



## CBSE Class X Banking And Insurance Set 4 (98)

Time Allowed :2 Hours

Maximum Marks :50

Total s :21

### General Instructions

**Read the following instructions very carefully and strictly follow them:**

1. This question paper consists of 21 questions in two sections: Section A & Section B.
2. Section-A has Objective Type Questions whereas Section B contains Subjective type questions.
3. Out of the given (5 + 16 = 21) questions, a candidate has to answer (5 + 10 = 15) questions in the allotted (maximum) time of 2 hours.
4. All questions of a particular section must be attempted in the correct order.
5. SECTION-A - OBJECTIVE TYPE QUESTIONS (24 MARKS):
  - (a) This Section has 05 questions.
  - (b) There is no negative marking.
  - (c) Do as per the instructions given.
  - (d) Marks allotted are mentioned against each question/part.
6. SECTION-B-SUBJECTIVE TYPE QUESTIONS (26 MARKS):
  - (a) This Section has 16 questions.
  - (b) A candidate has to do 10 questions.
  - (c) Do as per the instructions given.
  - (d) Marks allotted are mentioned against each question/part.

## Section A

1. Answer any 4 out of the given 6 questions on Employability Skills.

i. List two characteristics of a good feedback system.

**Answer:** 1. Timeliness: Feedback should be provided promptly to ensure relevance and immediate improvement.

2. Constructive: Feedback must focus on improvement areas and highlight positive aspects to encourage learning and motivation.

A good feedback system ensures clarity, helps individuals improve, and enhances overall performance.

### Quick Tip

Timely and constructive feedback motivates individuals to improve efficiently.

ii. Shankar is a bank manager. Increase in his salary and providing incentives to him is \_\_\_\_\_ incentive to boost his morale.

(A) non-financial

(B) financial

(C) remedial

(D) restricted

**Correct Answer:** (B) financial

**Solution:** A financial incentive involves providing monetary benefits such as salary hikes, bonuses, or performance-based rewards. These incentives boost employee morale by recognizing their efforts and improving their financial well-being. In Shankar's case, increased salary and incentives are examples of financial motivation.

### Quick Tip

Financial incentives include salary increments, bonuses, and allowances.



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**iii. Operating system is a :**

- (A) hardware
- (B) software
- (C) humanware
- (D) hardware and humanware

**Correct Answer:** (B) software

**Solution:** An operating system (OS) is system software that manages computer hardware, software resources, and provides common services for computer programs. Examples include Windows, Linux, and macOS. It acts as an intermediary between the user and the computer hardware.

**Quick Tip**

The operating system is essential software that runs all hardware and applications.

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**iv. Emotional intelligence is the ability to identify and manage own \_\_\_\_\_ and \_\_\_\_\_ of others.**

- (A) emotions, emotions
- (B) confidence, confidence
- (C) confidence, emotions
- (D) emotions, confidence

**Correct Answer:** (A) emotions, emotions

**Solution:** Emotional intelligence is the capability to recognize, understand, and manage one's own emotions as well as recognize, understand, and influence the emotions of others. This skill is crucial for effective communication, conflict resolution, and teamwork.

**Quick Tip**

Emotional intelligence helps in better interpersonal relationships and leadership.



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v. Dev is running his own business, uses his skills, tries new ideas and takes wise decisions and also bears the risks. Here Dev is ?

- (A) Entrepreneur
- (B) Wage employed
- (C) Manager
- (D) Government official

**Correct Answer:** (A) Entrepreneur

**Solution:** An entrepreneur is an individual who starts and runs their own business, taking on financial risks in the hope of profit. Dev demonstrates entrepreneurial qualities by using his skills, innovating, and making decisions while bearing risks.

**Quick Tip**

Entrepreneurs take risks and innovate to create new businesses.

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vi. The full form of SDGs is :

- (A) Sustained Developed Goals
- (B) Sustainable Development Goals
- (C) Socially Developed Goals
- (D) Social Development Goals

**Correct Answer:** (B) Sustainable Development Goals

**Solution:** Sustainable Development Goals (SDGs) are a set of 17 global goals established by the United Nations to address critical issues such as poverty, climate change, education, and health. These goals aim to achieve a sustainable and inclusive future for all by 2030.

**Quick Tip**

SDGs focus on global issues like poverty, health, education, and the environment.



