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**The Chartered Institute of Loss Adjusters**  
**Associateship Examination 2016 (April)**

**Paper C2**

**Application of the Principles of Insurance**

**3½ Hours**

**Maximum Marks 200**

**Answer 5 out of 6 questions.**

*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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## ANSWER 5 OUT OF 6 QUESTIONS

### QUESTION 1

- A. Explain, with reference to case law and/or statute, the term warranty. *(10 Marks)*
- B. Detail, with examples, the different categories of warranty that may apply to a commercial fire policy. *(10 Marks)*
- C. Explain, with examples, three different types of policy condition. *(10 Marks)*
- D. Explain how the failure of an Insured to comply with each identified type of condition will affect an Insurer's liability under the terms of a typical domestic policy. *(10 Marks)*
- 40 MARKS**

### QUESTION 2

- A. Explain the three categories of fraud recognised by the Fraud Act 2006. *(10 Marks)*
- B. Detail five indicators that could alert you to a potential fraud in relation to a commercial property damage claim. *(10 Marks)*
- C. Describe the enquiries you would undertake to investigate each of the fraud indicators you have identified. *(10 Marks)*
- D. Explain the rights of an Insurer under the terms of a domestic insurance policy where fraud is identified on a claim. *(10 Marks)*
- 40 MARKS**



### QUESTION 3

- A. Explain, with reference to case law, the principle of subrogation. *(10 Marks)*
- B. Explain, with examples, the three sources of subrogation rights under which an Insurer may acquire a legal right of recovery. *(10 Marks)*
- C. Detail the actions a loss adjuster should take to optimise an Insurer's opportunity to pursue a recovery. *(10 Marks)*
- D. Explain how an Insurer's right of subrogation could be affected where an "ex gratia" payment is made. *(10 Marks)*
- 40 MARKS**

### QUESTION 4

- A. Detail, with examples, how an Insurer's liability for payment of a claim could be restricted under the terms of a typical office combined insurance policy. *(15 Marks)*
- B. Provide an overview of the Financial Ombudsman Service (FOS) and the process by which the FOS makes decisions on complaints related to insurance claims. *(10 Marks)*
- C. Define and compare the following legal entities:
1. Public Limited Company
  2. Partnership
  3. Limited Company.
- (10 Marks)*
- D. Outline the relevance of The Control of Asbestos Regulations 2012 to the management of property damage claims. *(5 Marks)*
- 40 MARKS**

## QUESTION 5

- A. Mr Chui's house was extensively damaged by fire on 1<sup>st</sup> February 2015. Mr Chui has separate buildings and contents insurance policies.

Insurer A insures the domestic contents and Insurer B insures the domestic building as follows:

**Insurer A Contents** - Sum Insured £20,000, Value at Risk £45,000, Policy Excess £250 and Alternative Accommodation Limit £5,000.

**Insurer B Buildings** - Sum Insured £100,000, Value at Risk £120,000, Policy Excess £100 and Alternative Accommodation Limit £20,000.

Both Insurers have accepted liability.

Explain, detailing your rationale, the apportionment of liability between Insurer A and Insurer B for the alternative accommodation expenses claim with a total agreed value of £16,000.

*(15 Marks)*

- B. In each of the following cases, explain how the reinstatement value should be calculated following damage and the enquiries you should make to validate quantum:

1. Replacement of three laptops, where the Insured cannot remember the supplier and date of purchase
2. The claim form merely states "Solid Gold Necklace"
3. Fitted kitchen in a flood-damaged household dwelling
4. Entire stock of designer dresses stored in a ladies' fashion boutique
5. Plant and machinery in a factory that is under the control of liquidators.

*(5 Marks for each)*

**40 MARKS**

## QUESTION 6

- A. You are handling a claim for damage to the structure of a warehouse caused by an inundation of water following a period of heavy rainfall. The building is insured under a typical Fire Policy. The policy has been extended to include the Special Perils of Impact and Storm only.

Explain, detailing your rationale and referring to case law, the enquiries you would undertake to determine the proximate cause of the damage to the building and the extent of liability, if any, under the terms of the policy.

*(20 Marks)*



B. Explain the practical use of a risk survey to a loss adjuster and the implications to the insurer of having carried out a risk survey.

*(10 Marks)*

C. Explain each of the following:

1. The contra proferentem rule
2. A remote cause
3. The ejusdem generis rule
4. How a contract may be discharged.
5. Privity of Contract

*(10 Marks)*

**40 MARKS**