

Examiner's Comments  
CILA C3 Adjustment of Claims - Property Domestic - April 2015

Overview:

The examination comprises three compulsory questions and a choice of two out of three further questions. As reflected in the title of the paper, Adjustment of Claims, the purpose of the examination is to ascertain the candidate's ability to adjust a claim taking into account current legislation, the application of warranties/endorsements, knowledge of current Insurance procedures and practice, and also awareness of the attitude of the Financial Ombudsman Service on various issues.

To assist candidates generally, the examiner recommends that they:

- a) read the question carefully to ascertain the information/conclusions which the examiner is seeking
- b) answer the question in the context of the information provided. Do not introduce further information which is not relevant to the question. This is a waste of the candidates time and will not attract any additional marks.
- c) if the question asks that the candidate list a number of specific examples, for instance, three warranties in a typical Commercial Policy simply provide the number required. Some candidates tend to provide more than the actual number requested.
- d) candidates should attempt to write as legibly as possible.

Comments on Specific Questions:

Q1 a-d	<p>Some candidates confused the difference, vice versa, between Contribution on the Independent Liability basis and on the Sums Insured basis. For such candidates, it was therefore not surprising that their calculations for items b), c) and d) were incorrect.</p> <p>Only a few candidates provided a satisfactory response to e). This question has no relevance to co-insured policies and applies to substandard risks, where hazardous material/stock may be involved/or where the claims experience is poor. The Insured is liable to Contribute the percentage stated, in this case 10% to the adjusted loss prior to any Excess. The purpose is to encourage loss prevention by means of the Insured's retained financial interest. The Policy will also be subject to a Warranty that separate Insurance will not be obtained against the retained financial interest.</p>
Q2 a	<p>Candidates should be aware of the difference between Increased Cost of Working and Additional Increased Cost of Working and where, inter alia, the latter is not subject to the economic limit. A number of candidates also had difficulty with the Denial of Access extension and where, they need to be aware that this applies if there is insured damage to property in the vicinity, and not simply because access is not available to the risk premises.</p>

Q2 b	<p>Candidates should be aware that, due to the individual nature of the trades, different levels of loss of turnover may apply. Most candidates were aware that for the sandwich shop, there would be an anticipated total loss of turnover since there would be no realistic means of mitigation and where, as one candidate suggested, selling the sandwiches from a table outside the premises, Local Authority Hygiene Regulations apart, is not a practical solution.</p> <p>Candidates correctly identified that, in the case of the nail bar mitigation might be achieved by rearranging appointments and, in the case of the antiquarian book seller, due to its specialist nature, then sales would, probably, just be postponed until the premises reopened.</p> <p>Some candidates simply provided generic solutions such as renting alternative premises and paying enhanced rates to hasten building repairs, which would clearly not be feasible or economic for such a limited period of closure.</p>
Q2 c	<p>In both cases it is always the best solution to endeavour to agree a Salvage Allowance with the retailer rather than sale to a salvage merchant or other source. Candidates should also be aware that, in any event, salvage cannot be abandoned to the Insurers.</p>
Q3 a	<p>Candidates needed to be aware the ABI recommended wordings for the four clauses specified and this should form the basis for their answers.</p>
Q3 b	<p>The question asks candidates to outline the main provisions of the legislation specified. This does not require in-depth comment and examples and discussion of relevant legal precedent.</p> <p>For the Party Wall Act, candidates were expected to know how and when this applies and the procedures to be followed to ensure compliance. For b) an explanation of how this has affected the principle of uberrima fides and the remedies available to Insurers in the event of misrepresentation/non disclosure and c) how these Regulations need to be considered when dealing with a Building claim.</p>
Q3 c	<p>Most candidates were aware of the steps to be followed but just six marks were available and answers should be tailored in this context.</p>
PD 1a-c	<p>These scenarios are based on similar cases which have been considered by the Financial Ombudsman Service where for a), they concluded that a valid claim did not occur, for b), that the current Insurer should deal with the claim and for c) that Insurers cannot demand unrealistic or unavailable documentation. However, for each of these scenarios, the examiner was looking for reasoned argument and the technical issues advanced by the individual candidates.</p>
PD 1 d	

	Candidates who attempted this question provided satisfactory and accurate answers
PD2 1-4	This required consideration of proximate cause, practical measures to mitigate the loss, Insurers potential Liability for the action of appointed contractors and potential problems with Alternative Accommodation. These are all in effect practical issues which the few candidates attempting this question addressed satisfactorily.
PD 2 5)	In particular, consideration would need to be given whether there had been any previous problems suggesting that the surface water drainage was not adequate.
PD 3a	Some candidates applied the full average calculation against the Valuables Limit which would not result in an equitable settlement of the claim.
PD 3b	Candidates currently identified that if the penalty applicable for Underinsurance is specified in the Policy then that is the position and this cannot be overridden
PD 3c	This scenario has been the subject of various discussion in CILA Technical Bulletins. It is concluded that the correct payment should be the Sum Insured of £2,000.00, the Policy Excess of £500.00 being applied to the validated amount prior to the application of the Limit.
PD 3 - 2	Candidates needed to explain to the Insured that, effectively, the whole of the Contents were at risk, the premium was calculated on this basis and that is why the penalty for Underinsurance would apply. They should also refer them to the specific section of the Policy document.