**2. Answer any 5 out of the given 6 questions.**

**i. The party who draws the bills of exchange :**

- (A) Debtor
- (B) Creditor
- (C) Payee
- (D) Acceptor

**Correct Answer:** (B) Creditor

**Solution:** The creditor, also known as the drawer, is the party who creates or draws the bill of exchange. This party orders the drawee (debtor) to pay a specified amount to the payee on a specific date. The creditor uses this as a financial tool to ensure payment for goods or services provided.

**Quick Tip**

The drawer or creditor initiates a bill of exchange to receive payment.

**ii. 'Cheques and Demand Draft' can be presented to bank within \_\_\_\_\_ months.**

- (A) two
- (B) three
- (C) six
- (D) nine

**Correct Answer:** (C) six

**Solution:** Cheques and demand drafts are valid for a period of six months from the date of issue. After this period, they become stale and cannot be presented for payment. This rule ensures timely settlement of financial transactions.

**Quick Tip**

Always present cheques and drafts within six months to avoid expiry.



**iii. Who should accept a bill of exchange?**

- (A) Drawer
- (B) Drawee
- (C) Payee
- (D) Creditor

**Correct Answer:** (B) Drawee

**Solution:** The drawee is the individual or entity upon whom the bill of exchange is drawn and who is responsible for accepting it. By accepting the bill, the drawee commits to paying the amount mentioned on or before the due date.

**Quick Tip**

The drawee is the one who accepts and pays the bill of exchange.

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**iv. The interest rate below which banks cannot lend is called :**

- (A) Repo rate
- (B) Base rate
- (C) Statutory rate
- (D) Reverse Repo rate

**Correct Answer:** (B) Base rate

**Solution:** The base rate is the minimum interest rate set by the Reserve Bank of India (RBI) below which banks cannot lend to borrowers, except in certain cases. This ensures that loans are issued at reasonable rates and prevents undercutting among banks.

**Quick Tip**

Base rate is the lowest lending rate set by banks to ensure fair practices.

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**v. Principal amount and interest payment is obligation for :**



- (A) Lender
- (B) Bank
- (C) RBI
- (D) Borrower

**Correct Answer:** (D) Borrower

**Solution:** The borrower is obligated to repay the principal amount borrowed along with the agreed interest to the lender. This repayment is based on the terms and conditions set at the time of the loan agreement.

**Quick Tip**

The borrower is responsible for repaying both principal and interest.

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**vi. Loans payable in more than 5 years are called \_\_\_\_\_ term loans.**

- (A) short
- (B) very short
- (C) long
- (D) medium

**Correct Answer:** (C) long

**Solution:** Long-term loans are loans that have a repayment tenure of more than 5 years. These loans are typically used for purposes such as purchasing property, funding large projects, or business expansions. They often come with fixed or variable interest rates.

**Quick Tip**

Loans exceeding 5 years in tenure are categorized as long-term loans.

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**3. Answer any 5 out of the given 6 questions.**

**i. Visa is a \_\_\_\_\_ card.**



- (A) National
- (B) Asian
- (C) European
- (D) International

**Correct Answer:** (D) International

**Solution:** Visa is an international card used for payments and transactions across the globe. It facilitates secure and efficient financial transactions, making it a widely accepted payment system.

**Quick Tip**

Visa cards are widely accepted for international payments and transactions.

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**ii. Overdraft facility has a/an \_\_\_\_\_ credit limit.**

- (A) estimated
- (B) permanent
- (C) approved
- (D) unlimited

**Correct Answer:** (C) approved

**Solution:** An overdraft facility allows an account holder to withdraw money exceeding their account balance up to an approved credit limit. This limit is pre-determined by the bank based on the customer's creditworthiness.

**Quick Tip**

Overdrafts allow withdrawals beyond the account balance, but within an approved limit.

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**iii. In case of Cash Credit interest is charged on \_\_\_\_\_ loan availed.**

- (A) sanctioned



- (B) approved
- (C) 50%
- (D) 80%

**Correct Answer:** (A) sanctioned

**Solution:** In a cash credit facility, interest is charged on the amount of loan sanctioned, regardless of whether the full amount is utilized by the borrower. This facility is commonly used by businesses for working capital requirements.

**Quick Tip**

Cash credit interest is based on the sanctioned amount, not the utilized portion.

