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The Chartered Institute of Loss Adjusters
Accreditation for Chartered Status 2016 (April)

Paper C4 - Liability

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 received instructions to handle liability claims involving public liability and employers' liability for both property damage and personal injury.

The instructions relate to a horse riding school and stables. The business and the premises are owned by Beth Black and her mother Susan Noakes. They purchased the business as a going concern in 2004. The business is a private limited company and an approved riding establishment.

The business provides stabling for 36 horses, there are 8 acres of grazing land and an indoor and outdoor riding school. The business receives revenue from horse owners for the stabling and care of their animals and Beth Black provides riding lessons to groups and individuals of all ages.

The business employs three stables hands, all of whom are paid on a self-employed basis, and two apprentices under a government part-funded scheme. In addition, there are four teenagers aged 13 to 15 years, who work as volunteers at the stables at the weekends. The volunteers are provided with free riding lessons as and when there is capacity.

On Saturday 12th June, the business owners arranged a charity riding event for their pupils and pupils from two other riding establishments. An entrance fee was charged to all attendees and a further fee was charged for horses to enter a number of different jumping events to be held in the outside riding school. The revenue collected was to be divided equally between the riding school and a nominated charity.

Susan Noakes arranged for her friend Rachel, who has a food hygiene qualification, to provide refreshments at the event. The catering included hot food to be prepared on a gas barbecue which Rachel borrowed from a friend at no cost. In addition, she purchased the food and drinks and agreed that all of the profit from the catering would be passed to the business owners.

At 15.00 hrs on the afternoon of the event, whilst the parent of a child attending the event was helping to cook food on the barbecue, there was a loud explosion and flames rose from the gas canister attached to the barbecue.

As a result, horses waiting nearby to compete in an event violently reared, throwing several riders from their horses. Three horses escaped, causing damage to a nearby car and injury to one of the volunteer workers.

Claims were made against the business as follows:

Rachel - Responsible for the catering at the event.

Claim - Shock, injury, loss of earnings and damage to clothing.

Rachel, a self-employed hairdresser, suffered burns to her left hand and lower left arm. She was required to attend at the local hospital for emergency treatment.



Gemma - A volunteer worker at the stables.

Claim - Shock, injury and damage to her riding hat and clothing.

Gemma is a 14 year old student and has worked as a volunteer at the yard on Saturdays for 12 months. At the time of the incident, she was in charge of the running order for the events in the outdoor riding school and was knocked down when a horse bolted. Gemma required hospital treatment for a fracture to her right shoulder.

Norman - An electrician and parent of a child participating in the event.

Claim - the cost of replacing his car and out of pocket expenses including removal of the damaged vehicle and car hire charges.

The policy provides Public Liability cover with a limit of indemnity of £5,000,000 and Employers' Liability cover with a limit of indemnity of £10,000,000.

QUESTION 1

Outline all the enquiries, detailing your rationale, you should undertake to establish as far as reasonably possible at your first visit:

- a) Whether the Public Liability Policy, Employers' Liability Policy provides cover for the business concerned
- b) Whether there was a legal liability to the three persons concerned
- c) Quantum.

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

QUESTION 2

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

- a) "Outstanding Actions", in which you detail the further inquiries that you still need to make and also any information that you are awaiting from the Policyholders
- b) "Policy Liability", covering both your initial views on Policy cover and any further information required from any of the parties, including the Insurers.

50 MARKS



QUESTION 3

- a) You are asked to take a statement from Rachel. Provide the detailed information you would include in the statement, explaining why the information will be beneficial and the arrangements you would make to ensure the statement was valid.
- b) The Policyholder's Insurance Broker requests that you write to him explaining how the claim might be handled. Prepare a suitable letter to the Broker explaining the claim procedure (including any steps that are required to comply with the Civil Procedure Rules), what actions you will be taking to establish whether a legal liability exists and how your decision will be communicated to the claimants. The letter should also include what action will be required of the Policyholder.

50 MARKS

QUESTION 4

The Insured's broker has contacted the insurance company to express dissatisfaction with the intrusive nature and level of detail of the information you have requested from the Insured and the claimants.

The basis of the dissatisfaction refers to the Insured's concerns that the nature of your enquiries and requested information is both:

1. inappropriate for a claim of this nature, and
2. causing unnecessary distress and anxiety to the Insured and their customers, after a very traumatic event.

The broker has indicated that their client is concerned about the adverse impact your enquiries are having on the reputation of the business and suggests that, if you continue, they will take action to prevent you from undertaking further investigations.

The Insured also requires details of all of the information and the enquiries you have completed to date, together with a list of all parties with whom you have shared this information.

The insurance company has requested that you prepare a letter to the Insured in response to these concerns.

50 MARKS