

# GENERAL RELATED ISSUES TO WATCH OUT FOR IN FUTURE SITTINGS

DO.2	DON'TS					
Start studying for the next diet early (from November/December for April diets and May for October diets)	Concentrate all your time and effort on Part 1 @ the detriments of Parts B & C (Diploma & Advanced)					
Start each question on a fresh page	Write after invigilators have declared "time-up"					
Read and follow instructions clearly (ensure you download and read the "students" instructions" from the website)	Write your name on any part of the answer scripts					
Master the tricks of answering questions intelligently by following tips learnt before the exams and concentrating on questions that would fetch you more marks.	Nurture fear on any subject. There is no subject that distinction cannot be obtained.					
Attend the Annual Students' Forum	Avoid the Annual Students' Forum					

CANDIDATES SHOULD VISIT & UNDERSTAND THE CONTENTS, REGULATIONS AND GUIDELINES/MARKET AGREEMENTS

ETC ON THE FOLLOWING SITES naicom.com (NAICOM), nigeriainsurers.org (NIA); ncrib.net (NCRIB); nigeriailan.com

(ILAN); clinigeria.com (CIIN)

INFRACTIONS ON ANY OF THE INSTRUCTIONS COULD LEAD TO STIFF SANCTIONS. DO NOT BE A CULPIT.

ANY CANDIDATE CAUGHT AND/OR FOUND TO BE CEHEATING/HAVE CHEATED, WILL BE BARRED FROM PARICIAPTING
IN ANY OF THE INSTITUTE'S EXAMINATION ACTIVITY FOR TWO (2) YEARS AND THE EMPLOYER WILL BE DULY INFORMED

OF ANY SUCH INCIDENCE(S).

STOP WORKING HARD TO FAIL!!! START WORKING EFFORTLESSLY TO PASS OUTSTANDINGLY!!!

## CHARTERED INSURANCE INSTITUTE OF NIGERIA POST AIIN - FOUNDATION 2023 OCTOBER EXAMINATION

#### **SUBJECT - PF02**

PF02 - LOSS ADJUSTING INSURANCE PRACTICE



All answers should be shaded on the answer form in accordance with the following instructions:

- Two hours are allowed for this paper.
- Fill in the information requested on the answer form and attendance form.
- Handle the answer form with care and do not write notes on it.
- No marks are deducted for incorrect answers, so do not leave any questions unanswered.
- The answer form should be handed over personally by you to the invigilator before you leave the Examination Hall.
- Insert your candidate's number as given on your admission permit and any other particulars required on the answer form.
- Ensure that you write the full and correct candidate's number.
- If you bring a calculator into the examination room, it must be silent battery or solar powered non-programmable calculator. The use of programmable calculator is prohibited.
- No name should be written on the answer form.

FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL) WILL ATTRACT STATED SANCTIONS AS STATED IN THE OCTOBER 2023 DIET POST ASSOCIATESHIP CANDIDATES' INSTRUCTIONS.

## CHARTERED INSURANCE INSTITUTE OF NIGERIA PF02 - FOUNDATION

LOSS ADJUSTING INSURANCE PRACTICE

#### INSTRUCTIONS TO CANDIDATES

#### READ THE INSTRUCTIONS BELOW BEFORE ANSWERING ANY QUESTIONS

#### Section A

The questions 1 – 60 in this paper are numbered and four options follow each question. The options are labeled a,b,c,d. Only one of these options is correct. Select your answer for each question and indicate it on the answer form by filling in the appropriate box.

#### **Example:**

The major role of a Loss Adjuster in claims processing is...?

- (a) Pay the claim (b) Interpret the policy
- (c) Advice on the admissible claims and quantum (d) Collate claims estimate.

The correct option is (c)

#### Section B

Questions 61 – 85 are to be answered as either True (T) or False (F). Select your chosen option and indicate it on the answer form by filling in the appropriate box.

#### Example:

The Insurance market consists of different categories of intermediaries.

The correct option is True (T).

#### **Section C**

Questions 86 – 100. This section contains four (4) case studies each followed by some questions. The case studies are not numbered and appear at the top of the page. Each of the questions following a case study is numbered. Four options follow each question. The options are labelled, a, b, c, d. Only one of these options is correct or best. Select your answer for each question and indicate it on the answer from by filling in the appropriate box.

### SECTION A - ATTEMPT ALL QUESTIONS (Questions 1 - 60)

1.	An adj (a) (b) (c) (d)	analyse the cia view the claim has the insurer engage expert	rcumstan with for influe	ances of the airness to be nce its action	claim oth the ins on			adjuster	
2.	The fin (a) (c)	rst Loss Adjusti T.A. Braithwa C.T. Bowring	ite		(b) (d)		national Loss .ne Technical	Adjuster	
3.		cts between los eement except . personal	•	ies.	-	·	arise from an	•	llowing
4.	Which (a) (b) (c) (d)	of these is a vi Application For Claim details Training recor Certificate of	orm 22 of high ds of a	est value of ll loss adjus	claim han ters		,		
5.	Essent (a) (b) (c)	ial communicat good phonics identifying no avoiding misu	n-verba	al clues and		_	of above		
6.	Which (a) (b) (c) (d)	is the first basic Conduct mark Communicate Take photogra Conduct discre	et surve the not aph exh	ey tice of appo ibits			-	pointed on	claim?
7.		case of Ajala & of a deceased p martial interesting insurable interesting.	erson h st					ut by the de terest	
8.	The pi	oneer members 12	of the (b)	Institute of 8	Loss Adju (c)	ster of 1	Nigeria were (d)	21	
9.	The co (a) (c)	ommon form of court proceedi mediation and	ings	-	te resolutio	on" is th (b) tort ac	NAICOM		

10.	Who among the names stated below has not been a president of ILAN?									
	(a)	Chief Lebi C	Omoboy	owa	(b)	Mr. D	)arlingto	n Mgb	ojikwe	
	(c)	Chief Yinka	Omilan	i	(d)	Mr. E	ddie Oko	onkwo		
11.	Whic	h of these is no	ot a bene	efit to an Asso	ciate of I	FAA?				
	(a)	Discounted 1	rates to 1	the IFAA educ	cational c	onferen	ices			
	(b)	Entitlement	to use th	ne designation	of AIFF.	A or FII	FAA as t	he case	e mav b	e
	(c)			ocessing of visa					•	
	(-)		-	ed as loss adju						
	(d)			icate of fellow			eship			
12.	Intere	est can be class	ified in	insurance con	tract as .					
	(a)	pecuniary, le				(b)	insurat	ole inte	erest	
	(c)	material dan	_	~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~		(d)	subrog			
13.	In	. an expectation	n to acc	uire an interes	t before t	he exni	ry of the	nolicy	is insu	rahle
13.	(a)	fire insurance	-	motor insur		(c)	marine			idoic
	(d)	accident insu	` '	motor msur	шисс	(0)	marme	msure	incc	
14.	A per	rson insured un	der a co	ontract of insur	ance is r	equired	by law t	o have		
	(a)	subrogation	right		(b)	insura	ance poli	cy doc	ument	
	(c)	insurable int	erest		(d)	utmos	st good fa	aith		
15.		Section of the								
	recei	vable for a pers	son who	has insurable	interest i	in a life	or event	is Sect	tion	
	(a)	4	(b)	52	(c)	58		(d)	59	
16.	How many days is allowed for cancellation notification in a standard policy?									
	(a)	7 days	(b)	15 days	(c)	21 da	ys	(d)	30 da	ys
17	NI A T	COM			1 1	1				
17.		COM can enfor	ce powe	er on any errin	_		•	C		
	(a)	intervention	1	1.	(b)	-	oline and	enforc	ement	
	(c)	civil and for	mal rem	ledies	(d)	(a) &	(b)			
18.		ther the terms of								
		t is required by		-	ract of ir	isurance	e and the	contra	ect will	therefore
		. If the requisit								
	(a)	illegal	(b)	cancelled		(c)	endors	ed	(d)	judicial
19.	Unde	er the STR. the	-	ormat using Fo	orm AMI					ormation
	(a)	amount invo				(b)	source			
	(c)	customer's b	ank det	ails		(d)	nature	of tran	saction	
20.		amount of fine		•		naking 1	ny false	return	and or r	ecklessly
	_	g false informa								
	(a)	<del>N</del> 100,000.00	) (b)	<del>N</del> 150,000.0	0  (c)	<del>N</del> 250	,000.00	(d)	<del>N</del> 500	00.000

