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The Chartered Institute of Loss Adjusters
Associateship Examination 2015 (April)

Paper C3

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.

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PART 1
ANSWER ALL QUESTIONS

QUESTION 1

- a) Explain the difference between Contribution calculated on the Independent Liability basis and Contribution calculated on the Sums Insured basis.
(8 Marks)
- b) The agreed loss is £15,000. The Sum Insured against Policy A is £20,000 and against Policy B the Sum Insured is £60,000. Calculate the Contribution payable by each Policy on the basis of each Insurer's Independent Liability.
(8 Marks)
- c) The agreed loss is £15,000. The Sum Insured against Policy A is £12,000 and against Policy B the Sum Insured is £35,000. Calculate the Contribution payable by each Policy on the basis of each Insurer's Independent Liability.
(8 Marks)
- d) Using the same figures as in b) and c) above, calculate the Contribution payable in each case when using the Sums Insured basis.
(8 Marks)

NB: IN THE ABOVE EXAMPLES, ALL WORKINGS USED TO CALCULATE THE APPROPRIATE CONTRIBUTIONS MUST BE SHOWN.

- e) You are dealing with a claim for fire damage to commercial premises where the Policy is subject to a 10% Co-Insurance Clause. Explain how this clause would operate when adjusting the claim and why a clause of this type would normally be applied to the Policy.
(8 Marks)

(40 MARKS)



QUESTION 2

a) When dealing with a claim under a typical Business Interruption Policy, what do you understand by the following terms:

1. Additional Increased Cost of Working
2. Denial of Access Extension
3. Declaration Linked Policy
4. All Other Circumstances Clause.

(4 Marks each)

b) Malicious Damage has occurred to a number of lock-up commercial units in an arcade of similar units in a busy suburban area. The damage includes smashed glazing and daubing of graffiti. You are instructed by your Principals to deal with claims for both Material Damage and Business Interruption for three of the units. These are:

1. A takeaway sandwich shop
2. A ladies nail bar
3. An antiquarian bookseller.

Pending renewal of the glazing and removal of debris etc, each of the units is closed for three days following the incident, which occurred after trading hours on a Monday night.

In dealing with the Business Interruption claims, explain what considerations will apply to calculating and validating turnover lost by each of these separate businesses as a result of their premises being closed during this three day period.

(18 Marks)

c) Following fire damage, explain briefly how you would deal with any salvage from:

1. A retail furniture store
2. A ladies clothing retailer.

(6 Marks)

(40 MARKS)



QUESTION 3

a) Explain the following terms:

1. Day One Reinstatement Memorandum
2. Contract Price Clause
3. Professional Fees Clause
4. Appreciation in Value Clause (Escalator).

(4 Marks each)

b) Outline the main provisions of the following in the context of an insurance claim:

1. Party Wall etc Act 1996
2. Consumer Insurance (Disclosure and Representations) Act 2012
3. The Construction (Design and Management) Regulations 2007.

(18 Marks)

c) You are handling a claim for an escape of water in a bathroom. The ceiling has a textured covering and you suspect it may have an asbestos content. Explain what steps you should take to protect Insurer's interest and that of the Policyholder.

(6 Marks)

(40 MARKS)

PART 2
ANSWER TWO QUESTIONS ONLY

QUESTION L1

You act for the public liability Insurers of a chimney sweep, Mr Sweep.

Mr Sweep was engaged by Mr and Mrs Smith to clean the chimney to the only open fireplace in their home. The property comprises a thatched cottage built around 1700 that was extensively renovated and extended over the preceding 12 months following a fire at the property in 2013. The fireplace and chimney are original features, and it is now unclear whether the chimney was altered or renovated as part of these major building works.

The Insured is a National Association of Chimney Sweeps Approved Chimney Sweep, and has been engaged by the various owners of the property for the past 25 years to clean the same chimney. The arrangement has remained the same in that Mr Sweep attends the property every August to clean the chimney ready for the winter.

The Insured received a letter from Mr Smith's Insurers yesterday putting him on notice of their intention to recover their outlay following a fire at the Smiths' property on 25 December 2013. The action is founded on the basis that the Insured did not replace the flue liner to the chimney when he cleaned the chimney in August 2013. There was no documentation with the Letter of Claim to substantiate the allegations raised or quantum.

The Insured's position is that he informed Mr Smith that the flue liner needed replacing when he conducted the routine clean in August 2013 and provided an estimate for a replacement. Mr Smith subsequently informed the Insured that he would be going elsewhere for the works.

The subrogated recovery is in respect of the Insurers' outlay for buildings, contents and alternative accommodation and these Insurers are also representing the Insured in respect of their uninsured losses.

The instructions from your Principals are to complete a full investigation into the sequence of events, causation, coverage and quantum.

- a) Provide an action plan for the enquiries you will undertake and the rationale for such questions in order to compile a preliminary report for your Principals.

(20 Marks)

- b) Detail the strategy that you would recommend to your Principals in your preliminary report.

(10 Marks)

- c) Provide a reserve breakdown on a full liability basis.

(10 Marks)

QUESTION L2

- a) Define and distinguish between a warranty and a condition precedent to liability under a public liability policy. (10 Marks)
- b) Compare the policy response between a breach of warranty and breach of a condition precedent to liability. (10 Marks)
- c) Provide a brief summary of the facts of each of the cases below and the precedent set by each one in terms of late notification to Insurers:
- i) Kosmar Villa Holidays v Trustees of Syndicate 1243 (2008)
 - ii) Milton Keynes Borough Council v Nulty (2011).

(20 Marks)

(40 MARKS)

QUESTION L3

- a) Confirm the purpose of the Letter of Claim as specified under the Pre-Action Protocol for Personal Injury Claims (CPR). (10 Marks)
- b) Confirm the specific detail required for a Letter of Claim in respect of a personal injury claim for a trip or slip on a pavement where public access is unlimited and what redress is available to the Defendant Insurer if this information is missing from the Letter of Claim. (10 Marks)
- c) Provide a draft Letter of Claim that would be CPR compliant for a personal injury claim for a trip or slip on a pavement where public access is unlimited. (10 Marks)
- d) Provide a draft Discharge Form to confirm the damages settlement of £10,000.00 personal injury claim arising from a trip and slip claim on a public highway. (10 Marks)

(40 MARKS)