



STRICTLY PRIVATE & CONFIDENTIAL
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The Chartered Institute of Loss Adjusters

Accreditation for Chartered Status 2018 (April)

Subsidence

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 been appointed to deal with a Subsidence claim.

The risk property is a three-storey, six-bedroomed, semi-detached house constructed of solid brick external walls under a pitched tiled roof. The non-load-bearing partitions within the property are constructed of lath and plaster. The property is located within a conservation area.*

The main part of the house was built in 1903. In 2009, a 3m, single-storey extension was added to the side to accommodate a larger kitchen and to create a downstairs utility room and toilet.

When the extension was erected, the planning consent required that the foundations were to a depth of 3m below the existing shallow foundations due to a history of subsidence in the immediate vicinity and the property being located on the bank of a nearby stream. The stream flows past the risk property into a local authority playground.

The subsoil in the area is known to be clay of a shrinkable nature, although there are also some large pockets of limestone.

The Policyholder, Mr Beckett, advises that he noticed cracking on the walls to the side extension, where the main house adjoins the side extension. Initially he thought it was simply differential movement and he took no action. Approximately three months later, the ground floor lavatory located in the extension backed up and Mr Beckett used a set of drain rods to clear the drains to the side of the property. He then flushed the downstairs toilet and found that no water flowed through the drains.

After speaking with a friend, who is a surveyor, he contacted a local drainage company. Due to existing workloads, the drainage specialist did not attend to inspect the property for a further three weeks. During this time, the cracking became more severe and the Policyholder also noticed water rising up between the paving slabs to the side of the property.

On attending, the drainage experts advised that the drain located to the side of the property had partially collapsed and that they would need to excavate the whole area and renew all the drains.

The Insurers provide a typical household policy including subsidence and heave as follows:

- i) Buildings £650,000
- ii) Alternative Accommodation £65,000

From your initial expert inspection, you identify the following:

- The most likely cause of the cracking is subsidence due to the washing away of the soil beneath the foundations of both the main house and the extension due to the leaking pipe

- The property is uninhabitable as it is not appropriate to use any of the water services until the drainage has been rectified
- The drain was installed at the time of the construction works in 2009 and the most likely cause of the fault in the drain is inappropriate construction
- There are three large trees in the neighbour's property which could also be influencing the damage to the drains and/or movement to the Insured's property
- Waste water has been seeping into the ground and discharging into the adjacent stream
- There is significant movement, measured at 8mm at its widest point.

* A **conservation area** is an area of special architectural or historic interest. It is designated by the council to help preserve and enhance the area's character and appearance.

QUESTION 1

Explain, including your rationale, all the enquiries you would undertake to establish:

- a) Extent of Policy liability, if any
- b) 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 set a reserve.

(50 Marks)

QUESTION 2

Explain how you should respond to the following:

- a) The Policyholder asks you to advise whether you consider the sums insured to be adequate. Detail the information required and the steps you should take to establish the adequacy or otherwise of the sum insured.

(15 Marks)
- b) The Policyholder has asked for an advance payment for alternative accommodation. He also advises that he will require kennelling for two dogs and accommodation for his parents who are arriving from Ireland in a few days with a planned stay for one month with the Policyholder.

(15 Marks)
- c) The Policyholder requests that you put your explanation and plan to resolve the claim in writing. Prepare a suitable letter to the Policyholder explaining the claim procedure and what actions you will be taking to assist him. The letter should also include what action will be required of the Policyholder.

(20 Marks)

(50 Marks)

QUESTION 3

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

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

QUESTION 4

- a) Four weeks after your initial site meeting, you receive an email from MIK Partnership, a loss adjusting company, informing you that they are appointed by Mr Beckett and attaching his letter of authority. They state that Mr Beckett is dissatisfied regarding the slow progress in resolving the claim. They also confirm that the matter is being referred to the Financial Ombudsman Service to ensure that their client is fully compensated for any losses, insured or otherwise, and the inconvenience he has suffered due to the incident and your delays. Prepare a suitable written response to MIK Partnership.

(25 Marks)
 - b) As you cannot be certain whether the neighbour’s trees are affecting the risk property, you are to write to the neighbour, Mr White. Draft a letter to Mr White explaining the legal position and what action he is required to take.

(25 Marks)
- (50 Marks)**