



# The Chartered Institute of Loss Adjusters

**Associateship Examination 2014 (April)**

**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**

Outline the main provisions of the following legislation and explain, with examples, the application of each in relation to an insurance claim:

1. Consumer Insurance (Disclosure and Representations) Act 2012
2. Water Industry Act 1991
3. Rehabilitation of Offenders Act 1974
4. Fires Prevention (Metropolis) Act 1774

*(10 marks each)*

**40 MARKS**

**QUESTION 2**

1. In a typical Commercial Policy covering both material damage and business interruption, what do you understand by the following terms:

- a) Contract Price Clause
- b) Public Authorities Clause
- c) Professional Fees Clause
- d) 10% Co-Insurance Clause
- e) Departmental Clause
- f) Increased Costs of Working
- g) Denial of Access
- h) Gross Profit

*(4 marks each)*

2. Your Principal's policy includes a £500.00 excess for damage caused by flood and a £250.00 excess for damage caused by storm. On receipt of your instructions, the only information is that water has ingressed into the Insured's property due to adverse weather conditions. On attending the premises and having established the relevant circumstances, what criteria would you apply to decide whether the damage was caused by flood or by storm?

*(8 Marks)*

**40 MARKS**



### QUESTION 3

1. In all parts of the following question, all workings must be shown:

a) In a Policy with a pro rata Average Condition, calculate the sum payable:

Agreed Loss before application of excess	£50,000	
Sum Insured	£120,000	
Value at Risk	£200,000	
Excess	£500.00	(8 marks)

Agreed Loss (subject to salvage)	£175,000	
Sum Insured	£100,000	
Value at Risk	£175,000	
Residual Salvage Value	£10,000	
Excess	£250	(8 marks)

b) 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	£500	(8 marks)

c) In dealing with a Business Interruption claim, calculate the sum payable:

Agreed Loss of Gross Profit	£50,000	
Accountants' fees for advising Insured and preparing claim	£3,000	
Accountants fees for certifying turnover to Adjusters	£500	
Sum Insured	£100,000 (declaration basis)	
Insurable Amount	£130,000	(8 marks)

2. You are dealing with a theft claim under a Domestic Contents Policy where the items stolen comprise an assortment of jewellery and no other property. Following your quantum enquiries, the loss is validated at £20,000. The overall Sum Insured is adequate but Valuables, including jewellery, are subject to an aggregate Policy Limit of £15,000. There is a policy excess of £500. There is no additional "All Risks" cover provided by the Policy.

Explain the settlement recommendation that you would submit to your Principals.

(8 marks)

**40 MARKS**



**PART 2**  
**ANSWER 2 QUESTIONS ONLY**

**QUESTION LB 1**

1. Define and explain the 'overriding objective' in the context of the Civil Procedure Rules (CPR) and the importance of this in the changes that have been implemented by the Ministry of Justice in terms of the funding and costs for civil litigation.
2. Define and explain the purpose of a conditional fee agreement (CFA) and the changes to the means of funding and recoverability of legal fees in the context of third party property and third party injury claims enacted by the *Legal Aid, Sentencing and Punishment of Offenders Act 2012*, *Conditional Fee Agreements Order 2013* and *Damages-Based Agreements Regulations 2013*.
3. Explain the three stages of the lifecycle of fast track (third party) personal injury claims implemented from 31 July 2013, to *include* specific comment on the following areas:
  - a) Financial limits
  - b) Time limits
  - c) Disclosure requirements.

**NB: COMMENT ON THE FIXED COSTS REGIME IS REQUIRED IN THE QUESTION 4 BELOW**

4. Summarise the key points of the fixed costs regime which applies to personal injury claims with effect from 31 July 2013.
5. Summarise the main points and precedent established in the cases of *Andrew Mitchell MP v News Group Newspapers 2013* and *Bianca Durrant v Chief Constable of Avon and Somerset Constabulary 2013*.

**40 MARKS**

**QUESTION LB 2**

You act for the Public Liability Insurers of Posh Hair Extensions.

Vicky Adam is the sole proprietor of Posh Hair Extensions and has received a DCNF from solicitors acting on behalf of Melanie Bee, alleging that hair extensions Ms Adam applied to Ms Bee's natural hair are defective in that they are the wrong colour and also have been



applied incorrectly as she experienced headaches for over six months after the treatment was completed.

Ms Bee's solicitors are looking to recover the cost of the treatment, along with damages, costs and expenses incurred by their client arising from the errors on the part of Ms Adam referred to above. The DCNF was issued a year after the treatment was applied.

Ms Adam purchased the hair extension products from a supplier in China via an internet purchase.

Your instructions from your Principals are to investigate the circumstances and report back to them on policy liability, legal liability, reserve and tactics.

1. Explain the enquiries that you would undertake and outline the comment that you should make in your preliminary report.
2. How should your comment to Insurers differ if:
  - a) Ms Adam's employee applied the hair extensions?
  - b) The hair extensions were purchased from a manufacturer based in the UK?
  - c) The DCNF was received four years after the treatment was applied by Ms Adam.

**40 MARKS**

### **QUESTION LB 3**

You act for the public liability Insurers of AB Crash Repairs (ABC) who have appointed you to investigate the following notification:

Yesterday ABC received a visit from the Environment Agency (EA) to investigate the source of contamination to an aquifer approximately 15 miles away which feeds a nature reserve which is an established breeding ground for herons. The position of the EA is that the source of the contaminant is detergent based.

To date, wildlife in the nature reserve has been unaffected. However, the EA have requested that the Policyholder cease all car washing and valeting until further notice.



A representative from English Heritage has telephoned the Policyholder this morning to arrange a site visit for next week.

ABC have occupied their body shop premises within an industrial estate for the past 25 years as vehicle repairers.

ABC expanded their operations to include hand car washing and valeting 6 months ago.

Your Principal's policy comprises a combined Employer's Liability and Public Liability Policy which has been in force since October 2000.

1. Detail and explain the enquiries that you should undertake and the content of your preliminary report.
2. Detail and explain the Policyholder's exposure to civil and criminal liability and any effect that this may have regarding policy indemnity.
3. Provide a detailed action plan for Insurers to consider which would ultimately form part of the RECOMMENDATIONS paragraph in your preliminary report.

How should your recommendations in terms of legal and policy liability differ in the event that:

4. The source of the contamination was diesel fuel rather than a detergent.
5. The contamination was identified and contained within the surface water drains to the industrial estate where the Policyholder's premises are located, ie there was no contamination to a neighbouring site.

**40 MARKS**