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**iv. IFSC is an alphanumeric \_\_\_\_\_ digit code.**

- (A) 8
- (B) 10
- (C) 11
- (D) 12

**Correct Answer:** (C) 11

**Solution:** The Indian Financial System Code (IFSC) is an 11-digit alphanumeric code used to identify specific branches of banks in India during online transactions like NEFT, RTGS, or IMPS. The first 4 characters represent the bank code, the fifth character is always '0', and the last 6 characters represent the branch code.

**Quick Tip**

IFSC is essential for electronic fund transfers and contains 11 characters.

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**v. The other name for Banker's cheque:**

- (A) Bank draft
- (B) Overdraft



- (C) Pay order
- (D) Demand Draft

**Correct Answer:** (C) Pay order

**Solution:** A Banker's Cheque, also known as a Pay Order, is a cheque issued by a bank for making payments within the same city or region. Unlike a demand draft, it is payable only within the issuing bank's branch network.

#### Quick Tip

Pay orders are used for local transactions, whereas demand drafts can be used nationwide.

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**vi. For Locker operations in a bank ----- key(s) is (are) required.**

- (A) One key
- (B) Two keys
- (C) Three keys
- (D) Four keys

**Correct Answer:** (B) Two keys

**Solution:** Bank locker operations require two keys: one held by the customer and the other by the bank. Both keys are needed simultaneously to open the locker, ensuring enhanced security for the valuables stored inside.

#### Quick Tip

A locker can only be accessed with both the customer's and bank's keys.

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**4. Answer any 5 out of the given 6 questions.**

**i. Write the full form of 'RTGS'.**

- (A) Real Time Gross Settlement



- (B) Royal Time Gross Settlement
- (C) Real Time Group Settlement
- (D) Real Timing Gross Settlement

**Correct Answer:** (A) Real Time Gross Settlement

**Solution:** RTGS stands for Real Time Gross Settlement, a system used for high-value money transfers in real time. Transactions are processed individually and settled on a gross basis, ensuring immediate fund transfer without any waiting period.

**Quick Tip**

Use RTGS for instant high-value transfers above INR 2 lakhs.

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**ii. For issuing a demand draft banks charge:**

- (A) commission
- (B) discount
- (C) rebate
- (D) interest

**Correct Answer:** (A) commission

**Solution:** Banks charge a commission for issuing a demand draft. The fee is based on the value of the draft and compensates the bank for the administrative cost of issuing and processing the instrument.

**Quick Tip**

Commission charges on demand drafts vary by amount and bank policy.

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**iii. ECS stands for:**

- (A) Electric Clearing System
- (B) Electronic Clearing System



- (C) Electronic Collection System
- (D) Electronic Control System

**Correct Answer:** (B) Electronic Clearing System

**Solution:** ECS stands for Electronic Clearing System, a payment method used for bulk transactions such as salary payments, pensions, dividends, and EMI collections. It is a secure, paperless, and automated system that streamlines recurring payments.

#### Quick Tip

ECS simplifies recurring bulk payments like salaries and utility bills.

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**iv. The body which regulates insurance sector in India is :**

- (A) RBI
- (B) UTI
- (C) IRDA
- (D) ICICI

**Correct Answer:** (C) IRDA

**Solution:** The Insurance Regulatory and Development Authority of India (IRDAI) is the statutory body that regulates the insurance industry in India. It ensures the growth, orderly conduct, and consumer protection in the insurance sector by implementing policies and frameworks.

#### Quick Tip

IRDAI governs and regulates all insurance-related activities in India.

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**v. Endowment policy is :**

- (A) Life Insurance Policy
- (B) Marine Insurance Policy



- (C) Fire Insurance Policy
- (D) Health Insurance Policy

**Correct Answer:** (A) Life Insurance Policy

**Solution:** An endowment policy is a type of life insurance policy that combines life coverage with a savings plan. It provides a lump sum payment either at the end of the policy term (maturity) or to the beneficiaries in case of the policyholder's death.

**Quick Tip**

Endowment policies offer both life cover and savings benefits.

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**vi. Name the method that helps to determine financial loss due to loss of human life which is based on assessment on the basis of loss of future income.**

**Correct Answer:** Human Life Value (HLV) Method

**Solution:** The Human Life Value (HLV) method calculates the economic value of an individual's life. It estimates the financial loss suffered by dependents due to the person's untimely death by considering their current income, future earning potential, and financial liabilities.

**Quick Tip**

HLV is used to determine the adequate life insurance coverage required.