21.		Declaration of Ownership of Interest Evidence of Payment of Professional Indemnity Policy						
22.	In (a) (c)	Lawrence J. gave a classic definition African Alliance Tailor Wood Johnson V. Johnson	of insur	rable int (b) (d)	Lucen	a v Crauford v Anderson		
23.	anothe	on 56(1) of the Insurance Act 2003 decempers on on any other event whatso ose benefit the policy is taken out has not service level agreement contract agreement	ever sh	all be n	ull and iterest i	void where the person		
24.	Loss A (a) (c)	Adjusters render service mainly to insurance companies general public	(b) (d)	claima reinsui		ompanies		
25.	The us (a) (b) (c) (d)	be of loss assessors is increasing because brokers and direct policy holders see loss adjusters have more work to do the insurers prefer a loss assessor to NIA is encouraging the practice	ek for w	•	naximis	se their claim returns		
26.	Cultur (a) (c) (d)	e can be defined as good conduct acceptable norm among people or pr professional ethics	(b) rofession		f condu	act		
27.		ung v Sun Alliance (1976), the insured epage of water into a cloakroom was . rain water (b) an act of God	••••	n failed		e he could not show that windstorm		
28.	Loss A (a) (c)	Adjuster's financial integrity means regulatory rules ability to communicate		(b) (d)	reputa transp	tion arency of earnings		
29.	How d (a) (b) (c) (d)	lo we prevent an "error and omission of By putting effective risk management By failure in management By compliance with policy By full documentation			ı place			

30.	The main goal to achieve in conflict management is to  (a) reduce cost of litigation								
	(b)	get all parties to agree on the resolution							
	(c)	pay the insurance offer on the claim							
	(d)	create relationships between all the parties							
31.		role does private investigations play in claims		-					
	(a)	gives a second opinion on the report issued	by a lo	ss adjuster					
	(b) (c)	serves as independent claim adjuster investigate cases where moral hazard is obv	ionaly	noted in a claim					
	(d)	both (a) and (c)	Tousty	noted in a ciaim					
32.	In an insurance contract, the appointed loss adjuster is strictly guided by terms and conditions that are stated in the policy document which is the evidence of the contract. However, application of would be necessary where relevant								
	(a)	conditions	(b)	warranties					
	(c)	implied conditions	(d)	technology					
33.	Insura	able interest is defined as the of the insure	d on th	e subject-matter of insurance					
	(a)	national interest	(b)	personal interest					
	(c)	pecuniary interest	(d)	loyal interest					
34.	Loss Adjuster's final assessment report is expected to answer the following questions except								
	(a)	if liability attaches	(b)	quantum of liability					
	(c)	proximate cause	(d)	premium payable					
35.	In Leyland Shipping v. Norwich Union Fire Insurance Society Ltd (1918), it was stated, "the cause which is truly proximate is that which is in efficiency".								
	(a)	collaborative (b)		y and deliberate					
	(c)	recklessly	(d)	proximate					
36.	Insurers still use the services of the loss adjusters, notwithstanding the increased costs because of the following, except								
	(a)	inter-disciplinary skills	(b)	expert knowledge					
	(c)	fairness	(d)	publicity					
37.		vision of Institute of Loss Adjusters of Nigeria	is to b	e Africa's leading loss adjusting					
		ute by providing the following, except							
	(a)	value to the insurance market							
	(b)	member' continued training and education							
	(c)	profitable turnover							
	(d)	the development of efficient processes							
38.	One o	of the following breaches by the insured can	lead to	o repudiation of liability by the					

insurer.

	(a) (c)	Non-disclosure of public information Innocent misrepresentation	n	(b) (d)	Fraud typographical error						
39.		Adjuster advising the claimant of their sment of loss/damage is consistent with									
	(a)	negotiation (b) fairness	(c)	adjus	tment (d) assessment						
40.	by or	each of term, whether called a warranty afford a defence to the insured unless insured against according what Section	the ter	m is ma	terials and relevant to the risk or						
41.	Risk (a) (d)	management function does not include identify risk (b) analysis of risk control		(c) sp	peculative analysis						
42.	Advocates of nominated loss adjusters clause in an insurance policy argue that it allows for seamless claims experience except that the clause may affect										
	(a)	appointment of foreign loss adjuster		(b)	fair competition						
	(c)	ILAN		(d)	insurers						
43.	throu	Sometimes loss adjusters may be required to report to the reinsurer directly without going through the cedant, even though the loss adjuster was appointed by the cedant, provided the policy is having									
	(a)	average control clause	(b)	gener	al average clause						
	(c)	claims control clause	(d)	treaty	clause						
44.	Loss assessors are appointed by policyholders in view of the following except										
	(a)	claim preparation		(b)	meeting with insurers						
	(c)	relating with ta authority for rebate	(d)	relati	ng will loss adjusters						
45.	General exceptions to a short-term policy include those risks which an insurer and indeed the short-term market will not, as a general rule, accept. This include all of the following among others, except										
	(a)	politically motivated damage	(b)	war d	amage						
	(c)	impact damage	(-)	(d)	nuclear risks						
46.	for d	ogation occurs in property/casualty insamages, then claims against others who		have, ex	cept						
	(a)	caused the loss		(b)	witness the loss						
47	(c)	insured the loss		(d)	contributed to the loss						
47.		oss is caused by two (or more) concur									
	the of	ther not mentioned at all or is expressly .	exclud	ied and	n me iosses cannot de separated,						
	(a)	insurer will avoid liability totally									
	(b)	policy section covering a part of the	loss w	ill be lia	able to pay the claim in full						
	(c)	insurer will pay partly									

