, including third-party motor, were abolished in 2007

(C) IRDAI regulates life premium rates, while general insurance premium rates are fixed by GIC Re for each class

(D) The Tariff Advisory Committee was created in 2007 to introduce file-and-use pricing in the general insurance business

(E) Non-life tariffs were freed progressively from 2007, but third-party motor premium stays notified by authorities

Q.13 A life insurer holds liabilities with a duration of 12 years against assets with a duration of 5 years. A rise in interest rates will most likely:

(A) Reduce surplus, since liabilities increase when discount rates rise

(B) Raise surplus, since liabilities lose more present value than the assets

(C) Leave surplus unchanged, since both are discounted at the same rate

(D) Raise surplus, since the shorter assets gain more value than liabilities

(E) Reduce surplus, since assets lose more present value than the liabilities

Q.14 In a unit-linked insurance plan, the investment risk is borne by:

(A) IRDAI
(B) The distributing agent
(C) The insurer
(D) The policyholder
(E) The reinsurer

Q.15 A general insurer reports earned premium of Rs 100 crore and claims paid of Rs 80 crore. Outstanding claims were Rs 10 crore at the start and Rs 20 crore at the end of the year. Its incurred claim ratio is:

(A) 90%
(B) 110%
(C) 80%
(D) 100%
(E) 70%

Q.16 A rider that pays an additional sum assured when death results from an accident is called the:

(A) Income benefit term rider
(B) Guaranteed insurability benefit rider
(C) Waiver of premium benefit rider
(D) Critical illness benefit rider
(E) Accidental death benefit rider

Q.17 A general insurer has a loss ratio of 72%, an expense ratio of 33% and investment income equal to 8% of earned premium. Its overall result as a percentage of earned premium is:

(A) A loss of 3%
(B) A profit of 13%
(C) A loss of 5%
(D) A profit of 3%
(E) A profit of 5%

Insurance Lines and Products

Q.18–21 | 4 questions

Q.18 The Indian Market Terrorism Risk Insurance Pool, which pools insurers' terrorism exposures, is administered by:

(A) IRDAI
(B) GIC Re
(C) ECGC
(D) New India Assurance
(E) Agriculture Insurance Company

Q.19 A fidelity guarantee policy indemnifies an employer against loss arising from:

(A) Dishonest acts such as fraud or theft by employees

(B) Sudden breakdown of installed plant and machinery

(C) Legal liability to a third party injured at the premises

(D) Damage to cargo during sea transit to a buyer

(E) Loss of profits following a fire at the factory

Q.20 Which Indian statute requires owners handling hazardous substances to take insurance providing no-fault relief to accident victims, with a contribution to an Environmental Relief Fund?

(A) Employees' Compensation Act, 1923

(B) Environment (Protection) Act, 1986

(C) Public Liability Insurance Act, 1991

(D) Factories Act, 1948

(E) Motor Vehicles Act, 1988

Q.21 An annuity payable for a fixed number of years whether or not the annuitant survives is called:

(A) Life annuity

(B) Reversionary annuity

(C) Joint-life and last-survivor annuity

(D) Deferred life annuity

(E) Annuity certain

Valuation and Solvency

Q.22–25 | 4 questions

Q.22 Which statement on the solvency ratio of an insurer under IRDAI's solvency regulations is correct?

(A) Solvency ratio is available solvency margin divided by required solvency margin, with a control level of 150%

(B) Solvency ratio is total admissible assets divided by total policy liabilities of the insurer, with a control level of 150%

(C) Solvency ratio is available solvency margin divided by the paid-up capital, with a control level of 200%

(D) Solvency ratio is net worth divided by gross premium written during the year, with a control level of 120%

(E) Solvency ratio is required solvency margin divided by available solvency margin, with a control level of 150%

Q.23 An insurer has admissible assets of Rs 1,450 crore and liabilities of Rs 1,050 crore. Its required solvency margin is Rs 250 crore. Taking available solvency margin as assets less liabilities, its solvency ratio is:

(A) 140%
(B) 580%
(C) 62.5%
(D) 160%
(E) 420%

Q.24 Why does an Appointed Actuary build margins for adverse deviation into the valuation bases of a life insurer?

(A) To set reserves equal to the exact expected value of future outgo
(B) To keep reserves adequate if experience is worse than assumed
(C) To lower the premium rates quoted to new proposers today
(D) To release distributable surplus to shareholders at the earliest
(E) To reduce the statutory solvency margin requirement to zero

Q.25 Which of the following is a statutory responsibility of the Appointed Actuary of a life insurer?