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**5. Answer any 5 out of the given 6 questions.**

**i. The person whose name is nominated in Life Insurance Policy is called :**

- (A) owner
- (B) nomination
- (C) nominee
- (D) agent



**Correct Answer:** (C) nominee

**Solution:** A nominee is the person named by the policyholder in a life insurance policy to receive the benefits or claim in case of the policyholder's demise. This ensures a smooth transfer of financial benefits to dependents.

**Quick Tip**

Always update the nominee details in your insurance policy to reflect current beneficiaries.

**ii. ULIPs are subject to \_\_\_\_\_ market risks.**

- (A) Money
- (B) Capital
- (C) Commodity
- (D) Primary

**Correct Answer:** (B) Capital

**Solution:** Unit Linked Insurance Plans (ULIPs) are linked to capital markets as they invest a portion of premiums in equity or debt instruments. Therefore, they are subject to capital market risks, and returns may vary based on market performance.

**Quick Tip**

ULIPs offer both investment growth and life coverage but are influenced by market risks.

**iii. The type of Life Insurance Policy in which there is provision of regular income during old age is called :**

- (A) Endowment policy
- (B) Money back policy
- (C) Annuity policy



(D) Term policy

**Correct Answer:** (C) Annuity policy

**Solution:** An annuity policy provides periodic payments to the insured during their retirement years. This ensures a regular income flow, helping individuals meet their financial needs after retirement.

**Quick Tip**

Annuity policies are ideal for securing financial stability post-retirement.

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**iv. Who is the second party in case of Motor Vehicle Insurance?**

- (A) Insurer
- (B) Insured
- (C) Nominee
- (D) Bank

**Correct Answer:** (B) Insured

**Solution:** In motor vehicle insurance, the insured is the second party. The insured is the individual or entity purchasing the insurance policy to cover risks associated with their vehicle, such as accidents, theft, or third-party liabilities.

**Quick Tip**

The insurer is the first party, and the insured is the second party in any insurance policy.

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**v. \_\_\_\_\_ provides the insurance policies and sells it to the customers.**

- (A) Insured
- (B) Annuitant
- (C) Insurer
- (D) Agent

**Correct Answer:** (D) Agent

**Solution:** An insurance agent is an individual authorized by the insurer to sell insurance policies to customers. Agents act as intermediaries between the insurance company and customers, helping them understand policies and facilitating the purchase process.

#### Quick Tip

Insurance agents are licensed professionals who sell and explain policies to customers.

#### vi. What is meant by Cancellation of Insurance?

**Answer:** Cancellation of insurance refers to the termination of an insurance policy before its maturity date by either the insurer or the insured.

1. By insurer: Cancellation due to non-payment of premiums or fraud.
2. By insured: Cancellation when the insured no longer needs the coverage or finds a better policy.

Refunds, if applicable, are processed based on the terms and conditions of the policy.

#### Quick Tip

Always check the refund policy and terms before canceling insurance.

### Section – B

**Answer any 3 out of the given 5 questions on Employability Skills. Answer each question in 20–30 words.**

**6. Right method of communication depends upon various factors. Mention any two such factors.**

**Answer:** The right communication method depends on the following factors:

1. Audience: Tailor communication based on the audience's age, education, and familiarity with the topic.



2. Purpose: The intent of communication (inform, persuade, instruct) determines the approach, such as written, verbal, or visual communication.

Effective communication ensures the message is clearly understood by the recipient.

#### Quick Tip

Always consider audience and purpose when selecting a communication method.

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**7. “Banking and Insurance Sectors provide opportunities to many, but employees feel stressed due to work pressure”. Suggest two ways of overcoming such stress.**

**Answer:** 1. Time Management: Organize tasks, prioritize work, and set achievable goals to reduce workload and stress.

2. Mindfulness Practices: Engage in relaxation techniques such as yoga, meditation, and deep breathing exercises to enhance focus and relieve stress.

These approaches ensure better productivity and mental well-being in high-pressure jobs.

#### Quick Tip

Effective time management and mindfulness practices are key to stress management.

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**8. List two ways to protect Computer System.**

**Answer:** 1. Install Antivirus Software: Protects the system from malware, viruses, and cyber-attacks by detecting and removing threats.

2. Use Strong Passwords: Ensures secure access by preventing unauthorized access to sensitive data or accounts. Change passwords periodically for enhanced security.

These measures safeguard computers and sensitive data from external threats.

#### Quick Tip

Use a combination of antivirus software and strong passwords for optimal computer protection.