48.		surer may offe s done by way			er than tl	nose mentione	d in the	operative clause.
	(a)	exclusion	(b)	limitation	(c)	endorsement	(d)	extension
49.	collap		lamagin d by	g an adjoinin				ate and the wall ling may be said fire
50.	Loss A	Adjusters perfo	rm an ii	ncreasing ran	, ,		, ,	h the insurer and
	their c (a) (c)	lients. One of t publication of buying of salv	losses		(b)	supply of sta (c) risk r	tionery nanagen	nent
51.	Financ		e Unit (I gment o uivalent uivalent quivale	NFIU) and cop r transfer of fi t in the case of t in the case o	py NAIC unds in e of an indi of corpora	OM within sev xcess of vidual ate body		R) with Nigerian ays of any single
52.		e the licence of a sllowing are all receipt of pay evidence of co evidence that original copy	part of ment of urrent m the CEO	the requirement renewal fee nembership of D is a current	ents exce f NIA member	pt	is requir	red by NAICOM.
53.		iling of annualper day for ea	ch day		•	ss adjusting fi 15,000.00 (d)		attract a fine of
54.		the insurer/printransport experimental accommodation	ncipal for enses on expe ting to i	or the followinses nvolvement of	ng excep	•		to be reimbursed
55.		raining which e classroom tra	ncompa	asses the follo	owing, ex (b)		chnology	

insurer and insured will share the liability

(d)

	(d)	none of the ab	ove					
56.		nce available sl er and a/an	nows th	at the first lo	oss adjus	ting firm in N	igeria served botl	n as an
	(a)	apprentice	(b)	surveyor	(c)	broker (d)	underwriter	
57.	Good (a) (b) (c) (d)	set of compre Board of Dire	hensive ctors internal effecti	e internal con	trol procedures by	-	f the following. licies established al	by the
58.	Compa (a) (b) (c) (d)		sonal g method itoring	oals d(s) of comm activity and a	unication		<i>U</i> 3	
59.		enefit all parties	accord			onditions of th	me to an agreeme e policy, with the cousness is fulfille ve	aim of
60.		flict of interest in ons regarding a dual interest personal interes	primar		l be undu			lgment
SECT	TION I	B - ATTEMI Answer Tru		-	• -	uestions fro	m 61 to 85)	
61.		omplexity, size and by an indepe			could sug	ggest that clain	n should be approp	priately
62.	The ce	elebrated case o	f Rozar	nes v. Bowen	(1928) g	ave a judgmen	t on proximate ca	use.
63.		sional loss adj			consister	nt and willing	to practice with	nin the

The first ILAN President is Chief (Senator) O. O. Omilani of Yinka Omilani & Associates

64.

Limited.

- 65. In material damage insurance, there must be a physical object which is capable of being destroyed, lost or damage.
- 66. Sworn declaration of reasonable care to secure continuous compliance with the provision of the Insurance Act 2003 is a requirement for registration of a loss adjusting firm.
- 67. Loss adjusters must adhere to best international practices by way of regular staff visits and giving of monetary tips to insurance companies.
- 68. Trust is the result of good conduct and this is generated when a loss adjuster meets or exceeds the insurer expectations on the claim adjustment.
- 69. When dispute arises in claims settlement, the best of action negotiation.
- 70. Not only does the loss adjuster need to understand the policy terms and conditions to advise on liability, but the loss adjuster must also be skilled in the art of negotiation to make settlement free of rancor.
- 71. By establishing clear communication, the loss adjuster will avoid misunderstandings that could prevent the parties from reaching a compromise.
- 72. Insurance contracts rely on all parties to the contract to observe the principle of utmost good faith.
- 73. In a situation where incompetence is alleged by the Insurers following receipt of a loss adjuster's report, the loss adjuster should show the process by which he arrived at his decision including presenting a certificate of competence received from a recent training adjusting dynamics.
- 74. Material circumstances are confidential information acquired through a business relationship unconnected to the contract of insurance.
- 75. Material representations of fact must be substantially correct.
- 76. As at date in the Nigerian insurance industry, there is agitation for upward review of the loss adjuster's scale of fees.
- 77. The current applicable minimum fee as per the market agreement between the Nigerian Insurers Association and Institute of Loss Adjusters of Nigeria representatives N50,000.00.
- 78. Material representations of expectation or belief need not to be made in "good faith".
- 79. Prior to the implementation of the Insurance Act 2003, an insurer would be entitled to avoid the whole contract where the commercial proposer had failed to disclose all material information whether asked for it or not.

- 80. One of the sources of conflict in insurance contract could be technical error/omission in the loss adjuster's report, which may lead the report to be rejected by the insurer.
- 81. One of the options available to insurers handling rejected adjusters' report is to ignore the report.
- 82. The impact of the Insurance Act 2003 on "warranties" contained in the policy is that warranty can no longer automatically terminate the contract.
- 83. Insurance Act 2003 section 55 (2) provides that where there is a breach of term of a contract of insurance, the insurer shall be entitled to pay the whole or any claim brought on the grounds of breach even if the breach amounts to a fraud.
- 84. The loss adjusting firm is to be well versed in the obligations of the loss adjuster's principal to the insured in the claim settlement process.
- 85. Corporate culture refers to the shared values, attitudes, standards and beliefs that characterise non months of an organisation and define the nature of those members.

#### SECTION C- ATTEMPT ALL QUESTIONS (Questions 86 - 100)

#### Read the cases below carefully and answer the questions which follow.

In Winicofsky v. Army and Navy General Assurance Association Limited (1919), a policy included an exclusion clause which excluded liability for loss or damage occasioned by outbreak of hostilities, war and civil commotion and riots. During an air raid, goods were stolen from the insured's shop and insurers denied liability on the ground that the loss was caused by hostilities.

				tion and riots. I iability on the g	_					
86	Can the	e insurer make	ex-gra	tia payment to	the clai	mant?				
	(a)	No			(b)	Yes				
	(c)	All of the abo	ve		(d)	None o	f the a	bove		
87.	Can the	e insured reque	est to b	uy back the exc	clusion?	?				
	(a)	Yes, on paym	ent of a	additional prem	ium					
	(b)	No, since stan	dard ex	xclusion which	cannot	be bough	t bank			
	(c)	Yes, but polic	y word	ings had to be	reviewe	ed				
	(d)	Probably, pro	vided d	liscussion is ha	d with t	the broker	first			
88.	Policy document always contain its own specific exceptions. What was the specific exception in the case above?									
	(a)			commotion an	d riots		(b)	Civil	war	
	(c)	Hostilities	,				(d)		of the above	е
89.	What i	s the cause of	he loss	?						
	(a)	Air Raid	(b)	Hostilities	(c) W	arlike situ	uation	(d)	Rioters	
				Dogo <b>13</b>	of 22					

