



# The Chartered Institute of Loss Adjusters

**Associateship Examination 2014 (April)**

**Paper C3**

**Adjustment of Claims - Property Domestic**

**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 PD 1**

You are instructed to deal with a claim for fire damage to a terraced two storey, three bedroomed tenanted private dwelling. Your Principals provide buildings cover to the landlord and the tenants have separate contents cover with other Insurers. The tenancy agreement stipulates, inter alia, that the landlord will arrange the necessary buildings insurance and also includes a cesser of rent clause in the event of the dwelling or any part being rendered uninhabitable due to fire or other insured damage. Preliminary enquiries have shown that the fire was probably caused by a pan of fat, inadvertently left unattended by the tenant on the electric hob in the kitchen which overheated and ignited. Extensive damage was caused to the kitchen by the direct effect of the fire and to the remainder of the internal accommodation by the effects of smoke and heat. The house will not be capable of normal occupation until the necessary repairs are complete.

Explain how you would deal with the following items of claim and the various issues listed. For the purposes of this question, assume that the Policy provides typical cover, that the Sum Insured is adequate and that Policy Liability is admitted.

1. Damage to fitted kitchen units. These replaced original units of lower quality in place at the start of the tenancy and were installed by the tenants at their expense with the approval of the Landlord. The kitchen units include an integrated dishwasher which was supplied by the tenants, the original kitchen not featuring this type of appliance.
2. Vinyl floor covering in the kitchen, again installed by the tenants with the landlord's approval.
3. Light fittings in the ground floor accommodation, again installed at the tenants' expense but without notification to the landlord.
4. Decorations throughout. These include areas where the tenants have applied upgraded wall coverings, again with the landlords' approval.
5. At the time of the fire, the tenants were in the process of redecorating part of the first floor accommodation. They had purchased rolls of wallpaper which had not yet been used but are now worthless due to the effects of smoke. Their purchase cost was £350.00 and your Insured has included this within the claim so that they can be reimbursed.
6. Fitted floor coverings. These were provided by the tenants.
7. Replacement of a number of double glazed windows in the ground floor accommodation. However, you learn from your discussions with the tenants that



the landlord had already agreed to replace two of these windows as their seals were defective.

8. Alternative accommodation requested by the tenants until the building is fit for habitation.
9. Your Principals' policy is subject to a £500.00 excess. As it appears that the fire was caused by the negligence of the tenants in leaving the pan unattended, the landlords seek your advice as to whether your Principals will be pursuing recovery against the tenants and, if so, whether they can include the excess within this procedure.

**40 MARKS**

## QUESTION PD 2

In dealing with the following scenarios, explain what recommendations you would make to your Principals. For the purposes of this question, assume that this is a typical household policy covering Buildings and Contents against the usual range of perils and that the Sums Insured are adequate.

- a. The Insured are an elderly couple in their eighties who are both in the early stages of dementia. The claim involves various items of jewellery. These were normally kept in a jewellery box in the main bedroom. The Insured's daughter recently checked the jewellery box to take out a gold necklace and gold chain which her mother wished to wear at a forthcoming family wedding. On doing so, she immediately realised that the more valuable items of jewellery were missing and that only various inexpensive items of costume jewellery remained inside the box. She asked her parents if these items had been moved elsewhere in the house but they were rather vague about this and, in addition, could not recall when these items were last seen. The daughter subsequently searched the house thoroughly but without success. There is no evidence that a forced entry had previously been effected to the property and the only known visitors have been family members and also carers who attend on a daily basis. Since the missing jewellery cannot be found, the daughter, with their authority, submits a claim on her parents' behalf on the basis that these items must have been stolen. An amount of £5,000.00, based on an estimated valuation from a local jeweller, is claimed.
- b. The same scenario as above applies. Explain whether your recommendations to your Principals would differ, if, in addition to the standard cover, the Policy also included "All Risks" cover against Unspecified Valuables, including Jewellery, with a Sum Insured of £2,500.00.
- c. You are dealing with a claim that involves various watches and jewellery. You find that the Insured purchased all these items abroad and, when questioned, he admits that none of them were declared to the Customs Authorities on returning to the United Kingdom. The Insured also admits that he was aware that duty might be



payable on such items but decided not to declare them, believing that there was little risk of being challenged if he proceeded through the “Nothing to Declare” channel on his return.

