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

**Paper C3 - Property Domestic**

**3½ Hours**

**Maximum Marks 200**

**Answer Any Five Questions out of Six**

*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 ANY FIVE QUESTIONS FROM SIX

### QUESTION 1

You are instructed to deal with a claim for water damage at Home Farm Cottage, Darrington. Darrington is a village situated on the flood plain of the River Am. The risk address is of brick construction under a pitched tiled roof. The building has solid walls and, being built in 1823, has no damp-proof membrane.

The Policyholder, Sid Perks, advises that his family has owned the building for at least 130 years and he believes that his great-great-grandfather may well have had the house built. Sid is 93 years of age, partially sighted and, due to the onset of arthritis, is unable to climb up or down stairs. As a result, he sleeps on the ground floor in a small room that was previously used as an office. Adjacent to the room is a bathroom.

Sid has no relatives nearby, his partner having died fifteen years before. He has a carer, Phoebe, who is employed by a local agency, Care4You.

Phoebe is present when you visit and is asked by Sid to explain the problem to you. From your conversation, you ascertain that there is a leaking radiator on the first floor. Water has been dripping into the living room and the lath and plaster ceiling has bowed and is likely to collapse. The bathroom used by Sid has also been affected. Sid warns you that the wall panelling in that room is dangerous - he believes that his late brother installed a partition in the room in the 1960s and "foolishly" used asbestos in the construction.

It is apparent from your inspection that the pipe leading to the radiator has been leaking for several months. When asked, Phoebe says that she first told Sid about the leak around seven months ago, but he told her that there was no need to worry. When the large crack in the ceiling appeared four weeks ago, he became more interested and last week he finally agreed to allow Phoebe to contact the Insurers.

You ascertain quickly that the bathroom is not fit to be used due to the extent of water damage to the asbestos partition. You are concerned that the asbestos has been significantly disturbed. Sid has no other facilities accessible to him.

Further, you identify that there is evidence of dry and wet rot in the building.

- a) Explain, providing your rationale, the issues you would take into account to consider the matter of late notification to enable the Insurers to make a reasonable decision on Policy liability on late notification.

*(15 Marks)*

- b) Irrespective of the decision concerning the late notification, you are asked to provide guidance to the Insurers on the matter of Alternative Accommodation. Provide, with an explanation as to why, what information you would obtain and provide to Insurers to decide on liability for Alternative Accommodation.

*(15 Marks)*



- c) Stating assumptions as relevant, explain what your recommendations to Insurers would include in terms of how they might base their decisions on Policy liability with regard to the Late Notification and Alternative Accommodation. In particular you should make reference to treating the customer fairly and any ethical considerations.

*(10 Marks)*

**40 MARKS**

## QUESTION 2

- a) Explain what is meant by the following terms under a Business Interruption Policy:

- 1) Gross Profit
- 2) Rate of Gross Profit
- 3) Savings
- 4) Declaration Linked.

*(20 Marks)*

- b) You are handling a claim for Impact to the front of a shop by a motor vehicle. The owner of the shop is claiming that her business has been interrupted as a result and that a claim will be made under the Business Interruption Policy.

During the Period of Indemnity, a famous cycle race, which draws crowds from across the world, takes place. The cycle race passes the front of the shop. Taking advantage of the situation, the shop owner opens for extended hours and takings on that day are approximately 10 times greater than would be expected on any other day. Seeing this, you realise this has almost made up for the entire loss suffered by the Policyholder for Business Interruption. The Insurers therefore suggest to you that there ought to be no payment to the Policyholder for loss of profit. Explain, with your rationale, how this would normally be dealt with under a Business Interruption Policy.

*(20 Marks)*

**40 MARKS**

## QUESTION 3

Having been appointed to handle a claim for the theft of a Rolex watch under a typical All Risk Policy, you have ascertained a number of facts around the circumstances that warrant greater consideration.

The circumstances of the event are that Mark Hepdon had been accompanying his 25-year-old brother on a weekend trip to a European city. By his own admission, Mark advises that the weekend was quite a big occasion and involved considerable consumption of alcohol, river rafting and a visit to a casino.



Mark tells you that he is not in the habit of drinking alcohol and in fact this was the first time in 2 years that he had done so.

He remembers wearing the watch on the Saturday evening. He recalls this because Matt Bellingham, a former colleague, asked him for the time and, seeing the Rolex, he made continuous reference to the obvious wealth of Mark until Eddie Grundy, his brother's best friend, asked Matt to stop talking about Mark in that way.

Mark tells you that he had mixed fortunes at the casino. He remembers at one stage he lost a considerable amount of money, but by the end of the night he thinks he was about even.