(A) Setting the investment pattern for shareholders' funds of the insurer
(B) Approving the settlement of each large claim above the retention limit
(C) Valuing policy liabilities and certifying that the solvency margin is maintained
(D) Deciding the dividend payable to the shareholders of the insurer
(E) Licensing agents and corporate agents who distribute the products of the insurer

Reinsurance and GIC

Q.26–31 | 6 questions

Q.26 A general insurer writes gross premium of Rs 400 crore. It cedes Rs 60 crore under a quota share treaty and Rs 20 crore under an excess of loss treaty. Its retention ratio is:

(A) 15%
(B) 80%
(C) 20%
(D) 75%
(E) 85%

Q.27 A stop-loss cover applies to a portfolio with subject premium of Rs 200 crore. It attaches at a loss ratio of 75% and has a limit of 25 percentage points of premium. If actual losses are Rs 190 crore, the reinsurer pays:

(A) Rs 150 crore
(B) Rs 20 crore
(C) Rs 40 crore
(D) Rs 190 crore
(E) Rs 50 crore

Q.28 Which of the following statements about GIC Re is correct?

(A) It was set up in 1956 along with LIC and underwrites life and non-life business in competition with it
(B) It was created by the IRDA Act, 1999 to act as the supervisory regulator of the Indian reinsurance market and brokers
(C) It stopped writing reinsurance business after foreign reinsurers were permitted to open branches in India
(D) It was listed on the stock exchanges in 1993 as a result of the reforms of the Malhotra Committee
(E) After the 2002 amendment its four subsidiaries became independent insurers and it became the Indian reinsurer

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Q.29 The policy objective behind requiring insurers to retain risk and place reinsurance within India, as in the obligatory cession, is primarily:

(A) To shift the underwriting risk of insurers to the government as the ultimate reinsurer
(B) To ensure that insurers place their reinsurance with the cheapest available reinsurer
(C) To prevent insurers from buying reinsurance beyond the obligatory cession
(D) To build domestic underwriting capacity and retain part of the premium in the country
(E) To enable the regulator to fix reinsurance premium rates for the whole market

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Q.30 For the financial year 2026-27, the IRDAI obligatory cession on general insurance business is:

(A) 4% of the sum insured on each general insurance policy, placed entirely with GIC Re
(B) Nil, as obligatory cession was withdrawn with effect from April 2026 for general insurers
(C) 10% of the sum insured on each general insurance policy, placed with GIC Re
(D) 5% of the sum insured on each general insurance policy, shared among Indian reinsurers
(E) 4% of the premium on each general insurance policy, placed with an Indian reinsurer of choice

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Q.31 A life insurer buys a catastrophe cover from a reinsurer. The cover protects it against:

(A) Lapse of a large number of policies because renewal premiums are not paid within the grace period

(B) A sharp fall in the unit prices of funds held under unit-linked policies of the insurer

(C) An unusually large number of death claims arising from a single event such as an epidemic

(D) Anti-selection by one large group scheme that covers a large number of employees

(E) A rise in complaints about mis-selling of policies by agents and bank staff over time

Management Process and Role of Manager

Q.32–34 | 3 questions

Q.32 Management by exception in the controlling function means that:

(A) Every deviation, however small, is reported to the top management each week

(B) Control is applied at the end of the project in exceptional cases alone

(C) Authority is delegated to a single exceptional manager in the department

(D) Standards are relaxed for exceptional employees who regularly exceed their targets

(E) Managers' attention is drawn only to significant deviations from the standards

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Q.33 In Mintzberg's classification of managerial roles, the figurehead, leader and liaison roles are grouped as:

(A) Technical roles

(B) Informational roles

(C) Decisional roles

(D) Interpersonal roles

(E) Conceptual roles

Q.34 According to Katz, which skill becomes relatively most important for managers at the top level of an organisation?

(A) Manual skill

(B) Conceptual skill

(C) Political skill

(D) Technical skill

(E) Clerical skill

Leadership

Q.35 | 1 question

Q.35 A manager gives the team complete freedom to set goals and take decisions, offering guidance only when asked. This leadership style is:

(A) Laissez-faire (delegative)
(B) Charismatic
(C) Transactional
(D) Democratic (participative)
(E) Autocratic

HRD, Career Planning and Training

Q.36–38 | 3 questions

Q.36 A training programme that costs Rs 4,00,000 produces monetary benefits of Rs 6,00,000. Using Phillips' method, the return on investment is:

(A) 200%
(B) 33%
(C) 50%
(D) 150%
(E) 67%

Q.37 In the McGehee and Thayer framework of training needs assessment, the person analysis stage mainly seeks to find out:

(A) Whether the organisation's goals, resources and climate justify a training programme
(B) What duties the job involves and what knowledge and skills are required to perform them
(C) Whether the training has changed the behaviour of trainees back on the job
(D) Which training method would be the cheapest for the organisation to adopt
(E) Which employees need training and what deficiencies in knowledge or skill they have

Q.38 Which of the following is NOT one of the values in the OCTAPACE framework of HRD culture?

