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The Chartered Institute of Loss Adjusters

Advanced Diploma Examination 2018 (April)

Paper AD2

Aviation

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 5 QUESTIONS OUT OF 6

QUESTION 1

- a) Outline the main provisions of the Insurance Act 2015 and explain how these may be relevant to the adjustment of an insurance claim. (20 Marks)
- b) Explain the following terms and how they would apply to the adjustment of an insurance claim:
- i) Reinstatement Memorandum
 - ii) Public Authorities Clause
 - iii) Escalator Clause
 - iv) Contract Price Clause
 - v) 10% Co-Insurance Clause.
- (20 Marks)

40 MARKS

QUESTION 2

- a) Explain the difference between Contribution calculated on an Independent Liability basis and the Sums Insured basis. (6 Marks)
- b) You have been appointed to deal with a claim for flood damage that has occurred at the Insured's property. Your Principals' Policy covers Contents, with the Buildings being covered separately by different Insurers.
- Due to the extent of the damage, the Insured and his family require alternative accommodation. It is agreed with the Adjusters representing the Buildings Insurers that their Principals will initially finance these costs and that your Principals will contribute on the basis of each Insurer's independent liability.
- Ultimately, the outlay of the Buildings Insurers is quantified at £10,000. The Sum Insured for such costs under that Policy is £25,000 whilst the Sum Insured under your Principals' Policy is £7,500. Additionally, and on first notification of the claim out of hours, your Principals agreed and paid for emergency hotel accommodation at a cost of £500.
- Showing all relevant workings, calculate the Contribution now payable by your Principals. (10 Marks)



- c) You are dealing with a claim presented to your Principals for the loss of a gentleman's gold watch. This occurred whilst the Insured was on holiday in France. The Policy includes cover for Unspecified Valuables with a Sum Insured of £5,000 and including a Single Article Limit of £1,500.

Your enquiries establish that the claim is in order and, allowing for Supplier's discount, the replacement cost of the watch is validated at £2,000. Accordingly, settlement is concluded at £1,500 on the basis of the Single Article Limit and this amount is paid to the Insured.

The Insured had disclosed a separate Travel Policy that would cover a loss of this type but with a Single Article Limit of £300. Your Principals request you to contact the Travel Insurers to obtain contribution of that amount towards the outlay they have incurred. What advice do you provide to your Principals on this issue?

(10 Marks)

- d) Explain the term "Subrogation" and how this might arise when dealing with an insurance claim.

Briefly discuss how the precedent established in the case of *Mark Rowlands Ltd v Berni Inns Ltd (1986)* impacts upon subrogation.

(8 Marks)

- e) Explain briefly the term "Salvage" within the context of an insurance claim and how this would normally be dealt with.

(6 Marks)

40 MARKS

QUESTION 3

- a) Discuss the circumstances under which it might be appropriate to evaluate a stock loss using the stock reconciliation method and also comment upon any potential disadvantages of using this method of validation. Explain how the loss would be calculated on this basis (figures need not be included).

(12 Marks)

- b) In a typical Business Interruption Policy, explain:

- i) The difference between Increased Costs of Working and Additional Increased Costs of Working. Give one example of each
- ii) The circumstances under which Cover under the Denial of Access Extension would be available
- iii) The term "Material Damage Proviso"
- iv) Declaration Basis of Cover.

(16 Marks)



- c) You are dealing with a claim for fire damage that occurred at a ladies fashion retailer in January 2018. Your Principals' Policy covers both material damage and business interruption, with a twelve month indemnity period applying to the latter. Due to the damage that has occurred, it is estimated that the shop will be closed for about two months whilst building repairs are completed.

Your enquiries have established that the Sums Insured against the various heads of cover, including business interruption, are all adequate apart from stock, the Value at Risk being confirmed at £100,000 against a Sum Insured of £75,000. You explain to the shop owner the application of average and that effectively she will receive only 75% of the stock claim, initially estimated at £50,000. The position is accepted but the Insured then raises the following issues:

Due to the shortfall in the stock claim, she will not be able to acquire her normal range of stock for the forthcoming summer sales period and this will impact adversely on her turnover during this time.

