

Examiner's comments
CILA PC3 (Property Commercial) - April 2015

Overview

The three questions were set to reflect everyday scenarios experienced by Loss Adjusters. The answers were expected to demonstrate a sound knowledge of the adjusting process and practice. The candidates are required to answer two of the three questions. 50% of the candidates chose PC1, 66% of the candidates chose PC2 and 84% of the candidates chose PC3. In general, the majority of candidates achieved good marks.

From a review of the examination scripts the examiner recommends that candidates:

- Clearly identify the content of the question and ensure that the answer accords with the question. Candidates who go beyond the question requirements to show their knowledge in associated areas are simply wasting time.
- Take account of the allocated marks and provide an appropriate level of detail to reflect those marks.
- It was encouraging to note that all candidates answered the questions in their preferred order as opposed to the order set in the examination and in general the first question answered achieved the highest mark.

Comments on specific questions.

The comments below give an indication of the approach and topics that should be included in an answer. They are not however presented as complete or model answers.

Q PC1a	<p>The question requested candidates to describe the steps which they should take and why they are taking them to investigate cause and establish whether a valid claim arises.</p> <p>The highest scoring candidates limited their comments to cause and policy liability with succinct explanations for each action. The candidate who achieved the highest marks set their answer out in bullet point format which was very clear.</p> <p>The candidates who achieved the lowest marks simply listed out their standard Day One site activities which could apply to any claim, these were entirely generic and provided little or no explanation as to why the activities were being undertaken.</p>
Q PC1b	<p>This is an example of a question which tests whether the candidates have assimilated those topics which they are required to be "understand" in the syllabus. In particular, the question asked how candidates would validate and consider savings. In general this question was well answered with candidates demonstrating a knowledge of the difference between variable and non-variable costs and where the savings might arise.</p>
Q PC1c	<p>This part of the question required the candidates to describe how they would quantify the admissible claims and again those candidates with the highest score divided their answers into individual heads of claim and provided very succinct answers. Disappointingly, a number of candidates missed mentioning the checking of the adequacy of the relevant sum insured to determine whether or not Average should apply.</p>
Q PC2(i)	<p>Strangely, a number of candidates stated that they would request the Insured to provide a copy of the lease. However the question clearly stated that "<i>on examining the lease, you find that it is the landlord's responsibility to insure.....</i>" This is a prime example of candidates not properly reading and understanding the question, as the question made it clear that you already have a</p>

	copy of the lease. Those candidates who scored the highest marks under this question discussed the implications of insurable interest, the fact that the lease imposed the insuring responsibility solely upon the landlord and whether contribution should arise.
Q PC2(ii)	This question was well answered by all candidates in so far as whether or not either the stillage or the fire extinguishment appliance warranties were actually relevant. Disappointingly, the vast majority of the candidates failed to answer the main topic of this question which was the fact that the Insured stated that the broker had never made them aware of the existence of these warranties.
Q PC2(iii)	Disappointingly a number of candidates simply suggested that as this was an accidental ingress of rainwater that it should be dealt with under the policy. Those candidates who scored the highest marks explained that they would make enquiries into who generally undertook the cleaning of the gutters (i.e. was this specified in the lease). The nature of the maintenance regime, i.e. is it done every autumn or more often. When was it last done, and was it carried out by an independent contractor. The information set out in the question was there to basically encourage candidates to explain the investigations and possible subrogation targets. In general this question was not answered well.
Q PC 3a(i)	A number of candidates clearly did not consider this question. Firstly, the question asked candidates to set out a standard formula for gross profit but a number of candidates actually set out the formula for the entire calculation and went into considerable detail to explain the meaning of indemnity period, savings, increased costs and the checking of the adequacy of insurance. This was a 5 mark question which simply required candidates to demonstrate that they knew how “gross profit” was generally calculated in a standard BI insurance policy.
Q PC3 a(ii)	This question was well answered
Q PC3a(iii)	Most candidates had a clear understanding of “denial of access”, unfortunately a considerable number of the candidates clearly did not understand “loss of attraction”.
Q PC3(b)	<p>This question asked candidates to contrast reinstatement as provided for under the Operative Clause of the policy and reinstatement under the Reinstatement Memorandum. Candidates should have borne in mind that this was a 5 mark question, but despite that a number wrote in length about the terms of the Reinstatement Memorandum and some failed to even mention reinstatement under the Operative Clause thereby missing the whole point of the question. In essence, the answer was relatively short and simple.</p> <p>Reinstatement as provided for under the Operative Clause of the policy which gives <u>the Insurer</u> the option to reinstate as opposed to pay a sum of money. It is a rarely used option as it is very onerous to the point that Insurers are obliged to reinstate even if the sum insured is insufficient. By contrast, reinstatement under the Reinstatement Memorandum is at <u>the Insured’s option</u> which they may exercise if they chose to do so to obtain payment on a “reinstatement basis” as opposed to indemnity providing that they can fulfil the terms of the Reinstatement Memorandum.</p>
Q PC3c	Although there is a technically correct answer to this question, i.e. that the Insured can only elect to invoke the Reinstatement Memorandum or not to invoke it, so there is not an option to “mix and match”. In reality a number of Insurers do allow such an approach and the examiner

	was simply looking for a reasonable explanation from the candidates as to how they would calculate the Value at Risk in such circumstances.
Q PC3d	Nearly every candidate scored the full 5 marks on this question.
Q PC3e	All the candidates clearly understood the terms “deductible”, but the majority provided very confused explanations as to the “aggregate deductible”.

Q PC3(f)

This question related to the distribution of recoveries and whilst it was apparent that most candidates had researched the subject and quoted the leading authority - Napier and Etridge-v-R F Kershaw Ltd and Others (1993).

The “pay up and recovery down” approach states the allocation as being:-

- Uninsured loss first.
- Insured loss second.
- Excess last.