



The Chartered Institute of Loss Adjusters

Associateship Examination 2009 (October)

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) Explain the implications on the adjustment of a claim each of the following, using examples:

1. Public Authorities' Clause

(8 Marks)

2. Professional Fees Clause

(8 Marks)

3. Debris removal Clause

(8 Marks)

b) Set out the calculation (figures need not be included) that you would use to determine a stock loss using the stock reconciliation basis.

(8 Marks)

c) Explain with rationale, demonstrating impartiality and methods to mitigate the loss, how you would deal with salvage in either of following situations:

1. Smoke logged clothing in a retail outlet (Claim £10,000)

2. Minor irremovable staining to carpets and clothing, in a household situation, caused by an escape of water from a cold water tank (Claim £10,000)

(8 Marks)



TOTAL 40 MARKS

QUESTION 2

a) When dealing with claims for Business Interruption in the following scenarios explain what action you would recommend to mitigate loss of turnover and state any savings which you might be able to identify.

i) Fire damage has occurred within the kitchen of a licensed hotel. Various essential items of catering equipment within the kitchen area has been destroyed and smoke has permeated the remainder of the ground floor including the reception and bar areas. It may be necessary to source some of the replacement catering equipment from overseas suppliers and lead times of approximately three months have been quoted. The smoke damage to the remainder of the ground floor is, generally, fairly superficial affecting decorations, other internal surfaces, furniture and equipment etc within the reception and bar areas.

ii) A firm of solicitors occupies rented offices on the ground floor of a building in multiple tenure. A burst pipe occurs within the roof space of the building and all the office accommodation, including that occupied by the solicitors is extensively waterlogged. In addition to the business interruption element, your Principals policy covers trade contents etc but the building owners are liable for any structural repairs. To allow for the necessary drying out procedures it is estimated that it will be at least three months before the premises can be occupied again.

iii) An old caravan has been converted for use as a snack bar and this is permanently located in a lay by adjacent to a busy main road. The Insured normally trades here during daylight hours Mondays - Saturdays. One night the snack bar is accidentally impacted by a heavy goods vehicle attempting to park in the lay by and, together with its contents, the caravan is totally destroyed. During the course of your enquiries you find that the Insured was apparently trading without the necessary Local Authority licence and that measures were in fact in hand to enforce the removal of the converted caravan from the lay by. However, the Insured had already made arrangements to move the caravan to an alternative site in an adjoining Local Authority area where less stringent trading regulations applied.



(24 Marks)

b) You are dealing with a fire loss under a commercial policy which covers property damage and business interruption. The Insured are retail carpet suppliers and they occupy a self contained unit attached to an adjacent much larger unit which is a separate business in entirely separate ownership and is used as a furniture warehouse. The fire originated in the furniture warehouse and both that building and its contents were severely damaged. In addition to the damage to the Insured's premises there is a business interruption claim. Temporary repairs enable the Insured to trade but there is a continuing loss of turnover.

Explain if any of the following losses would be covered. For the purpose of this exercise you may make whatever assumptions you wish regarding the business interruption cover but you must explain fully the assumptions made.

- i) Loss of turnover in the week immediately following the fire, during which time the local authority refused permission for the premises to trade while the extent of the damage to the warehouse was assessed.
- ii) Costs incurred by the Insured in an advertising campaign designed to make customers aware that the fire, which received substantial publicity in the local media, had not affected their premises and that they continue to trade.
- iii) Loss of turnover during the period in which the permanent repairs are undertaken. These repairs cannot be undertaken independently of the work on the warehouse. The damage adjacent is so severe that the repairs do not begin until more than twelve months from the date of the fire.

(16 Marks)

TOTAL 40 MARKS



QUESTION 3

- a) Explain briefly the difference between Contribution at Common Law and Contribution in accordance with ABI Rules. Provide one example of each.

(10 Marks)

- b) In all parts of the following question, all workings must be shown:

- i) In a Policy with a pro rata average condition, calculate the sum payable

Agreed loss before application of excess	£	50,000
Sum Insured	£	100,000
Value at Risk	£	175,000
Excess	£	500

(10 Marks)

- ii) In a Policy with a pro rata average condition, calculate the sum payable

Agreed Loss (subject to salvage)	£	175,000
Sum Insured	£	90,000
Value at Risk	£	175,000
Residual salvage value	£	10,000
Excess	£	500

(10 Marks)



iii) In a Policy subject to average under the reinstatement memorandum calculate the sum payable

Agreed loss (before excess)	£	20,000
Sum Insured	£	100,000
Value at Risk	£	140,000
Excess	£	100

(10 Marks)

TOTAL 40 MARKS



PART 2
ANSWER 2 QUESTIONS ONLY

Question L1

You act for the EL Insurers of “Tops Roofing Company” whose employee was injured when he fell from a roof where he was working. You have investigated the circumstances and admitted liability to the claimant’s solicitors.

You have now received a Medical Report following an examination by a jointly agreed expert some 12 months after the incident. The Report makes it clear that the claimant broke both ankles in his fall as well as suffering various soft tissue injuries. The Report highlights that the claimant made a good recovery in respect of the dominant right ankle and the soft tissue injuries but in respect to the left ankle the claimant has not to able to recover full movement and the Consultant is of the opinion that a full recovery is unlikely. The Consultant concludes that the claimant will not work as a roofer again. The Claimant had earned £18,000 pa prior to the accident.

You have advised Insurers of a Reserve of £35,000 for General Damages based on the JSB Guidelines. The claimant is 28, married with two children. His wife works part time but she gave this up for the first six months of his recuperation so as to provide care for the claimant.

- a) Making whatever reasonable assumptions you wish, set out the potential Heads of Claim you are likely to have to consider and your recommendations in respect to the reserves that should be held for each.

(30 Marks)



- b) Discuss what proposals you may wish to put to the claimants solicitors to mitigate the claim and your rationale for these proposals

(10 Marks)

TOTAL 40 MARKS

Question L2

The claimant, a 12 year old boy was injured at a school fete when he was kicked in the head whilst on a bouncy castle. You are instructed by the PL Insurers of the school.

Focusing on your initial investigation:

- a) Specify the initial enquiries you would make and explain why

(20 Marks)

- b) Discuss the key issues in respect to liability and set out the Courts' current views in respect of those issues referring to any relevant case law

(20 Marks)

TOTAL 40 MARKS



Question L3

Your Insured are a drain repair company who own a motorised rotor saw that can be put down a drain and, using controls from the surface, it can be manoeuvred so as to cut through tree roots etc. Your Insured receive a call from a smaller competitor who advise that they are working on a job which requires use of the rotor saw and they wish to hire your saw and its operatives for the day. There is no written contract and there is no trading history.

On site your Insured's operatives are asked to put the rotor saw down drain "a" as there is a significant tree root blockage some 10 feet along the pipe. They do so and proceed to clear the blockage.

That night there is a gas explosion in the area, subsequent investigations reveal that a gas pipe ran across drain "a" and in cutting through the tree roots the saw also cut into the gas pipe causing a leak.

The explosion caused damage to an adjacent house and frightened a dog at the property. The dog ran into the street and bit a passer by causing a minor injury.

- a) Discuss the potential liabilities that arise for your Insured for the property damage

(20 Marks)

- b) Discuss what Policy issues you may need to be aware of

(10 Marks)

- c) Briefly set out the various parties potential liabilities for the injury

(10 Marks)

TOTAL 40 MARKS