



*Chartered Insurance
Institute of Nigeria*

Chief Examiners' Report

April 2024

*Post AllN - Loss Adjusting Practice
Associateship (PA02)*

GENERAL RELATED ISSUES TO WATCH OUT FOR IN FUTURE SITTINGS

DO'S	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
<p>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), cinigeria.com (CIIN)</p>	
<p>INFRACTIONS ON ANY OF THE INSTRUCTIONS COULD LEAD TO STIFF SANCTIONS. DO NOT BE A CULPIT. ANY CANDIDATE CAUGHT AND/OR FOUND TO BE CHEATING/HAVE CHEATED, WILL BE BARRED FROM PARTICIPATING IN ANY OF THE INSTITUTE'S EXAMINATION ACTIVITY FOR TWO (2) YEARS AND THE EMPLOYER WILL BE DULY INFORMED OF ANY SUCH INCIDENCE(S).</p>	
<p>STOP WORKING HARD TO FAIL!!! START WORKING EFFORTLESSLY TO PASS OUTSTANDINGLY!!!</p>	



CHARTERED INSURANCE INSTITUTE OF NIGERIA

POST AIIN - ASSOCIATESHIP

APRIL 2024 DIET EXAMINATION PAPER

SUBJECT PA02

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 or 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 APRIL 2024 DIET CANDIDATES' INSTRUCTIONS.

CHARTERED INSURANCE INSTITUTE OF NIGERIA

PA02 - LOSS ADJUSTING PRACTICE

INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

You should answer all questions in Part I, the compulsory question in Part II and three out of the five questions in Part III.

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

Part I	8 Compulsory Questions	48 marks
Part II	1 Compulsory Question	50 marks
Part III	3 Optional Questions	102 marks.

You are advised to spend not more than 45 minutes on Part I and strongly advised to attempt ALL the required questions to score maximum possible marks.

Where a question is split into parts (a), (b), etc, 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.

A formula sheet will be issued for use with this paper.

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.

Part I**Answer ALL questions in Part I.****Each question carries six (6) marks.**

1. (a) List any three (3) types of average applicable in material damage adjustment. (4 marks)
- (b) When will confirmation of extent of damage be arrived at? (2 marks)

Solution

- (a) The types of average applicable in material damage adjustment are:
 * pro-rata condition of average; * special condition of average;
 * two conditions of average.
 (2 marks for each correctly stated type. Maximum of 2 to be graded. Sub-Total: 4 marks)
- (b) Confirmation of the extent of damage will be arrived at during a claim adjustment after the Loss Adjuster is satisfied with the outcome of the claim investigation.
 (2 marks)
Grand Total: 6 marks

2. (a) Define Contractor All Risks Policy (CAR) policy.
- (b) List the type of cover that is available under the CAR and state how often the covers are issued.
- (c) Explain the difference between Major and Minor deductible.

Solution

- (a) Contractors all risks policy is defined as an insurance policy that covers contract work and engineering projects in the course of construction or erection on an all risk basis. (2 marks)
- (b) The two types of cover under the CAR and how they are issued are:
 (i) **Single Contract:** issued on basis of every contract;
 (ii) **Blanket or Floater:** issued on yearly basis and every contract within the year.
 (1 mark for correctly stated type and 1 mark for the how often they are issued. Sub-total per type: 2 marks. Grand Sub-Total: 4 marks)
 (Grand Total: 6 marks)

3. A vehicle is loaded with bottled drinks at CANN Breweries Plc., Ibadan to convey the drinks to a customer in Kano. At Ondo, the vehicle breaks down. At night, armed robbers attack the parked vehicle and injured the driver, while the motor boy escaped. The vehicle is vandalised and a large quantity of the consignments is stolen. The owner of the goods made arrangements for another vehicle to visit the scene of loss and trans-load the remaining goods. In the meantime, security men have to be contracted to look after the goods pending the arrival of the second vehicle.

Discuss any three (3) of the insurer's liability under a Standard Goods in Transit Policy (GIT) with regard to the following items of claim:

- (a) cost of stolen/damaged consignment;
 (b) cost of vehicle repairs;
 (c) cost of security men hired to look over the remaining goods pending the arrival of the second vehicle;
 (d) cost of medical expenses on the injured driver;
 (e) cost of the second vehicle sent for trans-loading.

Solution

- (a) Cost of the stolen consignment is recoverable under the GIT policy.

