

The Chartered Institute of Loss Adjusters

**Associateship Examination
October 2008**

Paper C3 Adjustment of Claims Liability

3½ 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

You are dealing with a claim for Business Interruption following extensive flood damage which has occurred to the Insured's factory. The Insured are manufacturers of biscuits and confectionery products. They operate from two separate sites approximately 100 miles apart. The site at which the loss occurred specialises in the production of biscuits for a variety of supermarket own labels and the like. The other site produces biscuits and confectionery of higher quality and value under the Insured's own well known brand names.

The Policy covers Business Interruption at both sites against which separate sums insured are allocated and the wording of the Policy follows the typical format. For the site at which the loss occurred, gross profit is covered for £20 million on a sum insured basis and a 24 month indemnity period is applicable.

- a) What action would you take at the time of your initial site visit and what information would you obtain at that stage.
- b) Following your initial visit, prepare a document request list for submission to the Insured. Explain briefly against each item your reasons for requesting such documentation.
- c) Assuming that Insurers subsequently accept Policy Liability, list any points which you think should be considered before proceeding to conclude adjustment of the claim.

40 Marks

QUESTION 2

You are instructed to deal with a claim for substantial fire damage which occurred at a garden centre on the 30 August 2008. The fire originated within the main retail showroom and investigations established that this was attributable to an electrical defect. The showroom contained a wide variety of goods including house plants, artificial flower displays,

gardening equipment and machinery, garden furniture, outdoor clothing, beverages, confectionery, books, DVD's, together with assorted household and sundry items. Due to the extent of the damage only a few items remain identifiable within the debris which includes part of the roof structure which collapsed during the course of the fire. In the circumstances, and in view of the extent of the devastation which has occurred, it is agreed at your initial attendance at the site that the only practical method of dealing with the stock claim is by means of a stock reconciliation.

- a. Outline what you consider to be the advantages and disadvantages of a claim based on a stock reconciliation.

10 Marks

- b. What preliminary actions would you take and what documentation would you request at that initial meeting relating to the stock reconciliation.

10 Marks

- c. Set out the calculation (figures need not be included) that you will be drawing up to determine the theoretical stock loss.

10 Marks

- d. What further adjustments, if any, to the theoretical stock loss might you wish to consider before agreeing settlement.

10 Marks

Total: 40 Marks

QUESTION 3

Where applicable, in all parts of the following questions all workings must be shown.

- a. In a Policy with a 20% Co-Insurance Clause calculate the sum payable for loss of stock:

Agreed Loss	£ 50,000.00
Sum Insured on Stock	£100,000.00
Value at Risk	£100,000.00
Excess	£ 500.00
Salvage Value	£ Nil

8 Marks

- b. Using the same figures as detailed above, explain if any different considerations would apply if the Insured had arranged additional cover for stock with separate Insurers. The sum insured on the said Policy is £25,000.

8 Marks

- c. In a Policy with a pro-rata average condition calculate the amounts payable:

i.	Agreed Loss	£200,000.00
	Sum Insured	£100,000.00
	Value at Risk	£250,000.00
	Salvage Value	£ Nil
	Excess	£ 1,000.00

8 Marks

ii.	Agreed Loss (subject to salvage)	£150,000.00
	Sum Insured	£100,000.00
	Value at Risk	£150,000.00
	Salvage	£ 10,000.00
	Policy Excess	£ 1,000.00

8 Marks

- d. In dealing with a Business Interruption claim with cover arranged on a declaration basis, calculate the amount payable:

Agreed Loss of Gross Profit	£150,000.00
Sum Insured	£200,000.00 (declaration linked)
Insurable amount	£250,000.00

Accountants fees for certifying turnover figures at the request of Insurers

£ 1,500.00

8 Marks

Total: 40 Marks

Part 2 Liability

ANSWER 2 QUESTIONS ONLY

Question L1

Your Principal's insured are "Jacobs Air Conditioning" they manufacture, install and maintain air conditioning systems. They have installed a system at an office block owned and occupied by Delta Catering. Your insured carry out an annual service of the system.

During the 2008 service Jacobs sent an Engineer to Delta and during the Service he needed to change the filters in an upper compartment of the AC Control Unit. To undertake this work the Engineer used a ladder which he found in the room where the Control Unit is located. When reaching up from the ladder the Engineer fell and sustained an injury.

- a) Discuss which parties may have a liability and why (20 Marks)
- b) As the Adjuster acting for Jacobs, please explain what tactics you might employ for a claim initially submitted against your policyholder (10 Marks)
- c) Briefly summarise your responsibilities, whilst handling the claim, in respect to any involvement of the Compensation Recovery Unit (10 Marks)

Total 40 Marks

Question L2

You act for the Insurers of the "Blackbird Riding School". You are advised that 2 horses have escaped from stables belonging to the Riding School and have made their way into a field of crops belonging to a neighbouring farmer, Mr Ralph. Damage has been sustained to the crops.

- a) Under the following headings, explain what enquiries you would make into this incident and the reason for those enquiries:
 - i. Circumstances (10 Marks)
 - ii. Quantum (10 Marks)
- b) Provide a summary of the potential liabilities explaining how these arise and what defences may or may not exist. (20 Marks)

Total 40 Marks

Question L3

An unrepresented claimant, Miss Curtis, has written to your principal's policyholder "Lancelot DIY Centre" advising that a loft ladder bought from one of its stores and fitted at the claimants home by an independent contractor had collapsed whilst in use causing the claimant injury.

Your enquiries reveal that the instructions for fitting the ladder lacked clarity and had been misunderstood by the contractor who installed the ladder. As a result the ladder was clearly unsafe when first used by the claimant.

- a) Set out what further enquiries you would like to make and why (10 Marks)
- b) Provide a summary of your understanding of the various parties potential liabilities (20 Marks)
- c) The Claimant is unrepresented, does this alter the tactics you might employ in respect to this claim and what responsibilities does this infer on you as the claims handler? (10 Marks)

Total 40 Marks