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**The Chartered Institute of Loss Adjusters  
Advanced Diploma Examination 2017 (April)**

**Paper C3 - Property Domestic**

**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 how the Insurance Act 2015 deals with the following issues:

- i) Breach of Warranty
- ii) Fraudulent Claims.

*(25 Marks)*

B. Outline the main provisions of the Consumer Insurance (Disclosure and Representations) Act 2012 and explain how these might apply to the adjustment of an Insurance Claim.

*(15 Marks)*

**40 Marks**

**QUESTION 2**

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 £25,000. The Sum Insured against Policy A is £20,000 and for Policy B the Sum Insured is £50,000. Showing the method of calculation, advise the Contribution payable by each Policy towards the agreed loss.

*(8 Marks)*

c) Using the same figures as above, and again showing the method of calculation, advise the Contribution payable by each Policy on the Sums Insured basis.

*(8 Marks)*

d) The insured own a holiday apartment in Spain where they stay on a regular basis. On one occasion, a theft occurs and they submit a claim to your Principals. The Policy covers unspecified Personal Effects with a Sum Insured of £3,000. The claim is in order and is validated at £4,000. Your Principals therefore conclude settlement at £3,000 on the basis of the Sum Insured.

You had previously asked the Insured to provide you with details of any separate Travel Insurance that they may have arranged. Following settlement of the claim, they confirm that a separate Travel Policy is in place and you find that similarly this provides cover for unspecified Personal Effects and with a Sum Insured of £750.

Your Principals wish to know whether any Contribution may be available from the Travel Insurers. What advice do you provide to them?

*(8 Marks)*

*(Continued)*



- e) Discuss briefly the potential for Subrogation that may be available in the following circumstances, citing relevant case law and statute as appropriate:

Fire damage has occurred to the Insured's property including both Building and Contents. The fire originated within and spread from the adjoining property. It is known that the occupier of that property is a smoker and the Fire Service have recorded the supposed cause as a carelessly discarded cigarette. At the time of the fire, various family members, some of whom are also smokers, were visiting the neighbour.

*(8 Marks)*

**40 Marks**

### QUESTION 3

1. In a typical Commercial Policy covering Material Damage and Business Interruption, explain the following terms:

- a) Material Damage Proviso
- b) Increased Costs of Working
- c) Contract Price Clause
- d) 15% Co-Insurance Clause.

*(15 Marks)*

2. The Insured are suppliers of CCTV and other electronic equipment to trade and commercial users. The stock is packaged in cardboard cartons and stored on shelving in a warehouse owned by the Insured. A burst pipe occurs which saturates the cardboard cartons directly below. You are appointed by Insurers and, following your enquiries, Policy Liability is confirmed. It is accepted that the equipment within the packaging that has been saturated has been rendered a total loss and quantum is evaluated at £7,500.

However, the Insured, with the support of their Brokers, maintain that other packaged equipment adjacent to the area directly affected should also be declared a total loss since there is the risk of malfunction due to ingress of moisture and potential danger to end users. In such event, the supply of potentially defective equipment might impact significantly upon their commercial reputation and to this end, and even if Insurers concede that this additional equipment can be included within the claim, the Insured would not allow any salvage disposal by way of mitigation. There is no immediate evidence that this additional stock has been damaged, its external packaging exhibiting no signs of water staining or dampness. If the claim for this equipment is admitted, the additional claim costs are estimated at £15,000.

*(Continued)*



In discussions with the Insured and their Brokers, you have suggested, as a possible solution, specialist random sampling to ascertain whether there is evidence of moisture-related damage. This proposed procedure is, however, not acceptable to them and they would require all the equipment to be checked, which would clearly be uneconomic.

In view of the impasse that has been reached, what recommendations do you submit to your Principals?