- (b) The cost of repairs to the vehicle is not recoverable under the GIT policy but under the Motor Insurance policy, if the vehicle is insured.
- (c) The cost of the hire security guards is recoverable under the GIT policy but subject to the policy provisions and adequacy of sum insured.
- (d) Medical expenses of the injured driver is not covered by the GIT policy.
- (e) The cost of the second vehicle sent is not covered by the GIT policy.

(2 marks for each correct and completely stated review. Maximum of 3 to be graded. Grand Total: 6 marks)

4. When resolving a liability claim through an “out of court” settlement, the adjuster should ensure that the claimant/counsel establish some conditions before the release of funds. Enumerate any four (4) of such conditions.

Solution

When resolving a liability claim through an “out of court” settlement, the adjuster should ensure that the claimant/counsel establish the following conditions before the release of funds:

- that the claimant has signed a general release of all claims containing a waiver of the right to make claim for unknown claims;
- if a lawsuit has been filed, that a dismissal with prejudice of the complaint is available to be filed immediately upon payment of money (this is a document that advises the court of the settlement and prevent the plaintiff from refiling an action for the same damage);
- that all continuing investigation(s) by private investigators is/are called off;
- that counsels have been instructed to close their files;
- that the final reports have been prepared;
- that the insured is advised of the settlement, is advised that no further assistance will be required, and is appreciated for his or her assistance and cooperation.

(1½ marks for each correct and completely stated condition. Maximum of 4 to be graded. Total: 6 marks)

5. “Materials Damage Proviso” is very important in the adjustment of Business Interruption (BI) claim. State concisely any two (2) reasons why the proviso is so important in business interruption (BI) Adjustment.

Solution

The Reasons why “Materials Damage Proviso” is very important in the adjustment of Business Interruption (BI) claim adjustment are:

- if a claim has been accepted under the material damage policy, all warranties and conditions must have been complied with and bi claim relies on that;
- material damage insurer would have carried out necessary investigation as to the validity of the claim;
- with the availability of fund from the material damage insurer repair work will commence in due course thereby facilitating return to production by the insured.

(3 marks for each correct and completely stated reason. Maximum of 2 to be graded. Total: 6 marks)

6. Discuss the following phrases:
- (a) a contract of indemnity;
 - (b) a valued policy or agreed value policy;
 - (c) the position of insurable interest with regard to (a) and (b) above.

Solution

- (a) A contract of indemnity seeks to put the insured back in his pre-loss position.
- (b) A valued policy or an agreed policy seeks to get the insured gets an agreed amount upon the occurrence of a loss
- (c) The position of insurable interest is that it is not required under:

- (i) an agreed value policy: insurable interest is applicable.
(ii) a valued policy or an agreed value policy: insurable interest is not applicable.
(2 marks for each correct and completely stated discourse. Grand Total: 6 marks)

7. (a) Distinguish between a “deductible” and a “franchise”. (2 marks)
(b) What is the “aggregate deductible” and what is its relevance in the claims settlement process? (4 marks)

Solution

(a) A deductible is a large excess, usually, it is the insured who voluntarily accepts to pay the first part of the amount of any claim (1 mark), while a Franchise is like a deductible, however losses which are equal to or less than the amount of franchise is not indemnifiable under the policy (1 mark)

(Sub-Total: 2 marks).

(b) The aggregate deductible is the sum of all retained losses in a policy year, by way of deductible on the part of the insured. The policy will pay out once this limit is exceeded (2 marks). **The relevance of this deductible** is that it avoids a situation where the insured ends up paying all his losses due to operation of deductible. All losses must be taken into account in arriving at the Aggregate figure and it is applied after all deductions including average (2 marks).

(Sub-Total: 4 marks)

(Grand Total: 6 marks)

8. (a) What is the meaning of the “declared value” in the reinstatement policy condition? (2 marks)
(b) In arriving at a “declared value” for the purpose of reinstatement, concisely state any two (2) costs that must be included? (4 marks)

Solution

(a) The meaning of the “declared value” in the reinstatement policy condition is the Insured’s assessment of the cost of reinstatement of the property insured arrived at in accordance with at least the level of costs applying at the inception of the period of insurance. (2 marks)

(b) In arriving at a “declared value” for the purpose of reinstatement, the costs that must be included are:

- additional cost of reinstatement to comply with public authorities’ requirement;
- professional fees; * debris removal.

(2 marks for each correctly stated cost. Maximum of 2 to be graded. Sub-Total: 4 marks)

(Grand Total: 6 marks)

Part II

Compulsory Question.

