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The Chartered Institute of Loss Adjusters
Accreditation for Chartered Status 2017 (April)

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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ANSWER ALL QUESTIONS

You are instructed to deal with a claim for fire damage to a detached, steel-framed industrial unit. The unit has brick external walls and a profile metal sheet roof.

The Insured, FRD Renew Ltd, lease and occupy the premises. FRD Renew Ltd are a furniture restoration company specialising in the refurbishment of furniture and fittings for the hospitality industry.

Two weeks prior to the fire, in response to an increase in orders, the Insured installed a prefabricated building in the yard to the rear of the premises to create an additional workshop to house newly purchased tools and machinery.

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

Stock £160,000

Contents, Machinery and Plant £160,000

The policy is written on a Day One Reinstatement basis and is subject to warranties, endorsements and extensions standard for this type of risk and commercial insurance policy.

There has been no review of the sums insured since renewal of the insurance ten months prior to the fire damage.

Your initial enquiries identify:

- There is extensive fire damage to stock, contents and machinery within the permanent premises.
- The fire started in an area used for the storage of finished goods.
- The fire was caused by intruders who accessed the property through an unsecured side door.
- The damaged stock includes a large consignment of finished goods awaiting delivery and for which payment was made in advance by the customer.
- There is a significant quantity of trade waste stored in an internal open area.



QUESTION 1

Explain all the enquiries you should undertake to establish the:

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

ii) Reserve under each section of the policy. *(20 Marks)*

Your answer should include your rationale and the type and sources of information you require to establish the above.

You are **NOT** required to set a reserve.

50 Marks

QUESTION 2

i) Following your site visit, 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.

(30 Marks)

ii) Four weeks after your initial site meeting, you receive an email, attaching a letter of authority from ODE Partnership, a loss adjusting company, informing you that they are appointed by FRD Renew Ltd.

ODE Partnership inform you that FRD Renew Ltd are dissatisfied regarding the slow progress in resolving the claim. They advise that FRD Renew Ltd are to make a referral to the Financial Ombudsman Service to ensure they are fully compensated for any uninsured losses and inconvenience they have suffered due to the incident and your delays.

Prepare a suitable written response to ODE Partnership.

(20 Marks)

50 Marks



QUESTION 3

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

- i) Initial Measures, to include your rationale. *(25 Marks)*
 - ii) Recovery, covering the information required to consider a potential recovery and any recommendations concerning additional enquiries that should be made. *(25 Marks)*
- 50 Marks**

QUESTION 4

- i) Explain the information required and the steps you should take to establish the adequacy or otherwise of the sums insured. *(15 Marks)*
 - ii) Your further enquiries confirm that both the Stock and Contents sums insured are inadequate. Using your own values in worked examples, detail how settlement of both the Stock and Contents claims will be calculated. *(15 Marks)*
 - iii) Using the values used in question 4, draft a letter to the Insured explaining the rationale for, and the effect of, underinsurance on the claim settlement. *(20 Marks)*
- 50 Marks**