*(20 Marks)*

3. Calculate the amount payable by Insurers in the following circumstances. All workings must be shown.

Agreed Loss of Gross Profit	£50,000.00
Fees of Claimant's Loss Adjusters	£2,000.00
Accountant's Fee for certifying turnover (at Insurers' request)	£500.00
Sum Insured on Gross Profit	£200,000.00 (Declaration Basis)
Insurable Amount	£300,000.00

*(5 Marks)*

**40 Marks**



**PART 2**  
**ANSWER TWO QUESTIONS ONLY**

**QUESTION PD1**

- a) You are instructed by Insurers to deal with a theft claim involving a substantial quantity of jewellery together with electrical goods and computer equipment. During the course of investigation, there was some suspicion that the claim may have been fraudulent in that the incident may have been contrived and also the extent of the loss potentially overstated. Additionally, the Policy is of recent inception and some potential disclosure issues were identified. However, and following detailed investigation, no positive evidence can be adduced to show that the claim is other than genuine or that the policy is deemed other than valid.

In the circumstances, Insurers confirm that they will accept the claim and ask that you agree settlement “on the best terms” and subject to strict proof of ownership. How do you interpret this instruction?

*(12 Marks)*

- b) You are dealing with a claim for the accidental loss of various items of jewellery which are covered on an All Risks basis as Unspecified Personal Possessions, including jewellery. The Sum Insured against this section of the Policy is £2,500 and an Excess of £150 applies. The claim is in order and the lost jewellery is valued at £3,000, which allows discount for the items that can be replaced.

Explain the basis on which settlement will be agreed.

*(6 Marks)*

- c) What enquiries would you carry out to:
- i) Validate a claim for inherited antique items of jewellery for which no valuation certificates or other documentation are available.
  - ii) Validate for a collection of football match programmes acquired over a period of many years and totally destroyed during the course of a fire.
  - iii) Establish whether Sums Insured for both Buildings and Contents within a household policy are adequate.

*(18 Marks)*

- d) What do you understand by the following terms:

- i) Sheffield plate
- ii) 9 carat gold.

*(4 Marks)*

**40 Marks**



## QUESTION PD2

1. The Insured, Mr Jones, owns and occupies a detached house located in isolated rural surroundings along a narrow minor road. To the front of the property and adjacent to the road, there is a brick-built boundary wall.

For the last few years, Mr Jones's Household Insurance for the Building and its Contents had been arranged with ABC Insurance Company (ABC). However, due to a more competitive premium, cover at renewal was placed with XYZ Insurance Company (XYZ). The policy with ABC lapsed at midnight on Saturday 14<sup>th</sup> January 2017, the new policy with XYZ being effective from that time.

On the morning of Friday 13<sup>th</sup> January, Mr and Mrs Jones left home to visit relatives over the weekend. All was in order when they departed but, when they returned home on the afternoon of Monday 16<sup>th</sup> January, they discovered that the boundary wall had been damaged and that part of it had collapsed into the front garden.

Although there are warning signs where it leaves the main road that this road is not suitable for heavy goods vehicles, such vehicles do occasionally use the road, probably due to inappropriate satnav direction. Noting the extent of damage that had occurred and that there appeared to be relatively fresh tyre marks in the grass verge near the house, Mr Jones concluded that a lorry had struck the wall, whilst negotiating its way along the road.

Mr Jones telephoned both ABC and XYZ for advice. The former intimated that they would be unable to consider any claim as their Policy had already lapsed prior to notification of the incident whilst the latter informed him that they could consider the claim only if it was shown that the damage had occurred after their Policy had commenced.

Mr Jones subsequently made enquiries with the occupiers of the other isolated properties along the road but none were aware of the damage or had seen any lorry or similar large vehicle travelling along the road whilst Mr and Mrs Jones were away. Mr Jones also established that there was no CCTV evidence that might assist in determining when the incident occurred and, in addition, there were no postal or other deliveries to Mr and Mrs Jones's home whilst they were away.

You are a Chartered Loss Adjuster who specialises in representing Claimants. Frustrated by the situation, Mr Jones approaches you for advice and assistance. Apart from the response already received from both the previous and current Insurers, a further issue has now arisen in relation to the repair of the wall, Mr Jones having been told by contractors approached for quotations that it may not be possible to repair the wall if matching bricks are not available. It may then be necessary for the wall to be rebuilt.

What recommendations do you make to your client and what action would you take to assist him?

*(20 Marks)*



2. In the following scenarios, you are again involved as a Chartered Loss Adjuster representing the Claimant:

- a) A substantial volume of water has ingressed into and accumulated within the ground floor of your client's home. There is extensive damage to low level structural features, fitted kitchen units, decorations and to numerous household contents. Investigation has established that the water ingress originated from a culvert at the rear of the property which had overflowed during a period of torrential rainfall.

