



# **The Chartered Institute of Loss Adjusters**

**Associateship Examination 2009 (October)**

**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:**

- a. Impact - in the event of a ram raid where the premises is damaged how does the ABI Theft/Impact Claims Agreement apportion the costs across the Theft and Impact extensions of a Material Damage policy?
- b. Escape of Water - what practical steps should be taken to minimize the damage following a burst water pipe and subsequent escape of water throughout the ground floor of a household property?
- c. Reinstatement Condition - how does this condition alter the underlying principle of indemnity in material damage insurance policies?
- d. Storm - what would the Insured have to demonstrate in order to make a valid claim for storm under a standard fire policy?
- e. Valued Policies - What is a valued policy? What type of property is often subject to a valued policy?

**Total 40 Marks (divided equally)**



**Question 2:**

You have been appointed to deal with a Claim for extensive damage to The Bull Public House. The damage occurred following disturbances at a football match.

Fighting between rival supporters of Ambridge United and East End Rangers had been predicted and, despite the best efforts of the local constabulary, the supporters of East End Rangers caused considerable damage to the Public House, the normal pre-match venue for drinking by Ambridge United fans.

State what enquiries you would make to capture sufficient evidence for a recovery under the Riot Damages Act 1886.

In addition, you are to provide the definition of Riot under Section 1 Public Order Act 1986 and give details of any particular Policy considerations or conditions in relation to the Riot Peril.

**Total 40 Marks**

**Question 3:**

(a) Under the ABI Rules on Contribution define the following:

- i. A subsisting insurance
- ii. Independent Liability
- iii. Contribution
- iv. Loss

20 marks divided equally

(b) Calculate the independent liabilities for each Insurer for the following loss:

**Policy A:** Insured is a Tenant

Sum Insured: £ 50,000 subject to Average. Excess: £ 500



**Policy B:** Insured is the Landlord

Sum Insured: £ 65,000 subject to Average. Excess: £ 2,500

Value at Risk £ 75,000

Loss: £ 12,500

The two policies cover Buildings but for separate interests

(10 marks)

(c) Outline the provisions of the Contribution Condition of the Standard Fire policy

(10 marks)

**Total 40 Marks overall**

**Question 4:**

You are instructed by Insurers to deal with a claim involving fire and possible smoke damage to a large detached private dwelling insured under a High Net Worth Household Buildings and Contents Insurance Policy. The initial advice is that the fire is only small but that White Painting Contractors were working on the external paintwork of the property, using a blow lamp, immediately before discovery, the seat of the fire appears to be in this area.

You are advised that Household Contents are insured for £ 250,000 and there is a separate schedule for Paintings and Works of Art with a Sum Insured of



£300,000. Unfortunately, the Insurers are unable to provide you with a detailed schedule of the specified valuable items prior to your visit.

At the time of your attendance you are met by the Insured's Personal Assistant who informs you that she has only just taken up the position and that the Insured, Sir Alan Spice, is currently overseas on business.

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

(5 Marks)

- ii) The Personal Assistant has no knowledge of the nature and value of the household contents and informs you that the schedule of the works of art are held under lock and key at Sir Alan's offices and details will only be available once he returns from overseas. What steps would you take to establish the exact nature and extent of damage? How would you establish the Reserve for the High Net Worth Insurers following your first visit?

(10 Marks)

- iii) Following the return to the UK of Sir Alan you are contacted and advised that the works of art and internal finishings are more seriously affected than initially thought. What action would you take to establish and evaluate the correct extent of the damage in order to satisfy the Policyholder and Insurers?

(10 Marks)

- iv) It is now claimed that the smoke has seriously affected the fine art items and, if demonstrated, what action(s) would you take to estimate appropriate diminution in value.

(5 Marks)



- v) Draft a short letter to White Painting Contractors holding them liable and outlining the reasons for your arguments.

(10 Marks)

**Total: 40 Marks overall**

**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:

- a) Proximate Cause
- b) Fraud
- c) Insurers' Rights after Damage
- d) Misrepresentation

**Total 40 Marks (divided equally)**