(A) Competition
(B) Proactivity
(C) Experimentation
(D) Authenticity
(E) Autonomy

Appraisal, Feedback and Rewards

Q.39–40 | 2 questions

Q.39 Management by Objectives as a management concept was popularised by:

(A) F. W. Taylor
(B) Peter Drucker
(C) Frederick Herzberg
(D) Douglas McGregor
(E) Henri Fayol

Q.40 Which technique is used to determine the relative worth of jobs so as to ensure internal equity in pay?

(A) Wage and salary survey
(B) Performance appraisal
(C) Time study
(D) Job evaluation
(E) Job enrichment

Motivation, Morale and Incentives

Q.41–43 | 3 questions

Q.41 A senior underwriter, with secure income and wide respect, takes up a role that lets her use her creative potential fully. In Maslow's hierarchy, she is at the level of:

(A) Safety
(B) Social belonging
(C) Esteem
(D) Physiological needs
(E) Self-actualisation

Q.42 According to McClelland, people with a high need for achievement typically prefer:

(A) Very easy tasks that give quick success with very little effort needed
(B) Very difficult tasks in which success depends largely on chance events and luck
(C) Tasks of moderate difficulty with clear and immediate feedback on performance
(D) Group tasks in which personal contributions are hard to identify clearly
(E) Tasks that give them control and influence over other employees at work

Q.43 A manager believes that employees enjoy work, exercise self-direction and seek responsibility. In McGregor's terms this manager holds:

(A) Theory Y
(B) Expectancy theory
(C) Two-factor theory
(D) Theory Z
(E) Theory X

Communication and IT

Q.44 | 1 question

Q.44 Employee surveys, suggestion boxes and grievance procedures are examples of which direction of communication flow?

(A) Diagonal communication

(B) Upward communication

(C) Grapevine communication

(D) Lateral communication

(E) Downward communication

Corporate Governance

Q.45–50 | 6 questions

Q.45 The Sarbanes-Oxley Act, 2002 of the USA was enacted chiefly in response to the accounting scandals of:

(A) Parmalat and Madoff

(B) Lehman Brothers and Washington Mutual

(C) Barings Bank and LTCM

(D) Enron and WorldCom

(E) Satyam and Lehman Brothers

Q.46 The Cadbury Committee Report (1992) in the United Kingdom is best known for recommending:

(A) Government nomination of directors to the boards of large listed companies in the economy

(B) A voluntary code of best practice on board structure applied on a comply or explain basis

(C) A compulsory two-tier board structure for large listed companies in the country

(D) A statutory ban on non-executive directors holding shares in the companies that they oversee

(E) Mandatory rotation of the statutory auditors of a listed company every five years

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Q.47 Which of the following is among the recommendations of the SEBI Committee on Corporate Governance headed by Uday Kotak (2017)?

(A) Retirement of independent directors after a single term of three years

(B) Replacement of the audit committee by a single risk management committee

(C) A ban on promoters serving on the boards of listed companies they founded

(D) A minimum board of six directors with at least one woman independent director

(E) Appointment of a government nominee on the board of each listed company

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Q.48 In a firm where promoters hold a majority stake and also manage the company, which governance problem is likely to be most pronounced?

(A) Hostile takeover by dispersed institutional investors seeking a premium on their shares

(B) Conflict between widely dispersed owners and professional managers over managerial pay

(C) Free-riding among a large number of small shareholders who avoid monitoring management

(D) Lack of accountability of a professional CEO to a board dominated by outside directors

(E) Conflict between controlling promoters and minority shareholders over use of corporate resources

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Q.49 Which view of corporate governance holds that the board's primary duty is to maximise shareholders' wealth, with other stakeholders protected through contracts and law?

(A) Shareholder primacy view

(B) Managerial hegemony theory

(C) Stewardship theory

(D) Stakeholder theory

(E) Resource dependence theory

Q.50 Which board committee primarily oversees the integrity of financial statements and the work of internal and statutory auditors?

(A) Corporate social responsibility committee

(B) Risk management committee

(C) Audit committee

(D) Nomination and remuneration committee

(E) Shareholder grievance committee

Get the Answers with Explanations

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