90.	Insurer (a) (c)	r did not admit liability becau False Negligence cannot be proved		ary perso	onnel ca (b) (d)	nnot be held liable True None of the above
equipn fire inc	nent. Al cident, t	though the company has an ac	ctive fire edgeable	e insurai on wha	nce cove t to do 1	ne damages to stock, plants and er with an insurer at the time of regarding quantification of loss of the policy.
records	s showi					despite availability of relevant as details of salvage items and
unable (stock	to gen	erate details statement of los , invoices. debit notes, delive	s from t	he vario	ous prin	LMTS Company Limited were nary data available in the safe otes and others not affected by
the fir	e polic	y covering building, plants,	machin	nery, sto	ock, fix	surer under various sections of ture and fitting including all premise, answer the following
91.	Which	of these policies will not cov	er a fire	loss?		
	(a)	Standard Fire Policy usehold Insurance	(b)		isk" Ins Fidelit	urance y Guarantee Insurance
92.	Which	of these policies will be better	r to be us	sed to co	over fluc	ctuating stock in the companies'
	shops?					-
	(a) (c)	Standard Fire Policy Household Insurance	(b) (d)			tion Policy nsurance
93.	Which (a) (c)	policy should the company u Computer Insurance Business Interruption Insura	(b)	"All R	isk" Ins	urance
94	The pr	inciple that enables LMTS co	mnany l	Limited	to buy	fire insurance is
	(a)	indemnity		(b)	•	nce interest
	(c)	contribution		(d)		nate cause
95.		as discovered that the cause s to this scenario?	of loss	was a 1	third pa	rty, which insurance principle
	(a)	Contribution	(b) Sul	brogatio	n	
	(c)	Indemnity		(d) Ins	urable i	nterest

Blackson Company Limited incepted a money insurance policy with an insurer with annual premium paid in line the NAICOM guideline on premium remittance and cover issuance and receipt of the premium was acknowledged by the insurer vide issuance of relevant policy document. The money insurance policy following sections indicated in the table below:

S/N	Description	Limit Anyone Incident (₹)	Annual Aggregate (₦)
1	Cash in Transit from office to bank and vice versa	1,000,000.00	10,000,000.00
2	Cash in safe	2,000,000.00	
3	Cash in custody of Chief Accountant	500,000.00	

Assuming compliance with terms and conditions the money policy by Blackson Company Limited and policy excess of \text{N}200,000.00 or 10\% - whichever is higher of every claim.

During the claim processing, it was discovered that the police report indicated active collaboration between Chairman of Blackson Company Limited and a terrorist group. It was confirmed by the police that the robbery of cash in transit was "stage managed" to look real, and that it was a deliberate arrangement between the Chairman and the terrorist gang to transfer the cash in transit to the terrorist as confirmed during the Police investigation as stated in the report.

- 96. With your appointment to adjust the claim of Blackson Company, what will be your recommendation to the insurer regarding Blackson Company Limited claim for loss of company's cash of \$\frac{1}{2}\$10,000,000.00 in transit, whilst on the way to bank to make lodgement?
  - (a) Recommend payment of  $\pm 19,000,000.0$
  - (b) Recommend payment of \$800,000.00
  - (c) Flag the need to comply with Anti-Money Laundering/Combating Financing Terrorism Activities Laws
  - (d) Recommend payment of \$1,000,000.00

97.	Mone	ey insurance is	s an exan	nple of insu	rance.			
	(a)	General	(b)	"all risk"	(c)	extra peril	(d)	life

98. In the event of a loss of \$\frac{\text{\text{\text{\text{N}}}}}{1,000,000.00}\$ only under the heading of cash-in-custody of the Chief Accountant, how much will the policy pay

(a) N300,000.00 (b) N500,000.00 (c) N800,000.00 (d) N1,000,000.00

99. In the event of a loss of  $\pm 1,000,000.00$  which of the excess should be used?

(a) №200,000.00 (b) 10% of the loss (c) №200,000 & 10% (d) None of the above

100. The insured reported an aggregate loss of \$\frac{\text{N}}{6}\$,000,000 in that year. How much will the insurer be liable in gross amount terms?

(a)  $\frac{1}{1},000,000.00$  (b)  $\frac{1}{2},000,000.00$  (c)  $\frac{1}{6},000,000.00$  (d)  $\frac{1}{10},000,000.00$ 

#### **Chief Examiner's Comments**

The total number of candidates that registered for the examination was low.

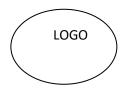
#### **Comments on Overall Performance**

Very good performance.

#### **Suggestion(s) on Improvements (if any):**

There is need to market this course to increase entries by candidates.

PF02 - LOSS ADJUSTING PRACTICE									
1	В	21	С	41	С	61	T	81	T
2	С	22	В	42	В	62	F	82	T
3	D	23	В	<b>43</b>	C	63	F	83	F
4	A	24	A	44	C	64	F	84	T
5	В	25	A	<b>45</b>	C	65	T	85	F
6	В	26	C	46	A	66	T	86	В
7	C	27	C	47	В	67	F	87	В
8	В	28	D	48	D	68	T	88	C
9	C	29	A	49	D	69	T	89	В
10	D	30	В	50	D	70	T	90	A
11	C	31	D	51	C	71	T	91	D
12	A	32	C	52	В	72	T	92	В
13	C	33	C	53	A	73	F	93	C
14	C	34	D	<b>54</b>	D	74	F	94	В
<b>15</b>	A	35	D	55	D	75	T	95	В
16	D	36	D	56	C	76	T	96	D
17	D	37	C	57	D	77	F	97	В
18	A	38	В	58	В	78	F	98	A
19	С	39	В	59	A	79	T	99	A
20	A	40	D	60	C	80	T	100	C



#### CHARTERED INSURANCE INSTITUTE OF NIGERIA

#### POST AIIN - INTERMEDIATE

#### OCTOBER 2023 DIET EXAMINATION PAPER

**SUBJECT PI02** 

PI02 - LOSS ADJUSTING PRACTICE

All answers are to be written on the answer booklet(s) supplied in accordance with the following instructions:

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Handle the answer booklet with care.
- Do not write on the question paper.
- The answer booklet should be handed over personally by you to the invigilator before you leave the Examination Hall.
- Insert your candidate's number as given on your admission permit and any other particulars required on the cover and flap of the answer booklet.
- Ensure that you write the full and correct candidate's number.
- No name should be written on any leaf of the book, or on any supplementary leaves that may be issued to the candidates.
- The answer to each question must be commenced on a separate page. Where however, a question consists of two of more parts, this instruction do not apply to the separate parts.
- Write in the ruled margin the number and question attempted.
- Leave no blank pages among your answers.
- Where supplementary leaves are used, the candidate's number should be written in the space provided on them and fastened at the end of the book inside the cover.

FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL) WILL ATTRACT STATED SANCTIONS AS STATED IN THE OCTOBER 2023 DIET CANDIDATES' INSTRUCTIONS.

#### CHARTERED INSURANCE INSTITUTE OF NIGERIA

#### PI02 - LOSS ADJUSTING PRACTICE

#### INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

You should answer all questions in Part I and two (2) out of the four (4) questions in Part II.

The paper carries a total of 200 marks distributed as follows:

Part I - 140 marks. Part II - 60 marks.

You are advised to spend not more than two (2) hours on Part I. You are strongly advised to attempt ALL the required questions to score maximum possible marks.

Where a question is split into parts (a), (b), e.t.c., marks for each part are only shown if they are split unevenly between the parts and you should spend your time in accordance with the allocation.

