



# **The Chartered Institute of Loss Adjusters**

**Associateship Examination 2009 (April)**

**Paper C2**

**Application  
of the  
Principles of Insurance**

**3 ½ Hours**

**Maximum Marks 200**

**Answer ALL questions**

*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**



**Answer all Questions.**

**Question 1**

Answer FOUR of the following, incorporating relevant case law where applicable:

- i. Lightning – what evidence would you expect to discover that would support that damage had resulted from lightning?
- ii. Flood – what practical steps should be taken to minimize the damage resulting from flood? The policyholder suggests it is the insurer's sole responsibility.
- iii. An impasse is reached regarding quantum. Excluding court action how might the matter be resolved?
- iv. Professional Fees – A claim is submitted following a serious fire. In addition to material damage the claims includes fees for Architect, loss assessor, surveyor, and physiotherapist (for personal injury). Detail what policy cover might be available?
- v. Utmost good faith – The insured has failed to disclose previous losses and a criminal conviction. Discuss insurer's options.

**Total 40 Marks (divided equally)**



## Question 2

You have been instructed to deal with a Claim under a typical Household Buildings and Contents Insurance Policy. The Policy does not include an Accidental Damage extension other than to sanitary ware and Underground Services.

The Policyholder Arnold Layne of Floyd Cottages has submitted a claim for Storm Damage to the main roof of the building. The damage to the main roof is to hip tiles, three ridge tiles and about twenty five interlocking tiles. All of this damage is at the rear of the house which faces South West, the direction of prevailing winds.

On your arrival Mr Layne states that he would like you to consider additional staining to the living room ceiling that he has noticed has become worse since the storm.

An approved contractor network contractor has already inspected the damage to the main roof and provided an estimate for £3,000 including scaffolding and the removal of all roof tiles to replace the sarking felt that may have got damp and Policyholder suggests is now suspect. This estimate makes no mention of the living room which you have established is beneath a flat roof at the front of the house.

- i. With the use of Case Law and by reference to FOS decisions explain how you would decide whether the weather conditions that prevailed at the time would have constituted Storm conditions. Also comment on the nature of the damage and whether this is consistent with storm related damage. (20 marks)
- ii. Detail what information you would seek to establish whether the staining to the living room ceiling might be covered by the Policy. (10 marks)
- iii. The insured advises that the same contractor has undertaken work in a neighbour's property. The work was thought to be substandard. The insured does not wish the insurer's contractor to carry out any work on his home. How would the policy deal with this? (10 marks)

**Total 40 Marks**



### **Question 3**

Explain the following, using one practical example for each:

- i. The provisions of the Reinstatement Memorandum
- ii. The difference between policy excess, deductible and a franchise.
- iii. The provisions of the Public Authorities Clause.
- iv. Warranties
- v. Two different types of Conditions of Average, illustrating their application with a simple worked example of each.

**Total 40 Marks**

### **Question 4:**

You are instructed by Insurers to deal with a claim involving fire damage at a small retail ladies clothing outlet. The premises are accommodated in a converted two-storey, terraced building and comprise a retail sales shop and stock storage facilities on the ground floor. The first floor is also used for overflow storage and, as the fire occurred in early January 2009, various surplus stock, specially acquired for the Christmas and New Year trading periods, is stored at first floor level.

The normal range of stock is typical for a ladies retail-clothing store but the outlet specialises in the teenage and youth market.

The fire originated in the vicinity of the electrical distribution board that is located within the stockroom at the ground floor rear of the building. All the stock in that area has been either completely destroyed or so severely damaged that it is fit only for disposal. The remainder of the premises has been affected mainly by smoke and heat.

The Insured occupy the building as tenants.

- i) What action would you take to determine the cause of the fire and what investigations would you arrange to be undertaken?

(10 Marks)



- ii) At the time of your visit the Insured tells you that he has been approached by the Landlord to vacate the premises whilst the building repairs are undertaken. He does not want to vacate, as this will be costly, and asks you for your advice. Discuss the relevant positions of the Landlord and Tenant and the responsibility for the extra costs incurred.

(5 Marks)

- iii) Apart from the items that have either been destroyed or severely damaged, the remainder of the stock has only suffered superficial smoke damage. What steps would you take to deal with this aspect?

(5 Marks)

**Answer either (iv) or (v)**

- iv) What action would you take to establish and evaluate the extent of the stock loss? What documentation would you require? On what basis would the stock loss normally be calculated? How would this change if the stock records were destroyed in the fire? Would any special consideration apply to the stock that had been specifically acquired for the Christmas/New Year period but which is now surplus to the Insured's normal requirements?

(20 Marks)

- v) Various items of Tenants Fixtures and Fittings and Contents have been damaged. There is a standard All Other Contents clause included in the insurance policy. The Insured advises that his pedal cycle has been destroyed as well as all his business books and his computer that was used for all his business dealings. How would you deal with each of these items under the All Other Contents clause?

(20 Marks)

**Total: 40 Marks**



**Question 5:**

Explain using case law as applicable and one practical example for each, how the following principles could apply to a claim being considered:

- ii. Contribution
- iii. Subrogation
- iv. Insurable Interest
- v. Indemnity

**Total 40 Marks (divided equally)**

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