



# The Chartered Institute of Loss Adjusters

**Associateship Examination 2011 (April)**

**Paper C3**

**Adjustment of Claims Liability**

**3 ½ Hours**

**Maximum Marks 200**

**Answer ALL questions in Part 1 and 2 questions from Part 2**  
*Where appropriate, answers should make reference to relevant case law or statute*

**PLEASE ENSURE THAT QUESTION NUMBERS ARE ENTERED CLEARLY AND IN FULL  
ON THE COVER OF YOUR ANSWER BOOK AND IN YOUR ANSWER BOOK**



**PART 1**

**ANSWER ALL QUESTIONS**

**QUESTION 1**

a) In a typical Business Interruption Policy explain what each of the following terms mean?

- Alternative Trading Clause
- Professional Accountants Clause
- Denial of Access extension
- Loss of attraction
- Rate of Gross Profit

(15 marks)

b) When dealing with a claim under a typical Business Interruption Policy explain briefly the following:

i) The difference between the following terms:

- Increased Cost of Working
- Additional Increased Costs of Working

(5 marks)

ii) The difference between cover on a Sum Insured basis and a Declaration Linked basis.

(5 marks)

c) A Business Interruption Policy is sometimes described as covering “consequential losses”. Detail five consequential losses that might result in a claim but would fall outside the scope of the cover of a typical Business Interruption wording.

(15 marks)

**40 MARKS**



## QUESTION 2

1. You are dealing with a claim for fire damage at a two storey, semi-detached property occupied by the Insured, Mr and Mrs Patel, and their family. Your Principals' policy covers both Buildings and Contents. The fire originated in the kitchen on the ground floor and may have caused by the Insured's children playing with matches.

a) Briefly detail the enquiries that should be made, the initial action that should be taken and what advice should be provided to the Insured.

(16 marks)

b) At the time of your visit, the Insured tell you that they have been advised that they are entitled to be represented by a Chartered Loss Adjuster to present their claim. The Insured ask you if the Loss Adjuster's fees would be covered as part of the claim and if it would be in their best interest to appoint the Loss Adjusters to act on their behalf. How should this enquiry be dealt with?

(6 marks)

c) Mr Patel is a Building Contractor and wishes to repair the building damage utilising his own building company for this purpose. How should this request be dealt with and what advice should be given to your Principals?

(6 marks)

d) You are contacted by the occupiers of the adjoining property. They tell you that their property has been affected by smoke and heat and that they are holding the Insured responsible for the damage since the fire originated within their property. How should this situation be dealt with and what should the response be to the neighbours? What, if any, specific legislation or case law applies to circumstances of this type?

(6 marks)

e) The Insured ask if they can move into other suitable premises until the necessary building repairs have been completed and essential contents have been replaced. Explain briefly how this request should be dealt with and what criteria applies to establish if this can be allowed.

(6 marks)

**40 MARKS**



### QUESTION 3

The Insured owns a Manor house set in 25 acres of land in the countryside. He and his family leave the premises for a weekend break, all the doors and windows are locked and the centrally monitored Intruder Alarm System is set.

When the family return they find the home has been broken into. Although the alarm bells activated, an alarm signal was not received by the central station. The alarm system had been serviced by the Alarm Company Engineer one week before the incident.

The floor mounted safe, within the master bedroom, had been forced from its mountings, dragged along the landing and pushed down marble stairs to the drive where the police believe it had been loaded into a van. The safe contained jewellery, documents and £4,000 in cash. The thieves took a number of silverware items from a table in the entrance hall. Whilst moving the safe, a valuable oil painting was damaged. They also stole a quad bike used by the family in the grounds.

The perpetrators drove their vehicle across a lawn and through a hedge causing damage to both of these, ending with a collision with a statue.

Whilst on site the Police notice an oil painting hanging on the wall which had been reported stolen by an art dealer a year ago, as a result the Insured became legally obliged to return the painting to the rightful owner.

The Insured has a typical “High Net Worth (HNW) Policy”, which provides cover as follows:

- Buildings
- Contents
- Fine Art
- Personal possessions
- Family Legal Protection
- Identity fraud and
- Emergency property assistance.

In reporting to Insurer’s consider the differences between “standard” type Domestic Policies and “HNW”.

1. In respect of the buildings claim the Insured wishes to use his preferred contractor to undertake repairs in the house, repair the statue and re-lay the damaged section of lawn and replant the hedge. It transpires that the Buildings sum insured is unintentionally inadequate. Comment upon the Insured’s request and discuss how you would expect Insurer’s to handle the underinsurance issue.

(10 marks)



2. Regarding the items in the safe, what would you expect to be the difference in the handling of the claim and policy cover afforded between a “High Net Worth Policy” and a standard Household Policy?  
(10 marks)
3. Discuss the likely extent of Policy cover in respect of the damaged oil painting.  
(5 marks)
4. Comment upon the Insured’s position in respect of the painting he had to return to the owner and likely policy response.  
(5 marks)
5. How should the claim for the quad bike be dealt with?  
(5 marks)
6. Comment upon the failure of the Alarm System to send a signal to the central monitoring station. Explain how this might affect the claim.  
(5 marks)

**40 MARKS**



## PART 2

### ANSWER 2 QUESTIONS ONLY

#### QUESTION LB1

The Insured are a housing association and you act on behalf of their liability Insurers.

The Claimant tripped over uneven brick paving slabs as he walked over the open air car parking bays in a cul-de-sac of sheltered housing units. The Insured were the freeholders of the cul-de-sac development at the material time.

- a) Outline the enquiries that should be made as part of your first visit to see the Insured and locus inspection.

(20 marks)

How would the Insured's legal liability be affected if:

- a) The Insured purchased the freehold with the cu-de-sac development in place and had completed all routine maintenance without significantly altering the layout.

(10 marks)

- b) The Insured had purchased the land and added the cul-de-sac development.

(10 marks)

**40 MARKS**

#### QUESTION LB2

The Insured is the mother of three boys aged eight, thirteen and sixteen. She arranged a birthday party for the eight year old, and hires a bouncy castle for the children to play on. The party is held outside in the grounds of the local village hall. One of the children is thrown off a bouncy castle when he is jumping on it on his own and injures himself. You act on behalf of the home contents Insurers of the mother who arranged the party. Insurers appoint you to investigate and comment upon the potential liabilities that their Insured faces as the organiser of the party?

- a) Discuss the potential liability for the policyholder referring to Case Law and Statute as necessary.

(20 marks)



- b) Discuss how this may alter if the same child was injured by an uninvited ten year old who was playing on the bouncy castle without the Insured's permission or knowledge. The uninvited child was somersaulting on the bouncy castle when he accidentally kicked one of the children who had been invited and was playing on the bouncy castle at the time.

(20 marks)

**40 MARKS**

### **QUESTION LB3**

Discuss the key points arising from four of the following cases (10 Marks for each case):

- a) Threlfull v Hull City Council 2010
- b) Gouldbourne v Balkan Holidays 2010
- c) Smith v Northamptonshire City Council 2008
- d) Veakins v Kier Islington Ltd 2009
- e) Portsmouth Youth Activities v Poppleton 2008
- f) Taylor v Wincanton Group Ltd 2009

**40 MARKS**