The Policy is subject to an Excess of £1,000 for flood damage, whilst for storm damage a lower Excess of £100 applies.

The Adjuster appointed by the Insurers suggests that the incident is clearly one of flood for which the higher Excess of £1,000 will be applicable.

What advice do you provide to your client?

*(10 Marks)*

- b) Moderate fire damage has occurred at your client's property and the remedial measures will comprise mainly cleaning within various areas and the renewal of smoke-soiled decorative surfaces. Your client asks whether Alternative Accommodation can be provided to minimise disruption and inconvenience whilst remediation is in progress and also because they have a child who suffers with asthma. In discussing this issue with the Adjusters representing the Insurers, they tell you that they would not wish to authorise Alternative Accommodation as the damage is cosmetic only and they consider that your client's family would be able to remain at home whilst repairs are carried out.

In view of this response, how would you advise your client further?

*(20 Marks)*

**40 Marks**



### QUESTION PD3

Explain what advice you would provide to your Principals in the following scenarios. In each case, assume this is a typical Household Policy covering the usual range of Perils and with no Warranties or specific Endorsements. You should also assume that no policy limits will apply.

- 1) The claim involves theft of jewellery for which the Insured supplies a replacement valuation from a local jeweller for £7,000. You find that Insurers' nominated jeweller can replace the same items for £5,750. The Insured requests a cash settlement and your Principals confirm that they are prepared to offer an amount of £5,000 based on the costs presented by their nominated supplier and also allowing for the discount they would receive from them. Although the items are modern and relatively easy to replace, the Insured insists that she should be entitled to the full cost of replacement as specified by her own jeweller since all the items were given to her by her late husband and had considerable sentimental value.

*(8 Marks)*

- 2) The claim includes an assortment of antique jewellery. Insurers' nominated suppliers value the jewellery at £15,000 and this is accepted by the Insured. However, your Principals wish to settle the claim by issuing vouchers to the Insured to enable them to obtain modern replacements to the value of £15,000 from their nominated suppliers. With the benefit of discount, the net cost to Insurers will then total £12,000. As an alternative, they are prepared to offer a cash settlement of the same amount, i.e. £12,000. This is rejected by the Insured, who maintains that, since the items were antique and not capable of replacement on a like-for-like basis, the full agreed valuation of £15,000 should be payable.

*(8 Marks)*

- 3) The claim involves the theft of jewellery and personal possessions. Adequate substantiation is provided for all the items stolen, including a diamond ring that was purchased during a visit to the Middle East approximately one year prior to the theft. The receipt provided shows the purchase cost as the equivalent of £2,000, but enquiries have established that the cost of an equivalent replacement in the United Kingdom will amount to £3,500.

You ask the Insured for proof that the appropriate import duty was paid on returning to the United Kingdom. Initially, the Insured argues that this is not relevant to the claim, but then admits that import duty was not paid. The Insured however still insists that the current replacement cost of £3,500 should be included within the claim settlement.

*(8 Marks)*



- 4) The oil-fired central heating boiler at the Insured's property stops working. The Insured contacts a heating engineer, who investigates and takes some time to discover the cause of the problem. Eventually, the engineer establishes that the outlet pipe from the oil storage tank to the boiler has become blocked with sludge and oil deposits that had accumulated over a long period. The engineer manages to unblock the pipe and restart the boiler. No physical damage has occurred to the pipe, the boiler or any part of the central heating system.

The cost incurred amounts to almost £1,000. The Insured submits a claim for reimbursement on the basis that the blockage that has occurred constitutes loss and damage in the context of the policy cover.

*(8 Marks)*

- 5) The Insured submit a claim for repairing the flat roof to the single-storey extension to their property. This comprises a felt covering on a chipboard deck. The damage is said to have occurred during storm conditions when very high winds and torrential rainfall were recorded. You have verified that such conditions were recorded at the time and, on inspection, you note that the felt covering has lifted in one corner. Generally, however, the felt has weathered over a period of time and there is evidence that the chipboard deck has degraded due to gradual water penetration.

*(8 Marks)*

**40 Marks**