In addition, and due to the closure of the shop in the aftermath of the fire, she will be left with some undamaged seasonal stock which she may subsequently only be able to sell at a significantly reduced price.

She expects that any losses arising from these issues will be reimbursed within the scope of the Business Interruption Claim. What advice do you provide to her?

(12 Marks)

40 MARKS



QUESTION A1

- A) Aviation safety is critical to the reputation of the aircraft industry. Explain the role of the EASA in relation to the investigation of aviation accident and safety investigations your answer should include the aims of ICAO Annex 13.

(15 Marks)

- B) Explain how the EASA derives its powers to participate in investigations following an aviation accident.

(10 Marks)

- C) Explain the SMS at the European Union level

(15 Marks)

40 MARKS

QUESTION A2

Mark has gained his licence to fly three weeks ago and his wife and business partner have purchased a Piper PA-28s aircraft to celebrate a business success.

Mark decides that it would be a good idea to take his wife on a celebratory flight from Shoreham Airport in Sussex to Northern France. The flight is around 120 miles and approximately 35 miles is over the English Channel.

They arrive in France and make off for a local restaurant with a plan to return within three hours.

On their return to the aerodrome they are confronted by local staff who are both angry and concerned. There has been an incident and it appears Mark had failed to secure chocks beneath the wheels of the aircraft. There had been a gust of wind and his Piper PA 28s had rolled into a locally owned De Havilland Chipmunk T10.

Mark is certain, on reflection, that he had probably not followed the guidelines that his training had provided concerning chocks.

- A) As the loss adjuster dealing with the material damage claim, explain how you should judge whether Mark has exercised reasonable care. Your answer should include the measure of reasonable care required by a policy of insurance, the evidence you should obtain to support your recommendation and the recommendation you should provide to the insurer.

(20 Marks)

- B) Mark's policy has an "Open Pilot Warranty" explain what is meant by this and explain the typical requirements and implications of a typical Pilot section of the policy.

(10 Marks)



- C) Detail with a rationale the considerations associated with repair planning and selection of repairer.

(10 Marks)

40 Marks

QUESTION A3

Scud Williams UK Enterprises have an aviation cargo insurance policy covering physical damage to cargo whilst in air transit and for 60 days whilst in storage.

The policyholders arrange for a cargo of “computer mother Boards” and other Information Technology equipment to be despatched to Afghanistan. The cargo is collected by lorry and taken to Gatwick Airport where it is loaded and flown to Islamabad in Pakistan. The cargo stays in a warehouse there for approximately 55 days and then taken on a Boeing 747 BCF to Afghanistan.

Unfortunately, the aircraft is reported to have mysteriously disappeared from the radar en route to Afghanistan and despite an extensive search and rescue effort the aircraft is never traced.

Scud Williams UK Enterprises submit a claim for the loss of the cargo. The goods had been part paid for in advance of the transportation.

- A) Explain what enquiries and evidence you should undertake and obtain with regard to the compliance or otherwise of the “whilst in storage” condition in Islamabad.

(10 Marks)

- B) Detail the evidence that you should obtain to support the assertion that the goods had been loaded onto the Boeing 747 BCF, and as the aircraft or wreckage has not been located detail from a policy perspective how you would consider whether the cargo is “lost” to the Policyholder.

(15 Marks)



C) You ascertain that there is a deductible of US\$5,000 and underinsurance means that the policy will not respond in full reducing underwriters' liability by \$15,000. Your principals believe there may be a possibility recovery of their outlay as they believe that in the final analysis either the Airspace Control or the owners of the aircraft will be proved as liable for the loss. Explain how you should recommend the apportionment of any monies recovered where the recovery represents only 35% of the actual loss suffered.

(15 Marks)

40 MARKS