

The Chartered Institute of Loss Adjusters

Associateship Examination 2008 (October)

Paper C2

Application of the Principles of Insurance

3½ 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

Question 1:

Outline the decisions of **five** of the following cases and explain their relevance to insurance claims:

- i. Harbutts Plasticine v Wayne Tank and Pump Company (1970)
- ii. Harris v Poland (1941)
- iii. Post Office v Norwich Union (1967)
- iv. Poland v Zurich Insurance Company (1983)
- v. Mark Rowlands v Berni Inns (1985)
- vi. Bank of Scotland v Guardian Royal Exchange (1995)
- vii. Church of Jesus Christ of Latter Day Saints v West Yorkshire and Civil Defence Authority (1996)

Total 40 Marks (split equally)

Question 2:

Answer 5 parts **only**:

- 1: Outline in **note form** the provisions of the Public Authorities Clause and give examples of its application in insurance claims.
- 2: Outline in **note form** the provisions of the Reinstatement Memorandum.
- 3: Write brief notes on Storm as defined.
- 4: What is an indemnity settlement? How would you calculate indemnity for the replacement of laptop computers?
- 5: Explain the implications of the Police and Criminal Evidence Act in the investigation of insurance claims.
- 6: Outline in **note form** the provisions of the Fraud Condition and the findings of the legal case Galloway v Guardian Royal Exchange (1999).

Total 40 Marks (split equally)

Question 3:

1. Under the ABI Rules on Contribution define the following:

- Loss
- Independent Liability
- Contribution
- A subsisting insurance

20 Marks (split equally)

2. Provide details of at least **three instances** where Contribution will **not** arise under the ABI Rules on Contribution

10 Marks

3. Outline in **note form** the provisions of the Subrogation condition of the Standard Fire policy and the decision in the legal case of Commercial Union Assurance v Lister (1874).

10 Marks

Total 40 Marks overall

Question 4:

Following a fire, you are appointed by Insurers to deal with a loss at a large Courier Depot serving the North East of the country. The Building Structure has been damaged to varying degrees throughout the Depot, together with Stock and Fixtures and Fittings internally. On initial inspection it is believed that a repair to the Buildings is possible.

The Buildings, Stock and All Other Contents are insured under a Standard Fire and Special Perils Policy incorporating the Reinstatement Memorandum and Public Authorities Clause. Business Interruption is insured for a 12 month Maximum Indemnity Period. The Insured Company is a Limited Company that owns and occupies the Depot. The Managing Director is the sole Director and Shareholder.

The Stock item includes Customers Goods for which the Insured is legally responsible.

The Building, which is predominantly a lofty single storey warehouse, was initially constructed in the 1950's and has been added and extended incrementally during the past 30 years, incorporating offices, workshops and canteen, with differing construction materials. It is apparent that the Building was not in a good state of repair prior to the incident.

- (i) Outline in **note form** the investigations you would undertake and the information you would seek during your initial investigations.

10 Marks

- (ii) During your initial visit, the Managing Director informs you that he is a very busy person and does not have time to provide you with all the information you require. The Insurers are pressing you for an indication of Reserve on the claim. How do you propose assessing quantum for the damage to the Buildings, including Fixtures and Fittings, and All Other Contents and what difficulties would you anticipate with assessment of the damage under each head of loss?

10 Marks

- (iii) The Managing Director of the Insured says that he thought that insurance was based on the doctrine of "utmost good faith" and you should accept his claim on trust. What is this doctrine in relation to insurance claims and how would you deal with this situation in light of policy conditions?

10 Marks

- (iv) You are presented with brief schedules of cost for both the repair and demolition/replacement of the Buildings. The amounts claimed on each schedule are virtually identical and the Insured advises that they are going to demolish and reinstate the Building rather than repair. However, as the replacement cost is the same as for repair, they tell you that they expect to be paid the full amount of their replacement outlay. How would you deal with this situation?

10 Marks

Total: 40 Marks overall

Question 5:

- a) Using the same circumstances outlined in Question 4 above, you are told by the Insured that their stock records were destroyed in the fire and that all the Customers Stock in the Warehouse has been destroyed or seriously damaged. How would you deal with the establishment of the stock loss and the separation between own and Customers Stock?

10 Marks

- b) There is found to be a considerable quantity of stock that is salvageable. What steps would you take to deal with this aspect, especially as you are told that some of the stock for which the Insured is responsible is considered "branded goods"?

10 Marks

- c) The Stock is separately specified in the Policy with an individual Sum Insured at £ 100,000. You establish that the usual level of stock value retained at the Depot is generally to the order of £ 200,000. How would the Condition of Average of the Standard Fire Policy apply in this particular case?

10 Marks

- d) At the time of the fire there were Works of Art stored in the Depot, being valuable paintings contained in wooden crates. The paintings have been found to have suffered damage by discolouration by smoke. The Insured is legally responsible for the works of art and the Insured's valued Customer has made a claim against the Insured for the full selling price of the paintings. Discuss.

10 Marks

Total: 40 Marks overall