



The Chartered Institute of Loss Adjusters

Associateship Examination 2013 (October)

Paper C3

Adjustment of Claims - Property Domestic

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

1. Define the term “fraud” in legal terms and explain how this might arise in relation to an insurance claim for loss or damage to property.

(10 Marks)

2. Specify six potential fraud indicators.

(6 Marks)

3. Explain with reasoning what recommendations you would submit to your Principals in the following circumstances:

- a) The Insured has submitted a contractor’s quotation for £2000.00 plus VAT for repairing storm damage to the roof of his property. You have approved this quotation and have requested the Insured to send you the contractor’s VAT invoice on completion so that you can then conclude settlement of the claim.

On receiving the invoice, which is for the full amount including VAT, you notice that it does not appear to be prepared in the correct format and does not include the appropriate serial number required for VAT purposes. You contact the contractor who tells you that they have received no instructions from the Insured to carry out the work and have not issued the invoice that has been presented to you.

You then re-attend the Insured’s property with a view to clarifying the position. On arrival you notice that repairs have been carried out to the roof. During the course of further discussion, the Insured admits that the work was carried out by a friend who is a retired roofer for half the total cost originally quoted. This person was not prepared to provide him the Insured with any form of receipt for the cash payment and, without such documentation, the Insured was concerned that his claim may no longer have been admissible. He therefore decided to alter the quotation provided by the original contractor to make it appear that this represented an invoice, but he cannot explain why he attempted to claim more than the actual cost he had incurred.

(8 Marks)



- b) Following fire and smoke damage, you approve a quotation for decorative work submitted by the Insured for £1500.00. There is no VAT to consider as the contractor is not VAT registered. You request the appropriate invoice on completion of the work to enable you to conclude settlement of the claim.

On receiving the invoice, you note that it appears to be in the same format as the original quotation but has been crudely altered to make it appear to be an invoice. You investigate further and the Insured explains that the work was completed and the contractor did supply an invoice. Unfortunately, it seems that the invoice was inadvertently discarded with some rubbish before it could be sent on to you. The Insured felt rather foolish in requesting a duplicate from the contractor and therefore amended the quotation into an invoice so that the claim could be settled. Enquiry with the contractor confirms that the work was carried out for the agreed amount and that an original invoice was issued to the Insured.

(8 Marks)

- c) You are dealing with a theft claim which involves the loss of several items of jewellery. To assist with validation, you request the Insured to obtain a post-loss valuation from a high street jeweller. On receiving this valuation, you notice that the amount allocated for one of the items is £1500.00. The original figure appears to have been altered and, on enquiry with the jeweller, you find that the item was valued at £500.00 and not £1500.00. The remaining items are all correct and have not been altered.

On discussing matters with the Insured, he admits that he altered the valuation. However, he goes on to state that he believed it was legitimate to do so because “you would have inevitably made downwards adjustments to the overall claim” and he was simply attempting to ensure that he would receive what he considered to be a fair settlement.

(8 Marks)

40 MARKS



QUESTION 2

(i) Explain, using case law and statute law, the requirement for a “consumer” policyholder to disclose material facts. Within your answer, explain the effect on a claim where non-disclosure arises.

(20 Marks)

(ii) Explain, using the principle of indemnity and insurable interest and case law, the correct procedure in the following circumstances:

- a) The Policyholder has smuggled jewellery into the UK which should have been declared. The Policyholder did so knowing that this was a breach of the law. The item is the subject of an insurance claim.
- b) The same circumstances as in (a) above, but this time the Policyholder was not aware of the need to disclose the importation of the goods.

(20 Marks)

40 MARKS

QUESTION 3

(i) In the context of an insurance claim, explain the term “salvage”. Detail what action you should take to ensure that the optimum amount is realised to mitigate the extent of the loss.

Explain briefly how salvage should be dealt with in the following scenarios:

- a) Smoke damage has occurred to rolls of stainless steel coil at the premises of steel stockholders.
- b) Light smoke contamination has occurred to the stock of a retail pharmacist including prescription medicines.

(12 Marks)

(ii) Explain the term “subrogation”. What action should be taken to protect your Principals’ position when subrogation is likely to arise?

Give two different legal examples and circumstances that might give rise to subrogation when dealing with a property damage claim.

(12 Marks)



(iii) Explain the term “stock reconciliation basis” and discuss the circumstances in which it might be appropriate to quantify the loss on this basis, outlining any specific issues and procedures that might be applicable.

(12 Marks)

(iv) Calculate the amount payable by Insurers in the following circumstances. Full details of your workings must be shown.

Agreed loss of Gross Profit	£100,000.00
Loss Assessor’s Fees	£2,500.00
Accountant’s Fees for certifying turnover at adjuster’s request	£500.00
Sum Insured on Gross Profit	£300,000.00 (Declaration Basis)
Insurable Amount	£400,000.00

(4 Marks)

40 MARKS



PART 2
ANSWER 2 QUESTIONS ONLY

QUESTION PD1

1. You are dealing with a claim under the All Risks section of a Household policy which covers Valuables and Personal Possessions.

a) Explain briefly what type of property would be covered by the term “Valuables and Personal Possessions”.

(4 Marks)

b) List six items that would normally be excluded from this element of the policy cover.

(6 Marks)

c) The claim involves various items of jewellery. Explain briefly the information and documentation you would request to validate this part of the claim.

