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

**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 act for the public and products liability Insurer of an electrical fitting manufacturer and wholesaler, KMB Electrical Supplies Ltd (KMB).

A fire occurred in the property of Ms Blythe on 31<sup>st</sup> January 2017. The cause is alleged to be a defect in a light fitting in the en-suite bathroom. The light fitting was installed when the bathroom was refurbished by Longs Builders Ltd (Longs) in December 2016.

Ms Blythe engaged Longs as main contractors for the refurbishment works at her home. Longs selected and purchased the materials from Brighten Electrics Wholesale Ltd (BEW). BEW have a sole supplier arrangement with KMB for light fittings.

KMB have received a letter of claim from Ms Blythe for full recovery of the cost of repairs to her building and contents and compensation for her loss of income, personal injury and distress, on the grounds that the source of ignition was a light fitting manufactured and supplied by KMB.

### QUESTION 1

Outline the enquiries you would make to establish:

- i) Whether the Policy should operate to indemnify the Insured in respect of Ms Blythe's claim for compensation  
(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 detail your conclusions on Policy liability or to set a reserve.

**50 MARKS**

### QUESTION 2

- i) You have arranged to take a statement from Ms Blythe. Detail the information you would include in the statement, explaining why the information will be beneficial and the arrangements you would make to ensure that the statement was valid.  
(20 Marks)
- ii) The Insured's Broker requests that you write to him with an explanation of 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 claimant.  
(20 Marks)

- iii) You subsequently receive an email from the Broker seeking your guidance regarding the requirement for the Insured to recall the light fitting to avoid the potential liability for further claims. They also request confirmation regarding the costs that are covered under the terms of the Policy should the product be recalled. Draft your email response to the broker.

*(10 Marks)*

**50 MARKS**

### QUESTION 3

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

- i) “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 Insured

*(25 Marks)*

- ii) “Policy Liability”, covering both your initial views on Policy cover and any further information required from any of the parties, including the Insurers.

*(25 Marks)*

**50 MARKS**

### QUESTION 4

The Insured has contacted the insurance company to express dissatisfaction with the intrusive nature and level of detail of the information you have requested from themselves and the claimant.

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

- a) inappropriate for a claim of this nature, and
- b) causing unnecessary distress and anxiety to their customer, after a very traumatic event.

The Insured has also expressed concern about the adverse impact your enquiries are having on the reputation of the business and suggest that, if you continue, they will take action to prevent you from undertaking further investigations.

The Insured has also requested that the insurance company arranges an urgent and substantial interim payment to the claimant, Ms Blythe, as she has no insurance.

The insurance company has requested that you prepare a letter to the Insured in response to the concerns and issues raised. The insurance company requests that your reply includes reference to the Insured’s responsibilities under the Policy.

Prepare a letter to the Insured in response to all the points raised.

**50 MARKS**