This question carries 50 marks.

9. (a) Outline any five (5) sources of insurance information/data in any insurance market. (10 marks)
(b) An insured holds a fire and special perils policy covering building and contents with the sum insured of ₦100million and ₦600million respectively. The policy has the electrical appliance clause and 10% escalator clause incorporated with a period of insurance of twelve (12) months from January to December 2022.

On July 1, 2022, a fire incident occurred burning a number of some air conditioners and other contents with an estimated repair costs of ₦200million; although the value of the contents as at the time of the incident was ₦1billion.

- (i) You are required to prepare and issue a Final Report to KKK Insurance Company Limited, your principal; **(20 marks)**
- (ii) Your report should include an adjustment of any loss arising using as much as possible all the information therein stated to include the fact that one of the air conditioners malfunctioned and caused the fire which led to the loss; **(15 marks)**
- (iii) Would your recommendation be different if the socket that connected the air conditioner to the mains is the cause of the fire incident. **(5 marks)**

Solution

- (a) The sources of insurance information/data in any insurance market are:
 - (i) The Regulators Office;
 - (ii) Insurers Association (Nigerian Insurers Association, Institute of Loss Adjusters; Nigerian Council of Registered Insurance Brokers, etc.)
 - (iii) Chartered Insurance Institutes; (iv) Professional Insurance Associations;
 - (v) Central Banks; (vi) Ministry of Finance (Insurance Department);
 - (vii) Bureau of Statistics /Federal Office of Statistics;
 - (viii) Insurance magazines, etc.**(2 marks for each correctly stated source. Maximum of 5 to be graded. Total: 10 marks)**

(b)

ADJUSTMENT		(3 marks)
Building Sum Insured:	₦100m	(1 mark)
Contents Sum Insured:	₦ 60m	(1 mark)
The Policy incorporates		
(i) An Electrical Clause		(1 mark)
(ii) 10% Escalation Clause		(1 mark)
Period of Insurance:	January to December 2022	(1 mark)
Date of Loss:	July 1, 2022	(1 mark)
Estimated Cost of Repairs:	₦200m	(1 mark)
Value at Risk on Contents:	₦1billion	(1 mark)
The Sum Insured on contents with the 10% Escalator =	₦66million	(2 marks)

Air Conditioners can be considered as part of contents of the building hence the sum insured on contents is not adequate despite the application of the 10% Escalator

Estimate Cost of Repairs:	₦200million	(1 mark)
Less the value of one air-conditioner that caused the fire i.e. ₦20,000.00 – Electrical Clause		(2 marks)
Sub-Total:	₦199,980,000.00	(3 marks)
Less 10% deduction for betterment:	₦19,998,000.00	(2 marks)
Gross Adjusted Amount:	₦179,982,000.00	(2 marks)

Applying average on the value @ risk since ₦1billion is over and above the sum insured on contents of ₦66million **(4 marks)**

=	$\frac{\text{₦66,000,000.00}}{\text{₦1,000,000,000.00}} \times \text{Claim of ₦179,982,000.00}$	(4 marks)
=	₦11,878,812	(2 mark)

(Candidates are required to correctly interpret the data, put it in an adjusters' look and feel (i.e. report layout, use technical words and be accurate, pay attention to style grammar and punctuation. These are the foundation behind the basis of allotment of marks as shown above and not simply stating figures, which is just a minute part of the solution)

(Sub-Total: 35 marks)

(c) Our adjustment will be different if the fire had been caused by a cable connecting the air-conditioner (2 marks) because the air-conditioner will not be deducted (1 mark) but the value of the cable which caused the fire to satisfy the provision of the electrical clause (1 mark)

(Sub-Total: 5 marks)

(Grand Total: 50 marks)

Part III

Answer THREE of the following FIVE questions.

Each question carries 34 marks.

10. (a) List any seven (7) documents that are required in the adjustment of a fire claim? **(14 marks)**

(b) Concisely state any four (4) of the primary reasons for the documents stated in (a) above. **(20 marks)**

Solution

(a) The required documents are in the adjustment of a fire claim are:

- | | |
|----------------------------------|------------------------|
| * duly completed claim form; | * fire brigade report; |
| * bill of quantity; | * inventory of stock; |
| * asset register; | * eye witness report; |
| * internal investigation report; | * photographs. |

(2 marks for each correctly stated document point. Maximum of 7 to be graded. Sub-Total: 14 marks)

(b) The primary reasons for requiring the documents stated in (a) above are:

- (i) the duly completed claim form will contain the name of the insured, location of the loss, date of loss and quantum of loss;
- (ii) the fire brigade report will contain the date of loss, the probable cause of the fire, the method of extinguishment and the extent of loss thereof;
- (iii) details of the existing stock and asset before the incident;
- (iv) to obtain first-hand information as to the circumstance of loss and action taken immediately on the discovery of the fire;
- (v) photograph evidence of the extent of damage.