- d. The claim again involves various watches and jewellery, but, apart from one gold watch, all the items were purchased in the United Kingdom. The Insured suggests that he was not sure whether the watch should have been declared and, in the event, was wearing it openly when he walked through the “Nothing to Declare” channel.
- e. Intruders have attempted to force entry to the Insured’s property whilst it is temporarily unoccupied. Their attempts to gain entry have not been successful and they may have been deterred by the presence of the Insured’s two large dogs which had been left inside the property. However, the attempted entry appears to have frightened the dogs who have chewed and damaged various items of furniture and have knocked over and shattered two large display vases standing on the floor of the lounge. The Insured suggests that a valid claim for the damage arises as this was directly associated with the theft. Apart from the damaged contents, the claim will also include the rear entrance door of the property which was damaged during the course of the attempted forced entry.

**40 MARKS**

### QUESTION PD 3

- 1. What advice and recommendations should you provide to your Principals in each of the following scenarios. For the purpose of the question, assume that the claims arise under the Buildings section of a typical domestic policy.
  - a) In dealing with a claim for building damage, your Principals instruct that, subject to the agreement of the policyholder, you should appoint one of their network contractors to carry out the necessary repairs. The policyholder agrees to this procedure and, on completion of the work, signs a satisfaction note and mandate authorising your Principals to pay the contractors direct.

Approximately six months later, serious defects with the work carried out are identified. However, the original contractors cannot be recalled to carry out rectification and remediation since they are now in liquidation and no longer trading.

*(10 marks)*

- b) As in the case above, building repairs are completed but various defects are again identified after approximately six months. On this occasion, the policyholder obtained quotations from his own preferred contractors, and, having considered these, you agreed that the policyholder could arrange for the work to proceed in accordance with the most competitive quotation. The policyholder instructed the contractor accordingly. On completion, you were presented with the invoice and



arranged for your Principals to issue payment to the Insured for the amount invoiced less the excess applicable.

Similarly, the original contractors cannot remedy the defects identified since they are no longer trading. The policyholder therefore insists that Insurers meet the rectification costs as part of the claim.

*(10 marks)*

- c) You agree the scope of repairs with the Insured and request that they obtain competitive quotations. However, the Insured are only able to obtain one quotation and it seems that most contractors are fully occupied following severe storm and flood damage in the general area.

There is some urgency for repairs to proceed since the property is currently not habitable and costs of alternative accommodation are being incurred. You therefore enter into discussions with the contractors who agree to reduce their quoted price by 20%, subject to the Insured completing a mandate authorising direct payment by your Principals. The scope of the work remains the same.

The Insured agree to this procedure and instruct the contractors to proceed. On completion they are paid by Insurers in accordance with the signed mandate.

Within a few weeks of moving back in, the Insured contact you to explain that they are not satisfied with the quality of certain aspects of the work carried out. For example, they suspect that in various areas cheaper and inferior materials may have been used. You suggest to the Insured that they raise these concerns with the contractors. Having done so, they are told that they carried out the work on the basis of the scope and costings approved by the Adjusters and do not consider that they have any further liability. The Insured then suggest that they will refer matters to the FOS Ombudsman Service if the position is not resolved to their satisfaction.

*(10 marks)*

2. Explain briefly the difference between:

- a) 9 carat and 22 carat gold
- b) Sterling silver, Britannia Silver and Sheffield Plate.

*(5 Marks)*

3. Explain the following terms:

- a) Mortice deadlock
- b) UPVC window.

*(5 marks)*

**40 MARKS**