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**9. Every entrepreneur performs some important functions to run their business effectively and efficiently. State any two such functions.**

**Answer:** 1. Innovation: Entrepreneurs develop new ideas, products, or services to meet market demands and gain a competitive edge.

2. Risk Management: Entrepreneurs identify, analyze, and mitigate risks associated with financial, operational, and strategic decisions to ensure sustainability.

These functions are critical for achieving business growth and success.

**Quick Tip**

Innovation and risk management are vital for entrepreneurial success.

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**10. Explain the concept of “Sustainable Development” in a green economy.**

**Answer:** Sustainable development in a green economy focuses on:

1. Environmental Conservation: Reducing carbon footprint and using renewable energy sources to protect natural resources.

2. Social Equity: Ensuring access to clean energy, water, and education for all, promoting equality.

3. Economic Growth: Encouraging eco-friendly industries and innovations to foster economic progress without depleting resources.

This concept aims to balance environmental, social, and economic aspects for future generations.

**Quick Tip**

Sustainable development balances environmental conservation, social equity, and economic growth.

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**11. Explain “Anti-dated cheque”.**



**Answer:** An anti-dated cheque is a cheque that is issued with a date earlier than the actual date of issuance. It remains valid until the validity period (usually 3 months) from the date mentioned on the cheque. For example, if a cheque is written on 10th December but dated 1st December, it is considered anti-dated. These cheques are often used for backdating purposes in financial transactions.

#### Quick Tip

Anti-dated cheques must be presented within their validity period (3 months from the written date).

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**12. “Unsecured loans are risky from a bank’s point of view.” Do you agree? Give reasons in support of your answer.**

**Answer:** Yes, unsecured loans are risky for banks because:

1. No Collateral: These loans are not backed by any asset or security, making it difficult for banks to recover the loan amount in case of default.
2. Higher Default Risk: Borrowers may default on payments due to lack of guarantee or accountability, increasing financial risks for banks.
3. Dependence on Creditworthiness: Approval of such loans relies solely on the borrower’s credit score and repayment history, which might not always be reliable.

#### Quick Tip

Banks charge higher interest rates on unsecured loans to mitigate the associated risks.

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**13. State two benefits of ‘NEFT’.**

- Answer:**
1. Seamless Fund Transfers: NEFT (National Electronic Funds Transfer) enables individuals and businesses to transfer funds securely and reliably across bank accounts in India. It operates in half-hourly batches, making fund transfer timely and efficient.
  2. Cost-Effective: NEFT transactions incur minimal charges, making it a highly economical



option for transferring funds compared to other payment methods. Additionally, it eliminates the need for physical instruments, saving time and paperwork.

#### Quick Tip

Use NEFT for safe, economical, and paperless fund transfers within India.

#### 14. List two benefits from ECS debit system to Banks.

**Answer:** 1. Streamlined Payment Collection: ECS (Electronic Clearing System) automates recurring payments such as utility bills, insurance premiums, and EMIs, ensuring timely collection without manual intervention. This reduces the workload on banking staff and minimizes errors.

2. Cost and Time Efficiency: By automating payment processes, ECS reduces the administrative burden, operational costs, and delays associated with manual payment collection, leading to faster and more reliable cash flow.

#### Quick Tip

ECS improves operational efficiency for banks by automating bulk payment collections.

#### 15. Write the significance of “Life Insurance Policies”.

**Answer:** Life insurance policies hold great importance for individuals and their families due to the following reasons:

1. Financial Protection: Provides financial security to the insured’s family by offering a lump sum amount in case of the policyholder’s demise, ensuring that their financial needs are met.

2. Savings and Investment Tool: Certain life insurance policies, such as endowment or ULIP plans, allow individuals to save systematically while also receiving life cover. They act as an investment tool, providing returns at maturity.

3. Tax Benefits: Premiums paid for life insurance policies qualify for tax deductions under Section 80C of the Income Tax Act, reducing the policyholder’s tax liability.



4. Loan Collateral: Life insurance policies can be used as collateral to secure loans, making them a valuable financial instrument in times of need.

#### Quick Tip

Life insurance policies are a dual-purpose tool offering both financial protection and investment benefits.

