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# **The Chartered Institute of Loss Adjusters**

## **Accreditation for Chartered Status 2016 (April)**

### **Paper C4 - 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 extensive fire damage at The Partridge Inn, a popular public house and restaurant with 5 letting bedrooms in a rural location.

The main part of the property dates back to the 18th Century and is Grade II\* listed. The structure is predominately timber framed with external walls of local brick which is part rendered. The roof is covered with clay tiles made from local materials. In the mid-1970s, a single storey brick extension was added to the side of the building. The side extension has a flat, felt-covered timber roof and accommodates a commercial kitchen.

At the time of the fire, a new extension to the restaurant was being constructed in the form of a large conservatory overlooking the gardens to the rear. These works were taking place at a traditionally quiet time of year for the business, so that the restaurant could be closed with minimal impact to the revenue. The business continued to provide a limited menu of hot food, which was served in the bars. The conservatory is being constructed by a local contractor under a JCT Minor Works Contract.

It is suggested that the fire started in an automatic glass washing machine located in the utility area adjacent to an internal partition recently erected to screen the premises from the construction site.

The fire has damaged part of the main roof of the premises, the 1970's extension and the conservatory, which was nearing completion. A large proportion of the property is affected by smoke and extinguishment water.

You are appointed by the Insurers of Mr Robson and Mr Daniels who have been tenants of the property for 5 years. The property is owned by Gresham Inns Ltd with whom the Insured hold a 20 year lease.

The cover provided by the Policy is as follows:

Gross Profit £920,000  
Indemnity Period 12 months.

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

You are advised that Mr Robson and Mr Daniels have a separate Material Damage Policy which covers Contents and Tenant's Fixtures and Improvements. In addition, Gresham Inns Ltd have a policy covering the buildings and loss of rent (12 month Indemnity Period). Both of the Material Damage Policies are subject to warranties standard for this type of risk and provide cover on a reinstatement basis.



**\* NOTES FOR CANDIDATES**

- A listed building is a building of historic importance that is protected by law. The level of its importance is governed by the grading, with Grade I being the highest.
- Restrictions are placed on works that can be carried out to such buildings and, in the event of damage, the property has to be reinstated to its original style using comparable materials.

**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**

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

- i) "Initial Measures", to include your rationale
- ii) "Recovery", covering the information required to consider a potential recovery and any recommendations concerning additional enquiries that should be made.

**50 MARKS**

**QUESTION 3**

The Insured's broker requests that you put your explanation and plan to resolve the claim in writing. The broker also requires written confirmation that the sums insured are adequate and that no penalties will apply to the claim settlement.

Prepare a suitable letter in reply to all of the points raised by the broker.

**50 MARKS**

**QUESTION 4**

Mr Robson was unable to meet you on site due to other business interests in another part of the country.

He has sent you an email requesting an explanation of the purpose of the visit and your role in settling the claim.



Mr Robson has expressed concern about the potential delays in reinstating the fire damaged building and the adverse long-term effect on the business. He states that he has been advised by the landlord's surveyor that, for a listed building, it can be nine months before any repairs can start.

Mr Robson also requests your guidance on the costs that the Business Interruption policy will cover in respect of professional fees and other costs they will incur in researching alternative options such as terminating the lease and relocating to alternative premises.

In order for the business to manage its cash flow, he requests details of the arrangements that you will make for regular interim payments to cover the loss of trade.

Write an e-mail to Mr Robson in response to the issues he has raised.

**50 MARKS**