(6 Marks)

2. The Insured owns a two-storey detached property which is insured by your Principals under a typical Household Policy. There is a standard excess of £250 for all perils apart from flood. The excess for the flood peril is £5,000, primarily due to the enhanced flood risk, the property being near a watercourse that has burst its banks and overflowed on a number of occasions within the last 15 years.

Explain how and why the policy excess would apply in the following circumstances:

a) During a period of torrential rainfall and very strong winds, the watercourse overflows and water ingresses into the property affecting the whole of the ground floor accommodation. At the same time, roof tiles are blown off by the strong winds and a significant volume of rainwater gravitates into the building and into the accommodation on both the first floor and the ground floor.

b) There is torrential rainfall and strong winds. On this occasion the watercourse does not overflow but the roof is damaged and, again, rainwater gravitates into the building causing damage at both first and ground floor levels.



c) During a sudden period of torrential rainfall, the surface water drainage system is overwhelmed. Substantial volumes of surface water accumulate on the highway and then penetrate the Insured's property affecting the whole of the ground floor accommodation.

d) The property is damaged by fire. This originated in the kitchen, where significant damage has occurred. The rest of the accommodation is affected by heat and smoke to a varying extent. The house is temporarily uninhabitable.

Two days later, and during adverse weather conditions, the nearby watercourse overflows and significant volumes of water ingress into the house and accumulate throughout the whole of the ground floor accommodation.

(24 Marks)

40 MARKS

QUESTION PD2

1. You are appointed by Aston Insurers to deal with a claim for fire damage at a two-storey semi-detached property occupied by the Insured, Mr and Mrs Jones, and their family. Your Principals' policy covers both Buildings and Contents. The fire originated in the kitchen on the ground floor and initial indications suggest that this may possibly have occurred due to an electrical defect within one of the fitted kitchen appliances.

a) Detail the enquiries that should be made at the time of your first visit, what initial action you would take, and what advice you would provide to the Insured.

(15 Marks)

b) At the time of your visit, the Insured tell you that they have been approached by Loss Assessors who have offered to deal with the claim on their behalf and who have assured them that they will be able to secure a better settlement for them. The Insured ask you whether the Assessors' fees would be covered as part of the claim and whether it would be in their best interest to appoint the Assessors to act on their behalf. Detail the information that you should provide to the Policyholder.

(5 Marks)

c) Mr Jones is a building contractor and wishes to repair the building damage himself. How do you deal with the Insured's request and how would you validate any quotation supplied by Mr Jones for this purpose?

(5 Marks)



d) You are contacted by the occupiers of the adjoining property. They tell you that their property has been affected by smoke and heat and that they are holding the Insured responsible for the damage since the fire originated within their property. How do you deal with this situation and how do you respond to the neighbours? Detail any specific legislation or case law that applies to circumstances of this type.

(5 Marks)

e) Within the Insured's property there is matching carpet throughout the entrance hall together with the stairs and landing areas. The carpet in the hall has been damaged by the fire and will clearly need replacement, the same carpet still being available. The remainder of the carpet has been affected by superficial smoke damage, and specialist contractors have reported that it should respond to professional cleaning. However, the Insured are not happy that any cleaning should be attempted since they are concerned that the restored areas will not exactly match the new area and they insist that all the carpeting is replaced. Explain how you should deal with this.

(5 Marks)

f) The Insured ask whether they can move into suitable alternative accommodation until the necessary building repairs have been completed and essential contents have been replaced. Explain briefly how you should deal with this request and what criteria you should apply to establish whether this can be allowed.

(5 Marks)

40 MARKS



QUESTION PD3

For the purposes of this question, assume that these are typical domestic policies covering buildings and contents against the usual range of contingencies. Also assume that the Sums Insured are adequate.

A. You are instructed by Insurer ABC to deal with a claim for impact damage to a private dwelling. They insure the buildings. You are also instructed by Insurer XYZ to deal with a claim for damage to contents resulting from the same incident. The impact has damaged part of the garage and also the front brick boundary wall to the property.

The claim submitted by the Insured includes the following items. Explain whether any of these items would normally be covered and, if so, against which policy they would be allocated.

- i. Two ornamental lighting columns affixed to the boundary wall and a box of spare bulbs for these lights stored in the garage.
- ii. A flagpole in the front garden which was completely demolished together with a selection of flags in the garage.
- iii. Boxes of wall tiles which were stored in the garage prior to installation by the Insured's contractor at a buy-to-let property owned by the Insured.
- iv. Various items of furniture for the same buy-to-let property which were also stored in the garage.
- v. Tools and equipment in the garage, some of which are used by the Insured in the course of his occupation as a self-employed motor mechanic.
- vi. A motorcycle being restored by the Insured and various spare parts for the same motorcycle.

(24 Marks)

B. You have established that approximately 50% of the boundary wall will need to be rebuilt. However, contractors approached to provide quotations have told you they are unable to source suitable matching bricks. On learning this, the Insured suggests that the whole of the boundary wall should be rebuilt and comments that there is no reason why the costs incurred in this exercise should not be recovered in full from the Insurers of the vehicle that impacted the property. How should you deal with this situation?

(6 Marks)



C. You have approached the vehicle Insurers to place them on notice that you will be holding them responsible for the loss and damage that has occurred. However, they deny liability and maintain that the accident was the fault of an unidentified cyclist who suddenly emerged from a side road without warning, causing their Insured's vehicle to swerve and impact the property. How should you respond to these Insurers and what advice do you provide to your Principals?

(6 Marks)

D. Differentiate between what is meant by the term "carat" when applied to gold and when applied to a diamond.

(4 Marks)

40 MARKS