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# **The Chartered Institute of Loss Adjusters**

## **Accreditation for Chartered Status**

### **Paper C4 - Business Interruption**

**October 2015**

**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 an ingress of water to an apartment building.

The risk property is a substantial five storey building of brick cavity construction under a pitched tiled roof built circa 1930. The property was originally occupied as a hotel before it was refurbished and converted into 34 self-contained serviced apartments in 2010.

Initial enquiries indicate that there has been a burst water main in the vicinity of the property, which is located in a thriving inner city business district. Water ingressed to a depth of 30 cm throughout the lower ground floor of the risk property. This floor houses five apartments, an in-house laundry, a business centre and a fitness gym.

The property and business are owned and managed by DASP Ltd who acquired the site as a going concern in 2012.

The cover provided by the Policy is as follows:

Revenue £2,000,000  
Indemnity Period 12 months.

The Business Interruption Policy extends to include additional increase in cost of working expenses, loss of attraction and denial of access cover.

You are advised that there is a separate Material Damage Policy which is subject to warranties standard for this type of risk.

You are instructed to deal with Neil Osborne, the Managing Director of DASP Ltd, regarding all aspects relating to the claim.

In your initial discussion with Mr Osborne, he states that the water supply remains turned off. The water company has indicated that there will be no access via the private road leading to the risk address whilst repairs to the mains water pipe are undertaken.



### QUESTION 1

Outline 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 either comment on the Policy liability or set a reserve.

**50 MARKS**

### QUESTION 2

- I. Neil Osborne requests that you put your explanation and plan to resolve the claim in writing. Prepare a letter to the Policyholder explaining the claims procedure and what actions you will be taking to assist the Policyholder. The letter should also include the action that will be required by the Policyholder.
- II. The Policyholder is concerned that the business will suffer both during and after the Indemnity Period. Detail the guidance you would provide to the Policyholder, including your rationale, and explaining how the loss of business might be minimised.
- III. The Brokers, ARP Insurance Ltd, have contacted you requesting confirmation that the sums insured are adequate. Detail the information required and the steps you should take to establish the adequacy or otherwise of the sums insured. Provide a critical assessment of the methods you propose.

**50 MARKS**

### QUESTION 3

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

- I. "Interruption Features".
- II. "Action Taken To Mitigate The Loss", detailing your rationale.

**50 MARKS**



#### **QUESTION 4**

Your Principals have instructed you to seek a recovery from the water supply company, AST Water PLC.

- I. Prepare a letter to AST Water PLC notifying them of your Principals' intention.
- II. Propose, detailing your rationale, the steps that should be taken to achieve a recovery.

**50 MARKS**