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The Chartered Institute of Loss Adjusters

Accreditation for Chartered Status

Paper C4

October 2014 - Liability

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 two Public Liability claims arising from an incident at the Insured's business. The risk property is a three storey building, built circa 1980, located in a small commuter town. 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.

During a sudden downpour of torrential rain accompanied by very strong wind and thunder, rainwater entered the building via the roof because several roof tiles had been dislodged by the wind. Water also entered the front of the premises under the front door as the surface drains could not cope with the substantial rainfall.

The business continued to trade during the inclement weather. There were a large number of customers in the bar at the time due to live coverage of the final of the Football World Cup being shown on the television.

At half time, it became apparent that water ingress was causing the laminate floor to become very wet and Mr Grinstead announced that the bar would have to close. There was a protest from a small but noisy minority of customers. Mr Grinstead decided to continue to trade.

Shortly thereafter, Jayne, an avid supporter of one of the teams, jumped in the air as her team came close to scoring. As she landed, she slipped on the wet floor and fell against her boyfriend Peter, causing him to stumble. As a result, glasses and bottles were knocked over and smashed onto the floor. Jayne sustained a laceration to her right leg. Peter however came off worse as shattered glass went into his eye, requiring immediate medical assistance. An ambulance was called.

Three other customers sustained damage to clothing from the spilt drinks.

Mr Grinstead has now received a letter from Jayne asking how she can obtain compensation for her injury. The Insurers have received a Claims Notification Form from solicitors representing Peter.

The policy provides Public Liability cover with a limit of liability of £5,000,000.



QUESTION 1

Outline all the enquiries you should undertake to establish:

- I. Whether the policy should operate to indemnify the policyholder
- II. 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 detail your conclusions on Policy liability or to set a reserve.

(50 Marks)

QUESTION 2

The business is defined on the Policy as a restaurant and coffee house.

I. The Policyholders ask you to advise them on the cover provided under Public Liability, particularly in terms of parties, and the type of incident that would be covered and any possible issues that could arise. Prepare a letter to the Policyholders advising them on these points. Include a brief explanation of your initial thoughts on legal liability.

II. The Policyholders' Insurance Broker requests that you write to him with an explanation of how the claim might be handled. Prepare a suitable letter to the Broker explaining the claim procedure (including any steps that are required to comply with the Civil Procedure Rules), what actions you will be taking to establish whether a legal liability exists and how your decision will be communicated to the claimant. The letter should also include what action will be required of the Policyholders.

(50 Marks)

QUESTION 3

Set out the following two sections of a Preliminary Report to Insurers:

I. "Outstanding Actions", in which you detail the further inquiries that you still need to make and also any information that you are awaiting from the Policyholders.

II. "Policy Liability", covering both your initial views on policy cover and any further information required from any of the parties, including the Insurers.

(50 Marks)

QUESTION 4

Ms S Bonbridge is concerned that the customers will think poorly of the business and asks whether you are able to recommend any interim payment to customers to keep them happy. Draft an email to Ms Bonbridge detailing your initial response to this request. Include any advice you may need to provide her with as regards her responsibilities under the policy.

(50 Marks)