**16. “Accidents are unexpected and destructive.” Do you agree with this statement? In this context, state two points of importance of Fire Insurance Policy to the business.**

**Answer:** Yes, accidents are unforeseen and can have devastating consequences. Fire insurance policies play a crucial role for businesses in the following ways:

1. Financial Compensation for Losses: In the event of fire-related incidents, the insurance policy compensates for damages to property, equipment, and inventory. This helps businesses recover from financial losses without exhausting their reserves.
2. Business Continuity and Risk Management: By covering losses caused by fire, insurance ensures that businesses can resume operations quickly, minimizing downtime. This helps maintain trust among customers and stakeholders.
3. Legal and Regulatory Compliance: Many regulatory bodies mandate fire insurance for certain businesses to safeguard against potential liabilities and protect public interest.
4. Peace of Mind: Business owners can focus on growth and operations without worrying about the financial impact of unforeseen fire-related accidents.

#### Quick Tip

Fire insurance protects businesses from financial strain caused by unexpected fire incidents.

**Answer any 3 out of the given 5 questions in 50–80 words each.**

**17. List four features of negotiable instruments and explain any two in brief.**

**Answer:** Features of Negotiable Instruments:



1. **Transferability:** Can be freely transferred from one person to another by endorsement or delivery.
2. **Unconditional Promise or Order:** Contains an absolute promise or order to pay a specified amount.
3. **Specified Payee:** Clearly mentions the individual or entity to whom payment is made.
4. **Legal Evidence:** Serves as a written document that acts as legal proof of financial obligations.

Explanation:

- **Transferability:** Negotiable instruments such as cheques and promissory notes can be easily transferred without legal complications, making them convenient for commerce and trade.
- **Unconditional Promise:** These instruments provide clarity and certainty in financial transactions by ensuring that payment is unconditional and enforceable.

#### Quick Tip

Negotiable instruments simplify financial transactions and provide legal security.

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**18. “Today internet banking is very popular.” Mention any four points of importance of internet banking.**

- Answer:**
1. **Convenience:** Internet banking provides round-the-clock access to account management, fund transfers, and bill payments, enabling users to perform transactions from anywhere.
  2. **Time-Saving:** Customers can avoid lengthy queues at bank branches by conducting transactions online.
  3. **Wide Range of Services:** Apart from fund transfers, it offers options like applying for loans, fixed deposits, and investment management.
  4. **Security:** Advanced encryption and multi-factor authentication ensure secure financial transactions, protecting user data from cyber threats.

#### Quick Tip

Internet banking offers convenience, speed, and security for financial transactions.



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**19. State any four advantages of having life insurance.**

- Answer:**
1. **Family Protection:** Provides financial security to the policyholder's family in case of their demise, ensuring they can meet living expenses and other obligations.
  2. **Savings and Wealth Creation:** Life insurance policies like ULIPs and endowment plans allow systematic savings while offering life cover, contributing to long-term wealth creation.
  3. **Tax Benefits:** Premium payments qualify for deductions under Section 80C, reducing the overall tax burden.
  4. **Collateral for Loans:** Life insurance policies can be used as collateral to secure loans, providing financial flexibility in emergencies.

**Quick Tip**

Life insurance is a versatile financial tool offering protection, savings, and tax benefits.

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**20. State two advantages and two limitations of bank loans.**

**Answer: Advantages:**

1. **Lower Interest Rates:** Bank loans typically come with lower interest rates compared to private lenders, making them an affordable financing option.
2. **Flexible Repayment Tenure:** Banks offer structured repayment schedules, allowing borrowers to repay the loan over a comfortable period, ranging from months to years.

**Limitations:**

1. **Lengthy Approval Process:** Bank loans often require extensive documentation and a long processing time, delaying access to funds.
2. **Collateral Requirement:** Most bank loans require borrowers to provide collateral or security, which may not be feasible for all individuals or businesses.

**Quick Tip**

Evaluate both interest rates and collateral requirements when opting for a bank loan.

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## 21. Explain 'Proximity Clause'.

**Answer:** The Proximity Clause is a principle in insurance that focuses on identifying the nearest and most direct cause of damage or loss when processing a claim. It ensures that the insurer evaluates and settles claims based on the primary reason for the loss, rather than secondary or unrelated causes.

For example: If a fire caused by an electrical fault damages a building, the proximate cause is the electrical fault, and the insurance claim will be assessed accordingly.

### **Importance:**

1. It ensures clarity and fairness in claim settlements by focusing on the primary cause of loss.
2. Helps insurers avoid fraudulent claims by establishing a direct link between the cause and the loss.

### Quick Tip

Always provide clear evidence of the proximate cause when filing an insurance claim.