In attempting the questions, you may find it helpful in some places to make rough notes in the answer booklet. If you do this, you must cross through these notes before you hand in the booklet.

It is important to show each step in any calculation, even if you have used a calculator.

**Answer each question on a new page.** If a question has more than one part leave several lines blank after each part.

#### **Chief Examiner's Comments:**

#### **Ouestion 1**

The question tested candidates' knowledge of NAICOM's guideline on claims process. It was well attempted and pass rate was 80%. Excellent performance by the candidate.

#### **Question 2**

The question tested candidates' knowledge on the purpose of adjuster's report and the documents required by loss adjusters to complete valid claims. Good performance by the candidate. Pass rate was 60%.

#### **Question 3**

The question tested candidates' knowledge on piece of information required in the adjuster preliminary report. Excellent performance by the candidate. Pass rate was 100%.

#### **Ouestion 4**

The question tested candidates' knowledge on types of dry cargo ships and names of P & I Clubs. Good performance by the candidate. Pass rate was 60%.

#### **Ouestion 5**

The question tested candidates' knowledge of agreed valued policy and standard documents required good-in-transit claims. The candidate did not attempt this question.

#### **Ouestion 6**

The question tested candidates' knowledge of various marine insurance terms such as: displacement tonnage, deadweight tonnage, gross registered tonnage, net registered tonnage, and maritime mobile service identity. It was a very good performances by the candidate. Pass rate was 90%.

#### **Ouestion 7**

The question tested candidates' knowledge of the significance of market survey to claims adjustment. Candidate performed badly on the question. Pass rate was 20%.

#### **Question 8**

The question tested candidates' knowledge on the item that the preliminary report should possess in any marine claims. It was an average performance by the candidate. Pass rate was 50%.

#### **Ouestion 9**

The question tested candidates' knowledge on salvage and business interruption claims adjustments. It was not well attended by the candidate Pass rate was 30%.

#### **Question 10**

The question tested candidates' knowledge of the contents of facing sheet in the final report of money insurance as well as the collusion clause in money insurance. The candidate performed below average. Pass rate was 40%.

#### **Question 11**

The question tested candidates' knowledge on some memos that attach to standard goods-in-transit policy. It was an excellent performance by the candidate. Pass rate was 90%.

#### **Question 12**

The question tested candidates' knowledge on the qualities of a post loss report and the sources of information in the adjuster's report. It was a below average excellent performance by the candidate. Pass rate was 40%.

#### **Ouestion 13**

The question tested candidates' knowledge and ability to investigate and adjust a marine in a case study. It was a below average performance by the candidate. Pass rate was 40%.

#### **Question 14**

The question tested candidates' knowledge of the types of survey vessels. Pass rate was 10%. The candidate performed badly on this question.

#### **Question 15**

The question tested candidates' knowledge of market survey and types of market survey. It was not attempted by the candidate.

#### **Ouestion 16**

The question tested candidates' knowledge of safety warranty in money insurance, collusion of employee clause and how the risk of "hold up" may arise. It was a below average performance by the candidate. Pass rate was 43%.

#### **Question 17**

The question tested candidates' knowledge on the item that the preliminary report should possess. The question was not attempted.

#### **Question 18**

The question tested candidates' knowledge of "hired vehicle clause" as well as the classification of vessel. It was a below average performance by the candidate. Pass rate was 27%.

#### **Comments on Overall Performance**

100% pass rate was recorded.

#### **Suggestions on Improvement (if any)**

Candidates should endeavor to prepare very well before the examinations.

#### Part I

### Answer ALL questions in Part I.

Each question carries 10 marks.

1. NAICOM requires that every insurance institution must put in place some processes in relation to the claim process. Enumerate any five (5) of these processes.

#### Solution

NAICOM requires that that every insurance institution must put in place some processes in relation to the claim process. These processes are:

- insurance companies must make sure claims settlement procedure are duly put in place and communicated to the insured;
- setting a timeline in the policy and procedure manual within which to settle all admitted claims;
- have a fair and transparent claim handling and claim dispute resolution procedure in place;
- provide claimant information about the status of their claim on a timely manner;
- ensuring that adjuster or assessors are given independence to operate;
- inform claimant about the procedure, formalities and common timeframe for claims settlement:
- maintain written documentation on all its claim handling process;
- communicate to the insured their duty to notify the claims promptly and disclose all material fact on the claim and advise on any new development;
- give prompt advise to the client on any requirement in respect of the claim;
- timely and accurate information shall be provided to the policy holder or claimant at all times.

(2 marks for each correct and completely stated process. Maximum of 5 to be graded. Total: 10 marks)

- 2. (a) Enumerate any eight (8) vital documents required by a loss adjuster to complete a valid claims' report. (8 marks)
  - (b) What is the main purpose of a loss adjuster's report? (2 marks)

#### **Solution**

- (a) The vital documents required by an Adjuster to complete a valid claims' report are:
  - policy document;

- \* police report
- specialist reports (e. g. quantity surveyor's, engineer's, doctor's report, e.t.c.)
- invoice and/or repair estimates;
- \* eye witness oral & written statements;

• letter of instruction;

\* investigative interviews;

photographs;

\* site layout plan;

media clippings;

\* completed claim form.

(1 mark for each correctly stated document. Maximum of 8 to be graded. Sub-Total: 8 marks)

(b) The main purpose of a loss adjuster's report is to elicit all the relevant circumstances, facts, figures, opinion and advice in respect of a reported claim to insurer. (Sub-Total: 2 marks)

(Grand Total: 10 marks)

3. List any five (5) piece of information that should be included in an Adjuster's preliminary report.

#### **Solution**

The pieces of information that should be included in an Adjuster's preliminary report are:

- (i) name & business address of the insurer;
- (ii) policy number;
- (iii) name & business address of the insured;
- (iv) claim number;
- (v) name of insured and insurer;
- (vi) type of loss;

(vii) date of inspection/survey;

- (viii) extent of loss;
- (ix) recommended/tentative reserve;
- (x) date of loss.

(2 marks for each correctly stated piece of information. Maximum of 5 to be graded. Total: 10 marks)

4. (a) Enumerate any three (3) types of dry cargo ships.

- (6 marks)
- (b) Approximately 90% of the world's maritime tonnage is covered by P & I clubs. Enumerate any four (4) P & I Clubs. (4 marks)

#### **Solution**

- (a) The different types of dry cargo ships are:
  - \* bulk carriers; \* general cargo vessels;
- \* container vessels;
- \* reefer vessels: \* ro-ro vessels

(2 marks for each correctly stated type. Maximum of 3 to be graded. Sub-Total: 6 marks) Grand-Total: 10 marks

- (b) P & I clubs are:
  - (i) American Steamship Owners Mutual Protection and Indemnity Association, (Incorporated); (ii) Assurance foreningen Skuld;
  - (iii) Guard P&I (Bermuda) Limited (iv) The Standard Club Limited;
  - (v) The Britannia Steam Ship Insurance Association Limited;
  - (vi) The Japan Ship Owners' Mutual Protection & Indemnity Association;
  - (vii) The London Steam-Ship Owners' Mutual Insurance Association Limited;
  - (viii) The North of England Protecting & Indemnity Association Limited;
  - (ix) The Shipowners' Mutual Protection & Indemnity Association (Luxembourg);
  - (x) The Steamship Mutual Underwriting Association (Bermuda) Limited;
  - (xi) Sveriges Ångfartygs Assurans Förening/The Swedish Club;
  - (xii) United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited
  - (xiii) The West of England Ship Owners Mutual Insurance Association (Luxembourg).

