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The Chartered Institute of Loss Adjusters

Accreditation for Chartered Status

Paper C4

April 2015 - 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 fire in a carpet warehouse in an industrial estate of a major city. The risk property is a purpose-built steel-framed warehouse with access for fork lift trucks. Carpeting is stored on racks from 20 cm above the floor level to 1 m below the ceiling.

The industrial estate is modern, built around 2012, and businesses in the immediate locality appear to be prospering. The warehouse stocks a high volume of low cost floor coverings.

The claim you are handling is for the carpet warehouse business which relates to the sale of carpets to small retail companies.

The cover provided by the Policy is as follows:

Business Interruption

Gross Profit	£600,000
Indemnity Period	24 Months

The Policy is declaration linked.

You are advised that there is a Material Damage Policy and that the Policyholders have appointed a firm of Chartered Loss Adjusters to handle the claim on their behalf. You are to deal with the Chartered Loss Adjuster, Sally Atlas.

- 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) Whilst the Policy is declaration linked, the Insurers are currently undertaking market research into the adequacy of sums insured on Business Interruption claims. Detail the information required and the steps you should take to establish the adequacy or otherwise of the sum insured. Provide a critical assessment of the methods you propose.
 - b) The business is defined as a wholesale carpet store 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 obtain and how you should set about ensuring the information is accurate to demonstrate that the business is correctly described.
 - c) The Policyholders' Chartered Loss Adjuster requests that you put your explanation and plan to resolve the claim in writing. Prepare a suitable letter to the Chartered Loss Adjuster explaining the claim procedure and what actions you will be taking to assist the Policyholders. The letter should also include what action will be required of the Policyholders.

(50 MARKS)

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

- a) "Interruption Features"
- b) "Action Taken to Mitigate Loss", covering the information required to consider Policy liability and any recommendations concerning additional inquiries that should be made.

(50 MARKS)

- 4) The Loss Adjuster, Sally Atlas, met you on site. She has requested that you send her a letter on the plan of action to mitigate the loss and whether you are able to recommend an interim payment to cover the loss of trade. The letter should detail the decision and the rationale (you may make up information to support your decision and rationale).

(50 MARKS)