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The Chartered Institute of Loss Adjusters

Accreditation for Chartered Status

Paper C4

October 2014 - Business Interruption

3½ Hours

Maximum Marks 200

Answer ALL 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 ALL QUESTIONS

You have been appointed to deal with a Business Interruption claim, following a sudden downpour of torrential rain accompanied by very strong wind and thunder in a small commuter town close to a major city. The risk property is a three storey building of brick cavity construction under a pitched tiled roof built circa 1980. The ground floor is a coffee/wine bar. The business sells beverages and light meals and is owned by Mr C J Grinstead and Ms S Bonbridge. The business is relatively small with the two owners working full time and employing around six part-time bar and food preparation staff. The first floor has three bedrooms which are hired out on a bed and breakfast basis with the paying guests eating breakfast in the ground floor coffee bar. The top floor has an office used by Mr Grinstead for the purpose of running the business and two further bedrooms used by the business owners.

Rainwater entered the building via the roof as a large portion of the roof tiles was dislodged by the wind. In addition, the rain fell with such force that water percolated into the building via the window surrounds. Further, water entered the front of the premises under the front door as the surface drains could not cope with the substantial rainfall.

The cover provided by the Policy is as follows:

Business Interruption	
Gross Profit	£300,000
Indemnity Period	24 Months

The Policy is **not** declaration linked.

You are advised that there is a material damage Policy and that the Loss Adjuster acting on their behalf has already visited.

1) Outline all the enquiries you should undertake to establish:

- a) Extent of Policy liability, if any
- b) Reserve.

You should include all the information that you would require to establish the above, together with the sources of the information. You are **NOT** required to either comment on the Policy liability or to set a reserve.

(50 MARKS)

2)

- a) The Policyholders ask you to advise whether you consider the sums insured to be adequate. Detail the information and the steps you should take to establish the adequacy or otherwise of the sum insured.
- b) The business is defined as a restaurant and coffee house, and you are required to provide a description of the business. Detail the information that you should request, the nature of any documentation you should request and how you should set about ensuring the information is accurate.



- c) The Policyholders' Insurance Broker requests that you put your explanation and plan to resolve the claim in writing. Prepare a suitable letter to the Broker explaining the claim procedure and what actions you will taking to assist the Policyholders. The letter should also include what action will required of the Policyholders.

(50 MARKS)

3. Provide the following two sections of your Preliminary Report to Insurers:

- a) "Initial Measures", to include your rationale
- b) "Policy Liability", covering the information required to consider Policy liability and any recommendations concerning additional inquiries that should be made.

(50 MARKS)

4. Ms S Bonbridge was unable to meet you on site due to other business interests in another part of the country. She has left a request that you send her an e-mail explaining the purpose of the visit, your role in settling the claim and your advices on whether you are able to recommend an interim payment to cover the loss of trade. She has been informed by friends that Insurers will not cover the loss if any trade is undertaken whilst the refurbishment work takes place. Write an e-mail to Ms Bonbridge explaining the correct position on all of these aspects.

(50 MARKS)