(1 mark for each correctly stated club. Maximum of 4 to be graded. Sub-Total: 4 marks)

Grand-Total: 10 marks

- 5. (a) Briefly describe the term "agreed valued policy". (4 marks)
  - (b) Enumerate any six (6) standard document required from the insured for a goods-intransit claim. (6 marks)

- (a) Agreed Value Policy is an agreement between the insurer and the insured that the sum insured has been agreed as the true value of the property and in event of a claim, the property would be assumed to be that value.

  (4 marks)
- (b) The standard documents required from the insured for a goods-in-transit claim are:

  \* duly completed goods-in transit claim form;

  \* detailed statement of claim;

- \* incident report/eye witness statement;
- \* delivery waybill;

- \* police report;\* particulars of carrying;
- \* cost analysis/price evidence/purchase receipt;
- \* vehicle and driver.

(1 mark for each correctly stated document. Maximum of 6 to be graded. Sub-Total: 6 marks)

Grand-Total: 10 marks

- 6. Explain what the following terms connote under marine insurance:
  - (a) Displacement Tonnage;
- (b) Deadweight Tonnage (DWT)
- (c) Gross Registered Tonnage (GRT) (d) Net Registered Tonnage
- (e) Maritime Mobile Service Identity (MMSI).

#### **Solution**

- (a) **Displacement Tonnage**: is the weight of water that a ship pushes aside when floating which is in turn the weight of the ship [and its content fuel inclusive.
- **(b) Dead Weight Tonnage (DWT)**: defines the weight a vessel can carry; it is normally used in the technical vessel documents and classifications.
- **(c)** Gross Registered Tonnage (GRT): is the volume of Space within the hull and enclosed space above the deck of a merchant ship which are available for cargo, stores, fuel, passenger and crew.
- (d) Net Registered Tonnage (NRT): is a ship's cargo volume expressed in "register tons", one of which equals to a volume of 100 cubic feet.
- (e) Maritime Mobile Service Identity (MMSI): is a nine-digit number that uniquely identifies ship stations, ship earth stations, coast stations, coast earth stations and group calls.

(2 marks for each correct and completely stated explanation. Total: 10 marks)

7. Enumerate any four (4) significance of market survey to the claim adjustment.

#### **Solution**

The significances of market survey to the claim adjustment are:

- (i) allows for a balanced pool of pricing sources;
- (ii) allows comparative analysis;
- (iii) is the process of researching on the price of items submitted by the insured to make good the loss;
- (iv) market survey must take into consideration the quality of items being claimed and the initial market environment. This will enable the adjuster adopt a reasonable price that will adequately indemnify the insured;
- (v) sources of market prices adopted would be quoted in the report for the sake of clarity and verification if needed.
- (vi) the information gathered during the market survey would be stated in full with copies of invoices obtained attached (where possible) so as to support the Loss Adjuster's findings. (2½ marks for each correct and completely stated significance. Maximum of 4 to be graded. Total: 10 marks)
- 8. Concisely enumerate any ten (10) item that the preliminary report on any valid marine claim should address.

The preliminary report on any valid marine claim should address the following:

(1 mark for each correctly stated item. Maximum of 10 to be graded. Total: 10 marks)

- 9. (a) Concisely explain, with two (2) explanations, what the Adjuster should do when the issue of salvage arises. (4 marks)
  - (b) Briefly explain, with two (2) complete and correctly stated explanation, the importance of any three (3) of the following in Business Interruption claims adjustments.
    - (i) Annual Turnover;
- (ii) Standard Turnover;
- (iii) Adjustments Clause;
- (iv) Material Damage Proviso.(6 marks)

#### **Solution**

(a) The Adjuster must ensure that the Assured protects the salvage from further damage pending conclusion of the claim. Details of any realised salvage must be stated. If the salvage has been retained by the insured and will form part of the adjustment, it is perhaps better to state this fact before proceeding with the actual adjustment.

(2 marks for each correct and completely stated explanation. Maximum of 2 to be graded. Sub-Total: 4 marks)

(b) (i) **Annual Turnover:** the money paid or payable to the insured for goods sold and delivered and for services rendered in the course of the insured's business and rents receivable. The turnover during the twelve months immediately before the date of the damage.

#### (2 marks)

- (ii) **Standard Turnover:** the turnover during that period in the twelve months immediately before the date of the damage which corresponds with the indemnity period. (2 marks)
- (iii) **Adjustment Clause:** Also known as the "other circumstances clause". The clause allows the loss adjuster to consider trends and other circumstances, upturns or downswings what may have affected the business. These adjustments can be applied to the standard turnover and rate of gross profit in the interests of providing an indemnity. (2 marks)
- (d) **Material Damage Proviso:** the material damage proviso provides that the business interruption policy will not come into play unless liability for the material damage has been admitted by the material damage insurer. (2 marks)

(2 marks for each correct and completely stated explanation. Maximum of 1 to be graded under each term.

Maximum of 3 terms to be graded. Sub-Total: 6 marks)

(Grand Total: 10 marks)

- 10. (a) Enumerate any six (6) pieces of information that are provided in the phasing sheet of a final report on money insurance claims. (6 marks)
  - (b) What does the collusion clause in the money policy stand to address and what is the remedy? (4 marks)

- (a) The information provided in the phasing sheet of a final report on money insurance claims are:
  - (i) Report Number (i.e. either the Loss Adjuster's Reference Number; or the Claim Number: (Insurer or Lead Insurers Claim Number);

- (ii) Policy Number (i.e. Insurer or Lead Insurers Policy Number);
- (iii) Report Issued To;

(iv) Insured;

(v) Cause of Loss;

(vi) Date of Loss;

(vii) Period of Cover; (vii) Amount of Claim;

(ix) Amount Adjusted;

(x) Scope of Cover/Interest Cover.

(1 mark for each correctly stated information. Maximum of 6 to be graded. Sub-Total: 6 marks

(b) Collusion clause in the money policy stand to address the fact that during the claim adjustment process, the investigation by the adjuster will reveal if there was any collusion by any employee. (2 marks) The remedy is that if any collusion is discovered, the claim shall stand to be voidable. If collusion is traced, then a money insurance claim will fail however a fidelity guarantee policy, if any, may indemnify for the loss (2 marks). (Grand Sub-Total: 4 marks)

(Grand-Total: 10 marks)

- 11. Explain the Following Memos attaching to the standard Good-In-Transit.
  - (a) Brittle / Fragile Article Clause;
- (b) Declaration Warranty;
- (c) Carrying Vehicles Exclusion Clause;
- (d) Locked Vehicles Clause:
- (e) Unattended Vehicles Clause.

