



STRICTLY PRIVATE & CONFIDENTIAL
for internal use only

The Chartered Institute of Loss Adjusters

Accreditation for Chartered Status

Paper C4

April 2015 - 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 three storey four bedroomed house of brick cavity walls under a pitched tiled roof. The main part of the house was built in 1979 and it was extended to the rear in 2010 with the rear living room being extended in length by around 3 m.

When the extension was erected, the planning consent required that the foundations were to a depth of 1 m below the remainder of the foundations due to a history of subsidence in the immediate vicinity. This was understood by the Policyholder.

The subsoil in the area is known to be clay of a shrinkable nature although there are large pockets of limestone.

The Policyholder advises that, at the end of the winter, he noticed that a large hole had suddenly appeared adjacent to, but 3 m away from, the extension. The hole was substantial with initial reports indicating that the Policyholder “could not even see the bottom of the hole”.

Whilst you are aware that there had been considerable rainfall in the vicinity, you made additional enquiries before your visit and ascertained that, in this particular area, the rainfall on two days that winter had amounted to over two months’ normal rainfall.

The Insurers provide a typical household policy including subsidence and heave as follows:

Buildings	Unlimited
Alternative Accommodation	Unlimited

From your expert initial inspection, you identify the following:

- a. There has been one hairline crack that is fresh to the Building as defined in the Policy.
- b. The property is uninhabitable as it is not considered safe to reside in the property.
- c. There are ancient chalk mines in the vicinity.
- d. There are three large trees in the neighbour’s property.
- e. The Underwriter takes a strict view that, unless the property is affected, there is no policy liability.

1) Explain including an explanation of the purpose, all the enquiries you would 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 set a reserve.

(50 MARKS)



- 2)
- a) You notice that the Policyholder is indicated as Borcester Land Owners, but the person you have been told to meet is a Mr William Grundy. Detail what information you would require to establish Insurable Interest and how you would obtain this information. Your explanation should include an evaluation of the merits of requesting the information you propose.
 - b) The local authority have appointed “Better Media”, a public relations company, to represent them as they are concerned about adverse publicity surrounding this event. They have been openly criticised by the local Member of Parliament for failing to provide adequate drainage. The local authority have asked you for a quote on causation so that “Better Media” may use this as a defence. Explain with a rationale what you should do in this regard and why.
 - c) The Brokers request that you put your explanation and plan to resolve the claim in writing. Prepare a suitable letter to the Policyholder explaining the claim procedure and what actions you will be taking to assist the Policyholder. The letter should also include what action will be required of the Policyholder.

(50 MARKS)

- 3) Provide two sections of your Preliminary Report to Insurers, namely “Description of Premises” and “Nature and Extent of Damage”.

(50 MARKS)

- 4) After the above, you are informed by the Underwriters that they do not consider that there is any policy liability and that you would normally be asked to repudiate liability. However, the Underwriters have indicated that, in view of the possibility of poor publicity, they will make an ex gratia payment. You are required to write to the Policyholder explaining the position.

(50 MARKS)