The following afternoon, Mark woke in a hotel room - not his own room or indeed his own hotel. There was another man in the room, David Archer, who had been part of the party but had chosen to stay elsewhere as he preferred privacy and some quiet time. David advised Mark that he had found Mark strolling outside the casino at 3 a.m. and had taken him back to his hotel to ensure he came to no harm. David is sure that the watch was not present when he found Mark because Mark kept trying to show David the watch on his wrist but the watch was missing. David could not get any real sense from Mark and took no action other than to take him back to his hotel.

- a) With particular reference to the Policyholder's duty to exercise reasonable care, provide your recommendation to Insurers, stating your rationale and evidence to support your rationale. You should include relevant case law and other authoritative decisions (you are NOT required to prepare this as a report or letter). (20 Marks)
- b) Provide, with relevant statutes and case law to support your answers, the definition of **TWO** of the following Perils:
- 1) Storm
  - 2) Fire
  - 3) Theft
  - 4) Riot.

Your answers should include an explanation of how you would determine whether a particular peril has operated.

(20 Marks)

**40 MARKS**



## QUESTION PD1

1. You are instructed by ABC Insurance Company to deal with a claim submitted by their Insured, Mr and Mrs Smith, for a theft that has occurred from their home. This involved forced entry via a ground floor window, following which the house was apparently ransacked and property to a reported value of £15,000 was stolen, this comprising electrical goods, computer equipment, jewellery and sundry personal effects. The Policy issued by your Principals covers both Buildings and Contents and has been in place for four years. The only previous claim submitted is for damage following a burst pipe which occurred about two years earlier. This was dealt with by Insurers' approved contractors and for which costs of approximately £1,000 were incurred.

Your enquiries relating to the current claim indicate no concerns that the incident is other than genuine and you proceed in accordance with the Delegated Authority arrangements in place with your Principals. You initially arrange for Insurers' network contractors to repair the damaged window, for which costs of £500 are incurred. In addition, pending final validation of the claim, you agree an Interim Payment of £2,000 to enable the Insured to replace some of the electrical goods and personal effects.

Subsequently, you find that the Insured appear to be in some difficulty in providing suitable further information to substantiate the claim, particularly the jewellery items, for which vague and conflicting descriptions are provided to the Jewellery Appraisers appointed to assist with validation.

You therefore carry out further investigation, from which it is ultimately established that, whilst there was a genuine theft, the extent of the loss was substantially overstated and included many fictitious items, including the jewellery. This is admitted by the Insured who, on discovering the theft, caused further disturbance within the house in an attempt to show that the intruders had carried out a very extensive search. It seems that the Insured were in some financial difficulty at the time and, on the spur of the moment, believed that this would be an invaluable opportunity to alleviate these difficulties. They had also been encouraged by the fact that the earlier burst pipe claim had been concluded very quickly with minimal investigation and had assumed that this would similarly apply to the current claim. There is no evidence that the earlier claim was not genuine.

If the theft claim had been correctly presented, then the Contents loss would have been in the order of £750. In addition, as noted earlier, the Building repairs were completed at a cost of £500.

In view of these circumstances, and citing any relevant case law and legislation, what advice do you provide to your Principals regarding the claim and associated Policy issues?



NB In answering this question, it is NOT necessary to consider the potential for any criminal investigation/proceedings and candidates need deal only with how these circumstances may impact upon the claim and the Policy.

*(20 Marks)*

2. In the following scenarios, and again referring to any relevant case law and legislation, what advice do you provide to your Principals regarding Policy Liability?

- a) You are dealing with a claim that involves flood damage to the ground floor of a domestic property. The flooding occurred when a nearby stream, which is normally shallow and slow flowing, burst its banks during a period of very prolonged and torrential rainfall. The loss occurs during the first year of Insurance. On application for Cover, the Insured completed an on-line proposal form which included the question “Are the premises within 200 metres of any watercourse?”, to which the Insured answered in the negative. The proposal form also included a question that asked whether the property was located in an area with a history of flooding, to which the Insured again replied in the negative.

In reporting to your Principals, you advise that, at its nearest point, the stream is 202 metres from the house. On receipt of this information, your Principals suggest that, as this is only marginally more than the distance specified on the proposal form, the presence of this watercourse should still have been disclosed to them since, as has now been shown, there was clearly the risk of the property being flooded if it burst its banks. They consider that this would have given them the option to decline flood cover or restrict this by means of a substantial Excess. In addition, you also establish that, previously, the same stream has burst its banks twice, these incidents occurring four and six years ago. On both occasions, a number of properties near the watercourse were flooded, but on neither occasion did the flood waters reach the risk premises. On enquiring with the Insured why they answered the relevant question in the negative, the Insured explain that they have been living here for only two years and were not aware of these earlier incidents.

*(10 Marks)*

- b) You are dealing with a claim for theft from a domestic property. The Policy includes certain Endorsements relating to Security, one of which requires the installation of a monitored alarm system and which must be left in operation whenever the premises are unattended.

