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The Chartered Institute of Loss Adjusters
Accreditation for Chartered Status 2017 (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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C4 Business Interruption, April 2017



ANSWER ALL QUESTIONS

You have been appointed to deal with a business interruption claim following an extensive ingress of waste water into a retail premises.

The risk property comprises the ground floor of a two-storey building of standard construction located in the middle of a terrace of retail outlets adjacent to the city university. The upper floor is leased separately and occupied as residential accommodation.

The Insured, YOD Ice Ltd, is the manufacturer, distributor and retailer of frozen yoghurt products. The business has one manufacturing/distribution centre and thirty-three retail shops located in university cities and towns across England.

YOD Ice Ltd took over the tenancy of the risk property in June 2016. After completing refurbishment works, the Insured commenced trading at the start of the first week of the university term in September 2016.

The premises comprise a storage area, a serving counter, and tables, chairs and benches for use by customers.

Initial enquiries indicate that the ingress of waste water was caused by the occupants of the first-floor flat, who used the toilet to dispose of waste paper materials which blocked the toilet waste pipe. You are advised that there had been similar instances prior to June 2016.

The risk premises are insured under the terms of a group policy covering all of the Insured's business activities and locations.

The cover provided by the group policy is as follows:

Gross Profit £4,750,000
Indemnity Period 24 months.

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

You are advised that there is a material damage policy that is subject to warranties standard for this type of risk and that the loss adjuster acting on Insurers' behalf has already visited.



QUESTION 1

Outline all the enquiries you should undertake to establish:

i) Extent of policy liability, if any. *(30 Marks)*

ii) Reserve. *(20 Marks)*

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

i) 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. *(25 Marks)*

ii) Your Principals have instructed you to seek a recovery from the occupants of the first-floor flat above the risk premises.

a. Prepare a letter notifying them of your Principals' intention. *(10 Marks)*

b. Propose, detailing your rationale, the steps that should be taken to achieve a successful recovery. *(15 Marks)*

50 Marks

QUESTION 3

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

i) Interruption Features. *(25 Marks)*

ii) Action taken to Mitigate the Loss, detailing your rationale. *(25 Marks)*

50 Marks



QUESTION 4

- i) The brokers, PQG Insurance Ltd, have contacted you requesting 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. Provide a critical assessment of the methods you propose.
- (25 Marks)*
- ii) The premises reopened for business 10 weeks after the incident. The Insured has requested your consideration of the following aspects of their business interruption claim:
- a. Settlement of the claim in advance based on a 12-month Indemnity Period. The Insured maintains that the business will not achieve the projected income throughout the remainder of the current academic year as university students frequent venues they become familiar with during their first two weeks at university.
 - b. Reimbursement of a £10,000 budget spent to promote the business during the first week of the academic year.

Draft a detailed written response to the Insured.

(25 Marks)

50 Marks