#### **Solution**

- (a) Brittle / Fragile Article Clause: it is a condition of the policy that losses arising from breakage of brittle articles, containers, china glass, earthenware, picture, scientific instruments, statuary marble or plasterwork are excluded unless caused by (a) fire (b) theft (c) an accident to the conveying vehicle or an object falling on to the conveyance. (2 marks)
- **(b) Declaration Warranty:** The Insured shall always contact underwriters before any product of the insured is carried stating the details below:
  - (i) The make of the vehicle and or/ whether hired or owned.
  - (ii) The registration number of the vehicle.
  - (iii) The place of loading the product.
  - (iv) The destination of the product.

The company shall not be liable to the Insured in the event of an accident occurring, when the above particulars have not been furnished to the company. (2 marks)

- (c) Carrying Vehicles Exclusion Clause: the Insurance by this policy does not extend to apply to the carrying vehicles but only to the goods carried in such vehicle. (2 marks)
- (d) Locked Vehicles Clause: this policy does not cover loss or damage by theft of pilferage to the subject matter insured if such loss or damage occurs whilst any or the insured articles are left in unattended vehicle in any public place or in a vehicle which is laid up or temporarily stored in any garage or similar premises unless the vehicle shall have been securely locked at all point of access and unless such loss or damage results from forcible entry into the vehicle.

(2 marks)

(e) Unattended Vehicles Clause: no liability attaches to the Company under this policy while any vehicle described in the Schedule of the policy is left unattended by the insured's employees, unless such vehicle is garaged in the insured's enclosed premises which are securely locked with a watchman in constant attendance. (2 marks)

(Grand Total: 10 marks)

12. (a) The adjuster can be said to be the eyes and ears of the insurer. Enumerate any

two (2) qualities which a post loss report should possess to be of use to an insurer.

(4 marks)

(b) Adjusters report must be full of objective contents for amicable settlement of claim. List any six (6) sources of information that the contents of an adjuster's report can be sourced from.

(6 marks)

#### **Solution**

(a) It is a short, sharp concise document which is written for a particular purpose and audience. It sets out and analyses a situation or problem with recommendation for future actions. It is a factual paper and needs to be clear, well-structured and balanced.

(2 marks for each correct and completely stated quality. Maximum of 2 to be graded. Sub-total: 4 marks)

- (b) The sources of information that the contents of an adjuster's report can be sourced from are:

(1 mark for each correctly stated source. Maximum of 6 to be graded. Sub-Total: 6 marks) (Grand-Total: 10 marks)

13. You are instructed by XYZ Insurance Company to investigate and adjust a marine cargo claim. On receipt of the instruction mail, you directed the trainee surveyor to list down areas of investigative interest. Upon presenting the list, you observed that some essential requirements of the assignment were missing. List any of the five (5) important areas that are required to have been included in the write up or survey plan.

#### Solution

The important areas that are required to have been included in the write up or survey plan are:

- (i) exact date of vessel arrival at port;
- (ii) date of container discharge from the vessel;
- (iii) condition of container when discharged from the vessel;
- (iv) date of delivery from port;
- (v) condition of container when delivered from the port support with the container condition report;
- (vi) was clean receipt given to bailee/port authority?;
- (vii) date containers ware received at consignee's warehouse;
- (viii) what were the condition of container when received at consignee warehouse?;
- (ix) documentary evidence of holding the ship/bailee port authority;
- (x) copy of marine insurance cover note;
- (xi) copies of bill of lading;
- (xii) copies of final invoice;

(2 marks for each correct and completely stated area. Maximum of 5 points to be graded. Total: 10 marks)

14. List and explain any five (5) types of vessel surveys.

#### **Solution**

The different types of vessel surveys are:

- Dry Dock Survey or Intermediate Survey: is an extensive form of an annual survey in 1. which several other functional operational aspect and maintenance routine of shipboard equipment is verified.
- 2. Safety Construction Survey: focuses on the structural strength of the vessel. It would be accessed for any excessive corrosion of the deck or hall along with the condition of watertight doors, bilge pumping and drainage system, fire protection equipment, and fixed and portable firefighting equipment. Condition of steam lines on decks, anchos chains and cables and means of emergency escape are also checked.
- Load Line Survey: this is done before the assignment of the load line to the vessel. During the survey, a vessel structural strength is checked for cracks or deformation in the hull to ensure that various openings such as hatches, machinery space openings or any other openings on decks are water tight.
- Cargo Ship Equipment Survey: pertain to the condition and management of the safety 4. system on board. Muster list, life jacket donning instructions, survival craft launching instructions and muster stations are to be updated and posted in required locations. Arrow markings for emergency muster stations, conditions of lifeboat, its equipment and launching appliances.
- Five Yearly Dry Dock Surveys: is a thorough inspection and testing as per the guideline 5. of classification society.
- Terminal Safety Inspection: a terminal safety manager or representative visits the ship and ascertain safe operation as per terminal requirement.
- Port State Inspection: done to confirm that the vessel complies with mandatory rules and regulation of international convention for safety of lives at sea and prevention of pollution from ship i.e solas (MARPOL).

(1 mark for correctly stated type. 1 point for explanation. Sub-Total per type: 2 marks. Grand Total: 10

#### Part II

## Answer two questions in Part II.

Each question carries thirty (30) marks

- 15. Concisely explain the phrase "market survey". (3 marks)
  - State and briefly explain the three (3) different types of market surveys open to a (b) loss adjuster.
  - Enumerate and briefly explain three (3) methods that an adjuster might adopt to be (c) able to report an adjusted claim effectively. **(15 marks)**

- Market survey is the process of verifying the price of items submitted by the insured in (a) respect of a lodged claim. (3 marks)
- The different types of market surveys open to a loss adjuster are: (b)
  - (i) **Open Market Survey:** ascertaining the price of a product or service in open market by visiting similar dealers and/or service providers;
  - (ii) Quotation from reputable manufacturers or dealers having supplied them with specific details o product/service to enable them give a price list;
  - (iii) Authorised manufacturer's representative: obtaining a quotation/repair estimate for an item not readily obtained in the open market other than from an authorised manufacturer's representative being the sole dealers in such products/service.

(2 marks for each correctly stated type. 2 marks for a correct and completely stated explanation. Maximum of 1 explanation to be graded. Sub-Total per type: 4 marks. Grand Sub-Total: 12 marks)

- (c) The methods that an adjuster might adopt to be able to report an adjusted claim effectively are:
- \* documentary evidence; \* physical evidence; and \* witness statements. (Candidates are required to also briefly explain the enumerated method. 3 marks for each correctly

(Candidates are required to also briefly explain the enumerated method. 3 marks for each correctly enumerated method. 2 marks for each correct and completely stated explanation under each type. Sub-Total per type: 5 marks. Grand Sub-Total: 15 marks).

**Grand-Total: 30 marks** 

- 16. (a) Give a brief explanation of the "safe warranty" in money insurance policies, and how it is applied in the claim process? (6 marks)
  - (b) Explain why "collusion by an employee" is an excluded cause under the money Policy. (6 marks)
  - (c) Explain the term "hold up" and two (2) various ways it may arise in a loss scenario. (18 marks)

#### **Solution**

(a) Safe warranty is a warranty that must be strictly complied with; it is fundamental and material to any claim. The warranty may state that the safe used must not be less than a specified weight and must be embedded in the in the wall and/or the ground or both. The loss adjuster should be properly guided in instances where the safe is removed entirely by the robbers.

