

Examiner's comments 2004

C3 – Adjustment of Claims

The answers to all five questions can be found in material published by CILA, notably:

- Q1. Technical paper "Tenants' Fixtures & Fittings" (2002)
- Q2. Technical paper "An Adjuster's Guide to Stock Reconciliations" (2000)
- Q3. "Practical Claims Handling – Property" (text book for SCT)
- Q4. Technical paper "Understanding the Commercial All Risks Policy" (1997)
- Q5. Technical paper "Contribution" (1996)

That only 14 out of 39 candidates passed was therefore a considerable disappointment. It was immediately apparent which candidates had read and understood the material and generally they did well. Nevertheless, even those that had read the material often displayed a lack of experience apparent when they tried to apply the theory to the practical elements of the questions. Theoretical knowledge is not enough; this examination also required candidates to apply that knowledge.

- **Question 1** was based on a real case, which involved referral to an arbitrator to determine the allocation of items to buildings and contents policies. Allocation was important as there was an inadequate sum insured for the tenant.

Whilst most candidates indicated they wished to review the lease, virtually none appeared to have any knowledge of what the provisions of the lease might be. Many candidates expected the lease to list what items were the responsibility of the parties. If only life were that simple! Few candidates had any concept of what other documentation might be available. Not one mentioned a licence for alterations.

Most candidates made a workmanlike attempt to allocate the items between building and contents, but few gave this examiner confidence that the allocation was based on analysis rather than guesswork. Too many candidates did not give adequate reasons for the allocation. Hardly any gave any indication that the answer could depend on a variety of circumstances and that for some items the answer could be either building or contents, depending on those circumstances.

Too many candidates wasted time considering cause and recovery issues. That time would have been better spent focussing on "fixtures and fittings" issues.

- **Question 2** related to a stock loss necessitating a stock reconciliation. As with the rest of the paper, the theoretical aspects were better answered than the practical. Surprisingly, however, only 25% of candidates knew how to calculate the value of the stock. Even those that did failed to impress when asked to consider what further adjustments might need to be made. Too many seem to think that the value produced from the reconciliation is a good basis for the adjustment.
- **Question 3** – which asked candidates to apply average in 4 scenarios – should have been a gift to candidates. Maximum marks should have been achieved by every candidate. Only 6 candidates did. No less than 10 candidates failed to reach a pass mark for this question! Bearing in mind that most commercial property policies today contain either the Reinstatement Memorandum or the Reinstatement Memorandum (Day One), it is surprising that adjusters cannot apply average under those conditions.
- **Question 4** was by far the worst answered. When the majority of policies are now arranged on an all risks basis, candidates need to understand the exclusions. Few

gave any indication that they did. This examiner grew tired of candidates indicating that “items which are scratched or marred [or contaminated, or whatever] are not covered”. The question indicated that the items listed were excluded. What was being sought was a definition of the terms listed. Very few candidates could even define vermin, insects or precious stones and metals. One candidate thought that precious stones and metals included furs.

In the practical example, the loss was not covered for three reasons – date of loss, material damage proviso and denial of access/loss of attraction. Those candidates that declined the claim (and not all did), mainly did so for one reason only. It is good practice when declining a claim to ensure that all reasons are identified.

The question invited reference to case law. Hardly any candidates appeared to have any knowledge of *Kelly v Norwich Union*.

- **Question 5** was about contribution. Again far from well answered. Even the candidate who gave a long dissertation about contribution (accurate but wholly irrelevant) failed to get the case study right. Only two candidates did get it right. Perhaps not surprisingly, one passed the examination and the other passed with distinction. Most correctly calculated the payment by the building insurer at £26,666, but then suggested that the contents insurer pays £57,143 towards that loss. How can the insurer primarily liable recover more than it has paid?

It is a matter of some concern to this examiner that candidates who aspire to call themselves Chartered Loss Adjusters clearly have so little practical experience. Candidates should consider whether they have sufficient experience to enter the examination, irrespective of whether they meet the requirements set out in the examination handbook.