On this occasion, the Insured had left home to make some purchases from a local shop but had not left the alarm in operation. It seems that the Insured had only intended to be away from the house for about fifteen minutes, but were detained in conversation and were away from home for just over one hour, discovering the theft on their return.



On discussing the matter with the Insured, they are initially vague and cannot recall whether they simply forgot to set the alarm or intended not to set it in anticipation of leaving the house unattended for only a very short period. They maintain that this was very much an isolated occurrence and that they are normally scrupulous in setting the alarm whenever the house is left unattended.

*(10 Marks)*

**40 MARKS**



## QUESTION PD 2

1. You are a Chartered Loss Adjuster who specialises in advising Claimants. What advice do you provide to your Clients in the following scenarios?

- a) You have presented a schedule of loss for stolen items to the Adjusters appointed by your Client's Insurers. The claim schedule includes a gold watch for which an amount of £2,000 has been claimed representing the replacement cost of a comparable item. Cover under the Policy is adequate and the claim does not exceed any aggregate/single article limits.

The watch was purchased several years by the Insured whilst working abroad and the original purchase receipt is still available. This shows the purchase price at the then sterling equivalent of £900. The other Adjuster asks whether Customs Duty was paid on this item when your Client returned to the UK and, if so, whether appropriate documentation to this effect is available. On querying the position with your Client, you are told that he was under the impression that, since he was working abroad when the watch was purchased, it was not necessary for the item to be declared. Your Client also states that this was the only valuable item he purchased whilst abroad.

Shortly afterwards, the Adjusters contact you with their settlement proposals. These are generally acceptable but there is no allowance for the watch. The Adjusters explain that they referred this to their Principals who instruct that they cannot make any allowance for this as the Duty payable was avoided. You ask them to reconsider, but they remain adamant that this item is excluded.

*(15 Marks)*

- b) You are dealing with a claim for fire damage at your client's property. Building repairs are proceeding in accordance with the approved specification and costings, and are being monitored by an Independent Chartered Surveyor appointed with the agreement of all parties.

Whilst the works are in progress, various areas are found to be infested by dry rot, of which the client had no prior knowledge. The fire damage reinstatement cannot proceed until this issue is rectified and the Adjusters appointed by the Building Insurers suggest this must be dealt with at your client's expense due to the specific policy exclusions relating to wet and dry rot etc. Your client is not in a position to finance such additional work. In addition, and pending completion of the reinstatement programme, your client and his family have been placed in temporary accommodation funded by Insurers. You are now told that payment for this accommodation may be suspended if your client does not take timely steps to deal with the dry rot issue to allow the fire damage reinstatement to continue.

*(15 Marks)*



2. List four exclusions that may apply to claims submitted under the Accidental Damage extension to a typical Household Policy.

*(4 Marks)*

3. In dealing with a claim for building repairs, explain briefly the following:

- a) UPVC window
- b) Lath and plaster ceiling.

*(6 Marks)*

**40 MARKS**

### QUESTION PD 3

1. You are appointed by XYZ Insurance Company to deal with a claim submitted by their Insured following Escape of Water. The claim involves damage to both the Building and its Contents, the former being covered by separate Insurers.

For the Contents claim, quantum is agreed at £6,000. However, the Sum Insured against Contents of £30,000 at the time of the loss was not adequate and you calculate that the minimum Value at Risk is £40,000. The Policy is subject to pro rata Average and you advise the Insured that this means that they can only recover 75% of the loss, i.e. £4,500.

The Insured find it difficult to understand why this should be the case and point out that the Sum Insured of £30,000 substantially exceeds the validated loss of £6,000. They also suggest that, when they applied for Cover on line about three years earlier (this is the only claim since inception), they were not warned that the claim might be reduced if the Sum Insured was not adequate.

Explain to the Insured, in terms they should be easily able to understand, the basis upon which and the reasons why such a reduction applies where Underinsurance is identified.

*(18 Marks)*

2. The same claim is subject to a Policy Excess of £250. Explain how this should be applied in the circumstances specified above.

*(4 Marks)*

3. In dealing with the Buildings element of the claim, the Adjusters appointed by the Building Insurers have sourced suitable Alternative Accommodation pending reinstatement of the damage. These costs total £7,500 and have been paid in full and fall within the Sum insured of £20,000 available under the Buildings Policy for costs of this type.



These Adjusters seek Contribution on behalf of their Principals. It is accepted that these costs were all reasonably incurred and you confirm that you will recommend your Principals to contribute on the basis of each Insurers' independent liability. The relevant Sum Insured under your Principals' policy is £4,500.

Showing all relevant workings, calculate the contribution amount payable by your Principals.

*(6 Marks)*

4. In dealing with a theft claim under a High Net Worth Policy, explain what enquiries you would carry out to validate and establish quantum for the following items:
- a) A drawing by LS Lowry
  - b) An extensive philatelic collection of British and Commonwealth postage stamps.

*(12 Marks)*

**40 MARKS**