



***STRICTLY PRIVATE & CONFIDENTIAL
for internal use only***

The Chartered Institute of Loss Adjusters

Accreditation for Chartered Status

Paper C4

October 2014 - Subsidence

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.

Notice of Copyright

This document and any information contained therein remains the confidential and copyright property of the CIL A. Without infringement neither the whole, nor any extract, may be disclosed, loaned, copied or used for manufacturing, the provision of services or any other purpose whatsoever without the express permission and written consent of the CIL A. No liability is accepted for any loss or damages from any cause whatsoever arising out of the use of this document or its contents.



ANSWER ALL QUESTIONS

You have been appointed to deal with a subsidence claim. The risk property is a two storey five bed roomed house of brick cavity walls under a pitched tiled roof. The main part of the house was built in 1969 and it was extended to the front in 1995 with the front room being extended in length by around 2m and the hall extended by 1.5m. In 2006, a two storey side extension was added. This comprises a reception room with a utility area and on the top floor a bedroom with en-suite bathroom. Both of these extensions were single storey with pitched tiled roofs

When the second extension was erected, the planning consent required two distinct drainage systems, one for the surface water and another for the waste water. The surface water is handled by a soakaway to the front of the house with the sewerage being piped to the drain at the rear of the property which flows towards the neighbour's property.

The Policyholders are Mrs Lillian Bellamy, a Chartered Accountant, and her husband, Charles Babage, a Personal Trainer working with top level cyclists. They have a son and a daughter. The son lives in London with his partner and the daughter is at university in Denmark for around nine months of the year.

At the end of the summer, Mr Babage advises you that he noticed cracking on the walls to the side extension where the main house adjoins the side extension. Initially he thought it was simply differential movement as he had spoken to a surveyor friend who told him that was often the case. Around two weeks later, the ground floor lavatory backed up and Mr Babage, who owns drain rods, cleared the drain to the rear of the property. Whilst doing so, Mrs Bellamy put the washing machine on. Mr Babage expected the waste water from this to enter the drain he was working on. However, when the washing pumped out, there was no additional water entering the drain and he suspected that the drain must be leaking. He decided he should call in drainage experts.

The drainage experts could not attend for three weeks and during this time the cracking became more severe and the Policyholders noticed water coming up through the path above the drain. On attending, the drainage experts advised that the drain had partially collapsed and they would need to excavate the whole area and renew all the drains. They also advised Mrs Bellamy that the cracking to the house, which by now was around 6mm at its widest point, was being caused by the leaking pipe.

Mrs Bellamy decided to call her Insurers who provide a typical household policy including subsidence and heave as follows:

Buildings	£750,000
Alternative Accommodation	£75,000
Contents	Unlimited

From your expert initial inspection, you conclude the following:

- a. The most likely cause of the cracking is subsidence due to the washing away of the soil beneath the foundations of both the main house and the extension due to the leaking pipe.



- b. The property is uninhabitable as it is not appropriate to use any of the water services until the drainage has been rectified.
- c. The most likely cause of the fault in the drain is inappropriate construction.
- d. There are three large trees in the neighbour's property which could be influencing the movement to the Insureds' property.
- e. The drains should be fixed followed by a period of monitoring.

QUESTION 1

Explain all the enquiries you should undertake to establish:

- I. Extent of Policy liability, if any
- 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 set a reserve.

(50 Marks)

QUESTION 2

Explain how you should respond to the following:

- a. The Policyholders ask you to advise whether you consider the sums insured to be adequate. Detail the information required and the steps you should take to establish the adequacy or otherwise of the sum insured.
- b. The Policyholders have asked for payment for alternative accommodation. They have stated that their daughter will be returning from Denmark later this week for three months with her new boyfriend. They will both need accommodation; in normal circumstances they would have stayed with the Policyholders and occupied separate rooms. Detail the likely cover for this.
- c. The Policyholders request that you put your explanation and plan to resolve the claim in writing. Prepare a suitable letter to the Policyholders explaining the claim procedure and what actions you will be taking to assist them. The letter should also include what action will be required of the Policyholders.

(50 Marks)



QUESTION 3

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

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

(50 Marks)

QUESTION 4

As you cannot be certain whether the neighbour's tree is affecting the risk property, you are to write to the neighbour, Ms Fallon Vladosticzhk. The letter should explain the legal position and what action you require her to take. Mr Babage has informed you that Ms Vladosticzhk is very kind but that they fell out after an incident when he was playing "back garden cricket" with his son. Apparently Mr Babage hit the ball into Ms Vladosticzhk's garden, hitting her whilst she was weeding her vegetable plot. Ms Vladosticzhk has never really forgiven him despite many apologies. Mr Babage also advises that English is not Ms Vladosticzhk's first language and requests that you take this into account when writing to her so as to ensure she will understand and that she is assisted in the matter.

(50 Marks)