(3 marks for any correct and completely stated explanation. 3 marks for correct and completely stated application. Sub-Total: 6 marks)

- (b) The loss adjuster's investigations should reveal if there was any form of collusion by an employee resulting in the loss of cash to the employer (3 marks). Where a clear case of collusion by an employee is established, the claim should fail but might be appropriately covered under a fidelity guarantee policy (3 marks). (6 marks)
- (c) The term hold-up can be explained as an attempted or completed robbery carried out with the use of force. It is common nowadays to come across burglary polices with additional clauses such as the hold up extension and larceny cover which allows the policy to accommodate theft losses not involving violence or the threat thereof. The hold up extension to the policy is a clause which considers where the burglars entered the premises by the threat of violence such as holding a person at gunpoint or with threat of physical harm, and forcing them to open access to the building or part of building where the theft is to be committed. Where this clause is endorsed on a burglary policy, the requirement for violent entry and/or exit is waived. (6 marks)

Some ways that it may arise in a loss scenario are:

(i) where thieves enter into the premises and threaten to assault the insured (perhaps with a gun or knife) or an employee in an attempt to steal, this will be construed as the use of violence. If under such threat they are forced to open their door or to open a safe then there will be no forcible entry and exit. However, the use of threat is a type of assault. Assault and violence should be considered with the context of the meaning in law. Assault occurs when one person intentionally or recklessly causes another to be in fear of immediate and unlawful violence. No contact is required for an assault to be

- construed. Assault can occur when a person points a weapon at another or acts as if a weapon will be used or perhaps threatens another with his fist.
- (ii) The Hold Up extension to the policy is a clause which considers where the burglars entered the premises by the threat of violence such as holding a person at gunpoint or with threat of physical harm, and forcing them to open access to the building or part of building where the theft is to be committed. Where this clause is endorsed on a burglary policy, the requirement for violent entry and/or exit is waived.

(3 marks for each correct and completely stated explanation. Maximum of 2 to be graded under each description. Sub-total per description: 6 marks. Grand Sub-Total: 12 marks)

(Grand sub-Total: 18 marks)

(Grand Total: 34 marks)

- 17. (a) Concisely state any three (3) provisions of the "hired vehicles clause" and explain its importance. (18 marks)
  - (b) Classification is essential to the structural and engineering design of a vessel. Discuss with four (4) explicit thought lines. (16 marks)

#### **Solution**

- (a) The provisions of the "hired vehicles clause" are: The insured;
  - shall enter into a written agreement with the carrier whereby the latter accepts liability for loss or damage to the goods whilst in their/his custody;
  - shall be in a position to identify and present the owner and driver of the carrying vehicle;
  - shall obtain identification particulars of the vehicle and the driver;
  - it is warranted that the cover granted by this policy is a floating cover and the insured must notify the insurers the value of any carrying prior to the time that they would make any carrying.

(4 marks for each correctly stated point. Maximum of 3 points to be graded. Sub-Total: 12 marks)

The importance of this clause is to ensure that the insurer exercises its subrogation rights (2 marks) for the recovery of their outlay on the claim (2 marks) where the loss /damaged was occasioned as a result of the omission/commission on the part haulage contractor and/or his agents (2 marks).

(6 marks) (Sub-Total: 18 marks)

(b) Classification is essential to the structural and engineering design, construction and operation of ships and affects shipbuilding, maintenance and repair, shipbroking, chartering, insurance, e.t.c. The certificate issued is an imperative document which confirms that the ship has been built as per the classification society's standards and that she adheres to the level of the quality associated with such society. Classification societies are non-governmental organisations that define and maintain construction and operation standards for ships and offshore structures. To maintain its class while in service, a ship must be surveyed annually, with a major survey every 5 years. These surveys get stricter as the ship gets older. Failure to adhere to the quality standards of the classification societies renders the certificate liable to be invalid. Valid classification certificates are important to the loss adjuster as it is usually a condition precedent to liability that a vessel must be in class – which means that its certificate must be valid.

## (4 marks for each correct and completely stated explanation. Maximum of 4 to be graded. Sub-Total: 16 marks)

#### **Grand-Total: 30 marks**

- 18. (a) Explain, with three (3) sentences what happens if there are more than one policy covering the interest in the property insured. (9 marks)
  - (b) When one of the policies is subject to average, what is the method to be used in the loss calculation? What does this method consider? (7 marks)
  - (c) Calculate the liability of policy A and policy B given that:
    Policy A has a sum insured of №1,000,000.00 on stock.
    Policy B has sum insured of №2,000,000.00 on stock, fixtures and fittings.
    Actual value of stock at risk is №1,600,000.00.
    Loss sustained is №600,000.00.
    Both policies are subject to average. (14 marks)

#### **Solution**

- (a) If there are more than one policy covering the interest in the property insured, contribution will be brought into operation. Dual insurance cover does arise occasionally. Examples are where one policy covers stock and another covers stock and machinery or where one policy covers stock in a particular warehouse and another covers stock in all warehouses nationwide. Where this occurs, any insurer making a payment under the policy will still recover an appropriate proportion from the other even if the policy does not make a provision for contribution. The right of contribution is derived from equity, not subrogation. For contribution to arise, the following factors must exist;
- (i) The damaged property must be identified and covered in both policies.
- (ii) The loss or damage must be caused by the contingency against which the policy provides cover
- (iii) Both policies must insure the same interest i.e. insurable interest of the same insured.
- (iv) The policies in question must be in force at the time of the loss.
- (3 marks for each complete and correctly stated explanation. Maximum of 3 explanations to be graded. Sub-Total: 9 marks)
- (b) When one of the policies is subject to average, the method to be used in the loss calculation is the **Independent Liability Method** (3 marks) which considers the limit of liability under the policy (2 marks) (for the concurrent interest only) (2 marks).

  (Sub-Total: 7 marks)
- (c) Independent liability of Policy A

= <u>Sum Insured x Loss Sustained</u> (2 marks)

Value at Risk

₩1,600,000.00

=  $\cancel{N}$ 375,000.00. (1 mark)

Policy B will also have an independent liability of N600,000.00 because average will not apply. (2 marks)

The total liabilities under both policies =  $\frac{1}{2}$ 375,000.00 +  $\frac{1}{2}$ 600,000.00 =  $\frac{1}{2}$ 975,000.00. (2 marks)

The calculation of payment will thus be based on their respective independent liabilities thus; Policy A's Liability will be:

=  $\underline{\$375,000.00}$  x  $\underline{\$600,000.00}$  (2 marks)

<del>N</del>975,000.00

=  $\times 230,000.00$  (1 mark)

Policy B's Liability will be:

<del>N</del>975,000.00

=  $\cancel{\$}360,230.00$  (1 mark)

(Sub-Total: 14 marks) Grand-Total: 30 marks