



# **The Chartered Institute of Loss Adjusters**

**Associateship Examination 2011 (April)**

**Paper C3**

**Adjustment of Claims Property Domestic**

**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 PD 1**

For the purposes of this question assume that these are typical domestic policies covering buildings and contents against the usual range of contingencies.

A. You are instructed by Insurer ABC to deal with a claim for impact damage to a private dwelling. They insure the buildings. You are also instructed by Insurer XYZ to deal with a claim for damage to contents resulting from the same incident. The impact has damaged part of the garage and also the front brick boundary wall to the property.

The claim submitted by the Insured includes the following items:

- Two ornamental lighting columns affixed to the boundary wall and also two spare lanterns for these columns stored in the garage
- Boxes of wall tiles for the bathroom which were stored in the garage prior to installation by the Insured's contractor
- Tools and equipment in the garage used solely by the Insured in the course of his occupation as a self employed joiner
- A pedal cycle
- A motorcycle being restored by the Insured
- Various spare parts waiting to be fitted to the same motorcycle

Explain if any of these items would normally be covered and, if so, against which policy they would be allocated. (18 marks)

B. You have established that approximately 50% of the boundary wall will need to be rebuilt. However, contractors approached to provide quotations have told you they are unable to source suitable matching bricks. On learning this the Insured insists that the whole of the boundary wall must be rebuilt and comments that there is no reason why the costs incurred in this exercise should not be recovered in full from the Insurers of the vehicle which impacted the property. How should this situation be dealt with? (6 marks)

C. You have approached the vehicle Insurers to place them on notice that you will be holding them responsible for the loss and damage which has occurred. However, they deny liability and maintain that the accident was the fault of an unidentified motor car which suddenly emerged from a side road without warning causing their Insured's vehicle to swerve and impact the property. What is the correct response to these Insurers and what advice should be provided to your Principals? (6 marks)

D. List five exclusions which would normally be expected to be found within the Accidental Damage Section of a Household Contents Policy. (10 marks)

**40 MARKS**



## QUESTION PD 2

1. a) Define warranty (4 Marks)  
b) List four warranties which might typically apply in a Domestic Policy (4 Marks)
2. Discuss briefly the effect of breach of warranty when dealing with a claim under a domestic policy. (6 Marks)
3. Explain briefly the relevance of the following legislation and how it might apply to the adjustment of a claim under a domestic policy (12 Marks)
  - Water Industry Act (1991)
  - Rehabilitation of Offenders Act (1974)
  - Hotel Proprietors Act (1956)
4. Explain briefly how you would deal with any salvage realisation following fire damage at a domestic property (6 Marks)
5. Following a large theft loss, Chartered Loss Adjusters have been appointed on behalf of the policyholder and their claim submission includes the following items:
  - Two Ladies Rings in 22ct Gold
  - Gentlemen's Gold Rolex Watch
  - Silver Tea Service
  - Royal Doulton Figurine, slightly chipped when dropped by intruders on front lawn during their escape from the property.

Explain briefly what further information you would request from the Chartered Loss Adjusters to enable you to evaluate quantum.

(8 Marks)

**40 MARKS**



### QUESTION PD 3

You are instructed to deal with a claim for theft which has occurred during a weekday morning from a modern two storey detached property situate in its own grounds along a busy main road. The loss comprises various electrical goods, jewellery, including watches, clothing, sundry personal effects and approximately £2,000.00 in cash. Entry was achieved by forcing the entrance door to the kitchen at the rear of the building whilst the house was temporarily unoccupied during the daytime. Your Principals' policy covers household contents against the normal range of perils including theft. There is no additional or separate All Risks cover. The policy incorporates various security requirements including the provision of an Intruder Alarm and also for suitable locks to be fitted to all opening windows on the ground floor. The policy stipulates that all security devices must be left in full operation whenever the premises are unattended. Due to an oversight on the part of the Insured there is no separate Buildings cover in force at the time of the incident, the relevant policy having inadvertently been allowed to lapse.

As a result of your enquiries the following issues have been identified:

- a) For various of the electrical goods there is lack of suitable substantiation, including some relatively high value items such as televisions and audio equipment, and including some items which apparently were acquired no more than twelve months prior to the theft. There is also lack of adequate substantiation for the jewellery, some of which was inherited.
- b) Two of the watches stolen were purchased whilst the Insured were on holiday abroad. They were not declared to the Customs Authorities on returning to the United Kingdom. By way of explanation the Insured state that they were not aware that there was any obligation to do so.
- c) During the intruders' search of the building they either deliberately or accidentally knocked over some items of ornamental crystal on display in the lounge which were shattered beyond restoration. They also forced open locked drawers in the fitted wardrobe in the main bedroom.
- d) The son of the policyholder aged 20, and who lives there permanently, was fined for shoplifting three years earlier.
- e) The Intruder Alarm was not in operation at the time of the incident. The Insured explains that he and his wife had intended to be away from the house for only approximately 10 - 15 minutes but, unfortunately, their motor vehicle broke down, and they had to wait an hour before roadside assistance arrived.



The Intruder Alarm is a bells only system which satisfies the policy requirement. However, the Insured suggests that even if the alarm had been set and then activated, it is doubtful if anyone would have taken any action since neighbouring houses are generally unoccupied during the daytime and there is very limited pedestrian usage of the road in front of their property.

- f) No locks have been installed on any of the ground floor windows.
- g) The majority of the money stolen was business cash acquired by the Insured during the course of his work and where he is a self employed plumbing contractor.
- h) Some of the stolen clothing was later found abandoned in a nearby field. You consider that this is capable of satisfactory cleaning and restoration. However, the Insured refuse to have it back.

Explain how the above issues should be dealt with and what recommendations should be submitted to your Principals

**40 MARKS**