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The Chartered Institute of Loss Adjusters

Accreditation for Chartered Status 2016 (October)

Paper C4 - Property Commercial

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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C4 Property Commercial Examination, October
2016



ANSWER ALL QUESTIONS

You are instructed to deal with a claim for storm damage that has occurred at premises occupied by ACG Lighting Ltd, a manufacturer and distributor of domestic electric light fittings.

The premises comprise a detached industrial unit of steel frame construction, clad and roofed with profile steel sheeting. The premises accommodate the various manufacturing and stock storage facilities. There is separate office accommodation in a single storey, brick-built annexe to the front of the building.

The Policy issued by your Principals comprises a commercial All Risks policy. The cover provided by the policy is as follows:

- Buildings £520,000
- Stock £80,000
- Machinery and plant £160,000
- Trade contents £55,000.

At your site meeting with Mark Gilbert, the owner of ACG Lighting Ltd, you identify that:

- a) During the storm, various roof sheets were dislodged by high winds and, due to the accompanying torrential rainfall, a considerable volume of rainwater cascaded into the premises and directly onto a quantity of finished products and spare parts for the machinery and plant.
- b) A substantial volume of rainwater also entered the separate office accommodation, damaging floor coverings and various contents.
- c) Your Principals' Policy incorporates the following warranties:
 - i) A stillage warranty which requires that all finished stock must be stored on pallets or similar at least 30 cm above floor level. You confirm that this warranty was applied due to the presence of a nearby water course and the potential risk of flooding from that particular source.
 - ii) A second warranty contains specified requirements regarding the number and positioning of fire extinguishment.

Neither of the warranties has been complied with. Mark Gilbert states he was not aware of these warranties; the cover was arranged through their brokers and insurers did not complete a risk survey.

- d) The Insured occupy the building as tenants and believe that, in the terms of the lease, they were required to arrange the necessary building insurance.



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. The Insured requests that you put your explanation and plan to resolve the claim in writing. Prepare a letter to the Insured explaining the claims procedure and what actions you will be taking to assist the Insured. The letter should also include the action that will be required by the Insured.
- II. The Insured are concerned that the business revenue will be reduced. What guidance should you provide to the Insured on how this might be minimised in the absence of any business interruption insurance?
- III. The brokers have contacted you requesting your 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.

50 MARKS

QUESTION 3

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

- I. “Initial Measures”, to include your rationale
- II. “Policy Liability”, covering the information required to consider Policy liability and any recommendations concerning additional inquiries that should be made.

50 MARKS

QUESTION 4

Upon receipt of your preliminary report, your Principals instruct you to seek a recovery from the Insured’s landlord, TSA Holdings PLC.



On investigation, you discover that there has been a lack of maintenance of the eaves guttering, which over a period of time has become blocked with debris and leaves. You believe that, if the guttering had been properly maintained, it would have dealt adequately with the volume of rainfall at the time and that no damage would have occurred within the office accommodation.

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

50 MARKS