(5 marks for each correct and completely stated reason. Maximum of 4 to be graded. Sub-Total: 20 marks)

(Grand Total: 34 marks)

11. (a) What are the functions of an "average adjuster"? **(12 marks)**

(b) What is another phrase for a "particular average loss"? How is it defined in Section 64 of Marine Insurance Act 1906? **(8 marks)**

(c) Explicitly state any two (2) measure of indemnity that is allowed by Section 69 of the Marine Insurance Act 1906 under a particular average loss, where the vessel has only been partially repaired. **(14 marks)**

Solution

- (a) The functions of an “average adjuster” are:
- to serve as experts in the law and practice of general average and marine insurance;
 - to collect general average and salvage security;
 - to prepare general statement on the claim;
 - to assist in effecting settlement thereof;
 - to adjust or oversee a marine claim;
 - to be impartial and act independently.

(3 marks for each correct and completely stated function. Maximum of 4 to be graded. Sub-Total: 12 marks)

- (b) Another phrase for a “particular average loss” in Hull insurance claims is simply “a partial loss”. **(2 marks)**. It is defined in Section 64 of Marine Insurance Act 1906 as a partial loss of the subject matter of insured **(2 marks)**, caused by a peril insured against **(2 marks)** and which is not a general average loss **(2 marks)**.

(Sub-Total: 8 marks)

- (c) The measures of indemnity that is allowed by Section 69 of the Marine Insurance Act 1906 under a particular average loss, where the vessel has only been partially repaired are;

- where the ship has been repaired, the assured is entitled to the reasonable cost of such repairs less the customary deductions;
- where the ship has been only partially repaired, the assured is entitled to the reasonable cost of such repairs;
- where the ship has not been repaired and not sold in her state of damage, the assured is entitled to be indemnified for the reasonable cost of repairing such damage.

(7 marks for each correct and completely stated measure. Maximum of 2 to be graded. Sub-Total: 14 marks)

(Grand Total: 34 marks)

12. Consider and correct explain the insurer’s extent of liability under the following situations, citing your reasons:

- (a) A pile of coal is stored in a warehouse and it self-combusts. The resulting fire burns out the coal and spreads to neighbouring machinery and burns part of the building. A claim is brought forward under the insured’s fire policy for damage to the machinery, building and coal; **(6 marks)**

- (b) During routine operations at a domestic gas filling plant, one of the hoses pulls out from its coupling with a loud noise. All the staff members ran away and the entire gas leaked out into the atmosphere. The fire brigade was called out and they advised everybody to stay away and not to use their mobile phones near the vicinity.

The owners of the plant brought a claim under their fire and special perils policy for damage to the valve where the hose pulled out from, citing the explosion as the cause of loss, loss of stock in trade of gas and fire brigade charges. **(8 marks)**

- (c) A motorist is travelling from Oyo to Kano. He picked up a passenger along the road at Okene and resumed his journey. He had an accident at Gwagwalada and the following damages were sustained:

- | | |
|--|----------------------------|
| * damage to his own vehicle; | * injury to his passenger; |
| * damage to building on road side; | * injury to himself; |
| * injury to a pedestrian walking along the road. | |

He brings forth a claim for all of the above under his third-party motor insurance policy.

As the loss adjuster, state what enquiries you would make and what documents you would request for bearing in mind that the policy is valid and the car is subject to a hired purchase Agreement. Comment on the policy liability.

(16 marks)

Solution

(a) Coal self-ignites and spontaneous combustion is not recoverable under Fire and Special Perils Policy. Spontaneous Combustion is an exclusion under the Policy. The ensuing fire from the Spontaneous combustion which spreads and damages the Machinery and Building are recoverable under the Policy.

(3 marks for each correct and completely stated situation and reason. Maximum of 2 to be graded. Sub-Total: 6 marks)

(b) These losses are NOT covered as there was no real explosion, only loss of stock (4 marks). No concussion damage (3 marks).

(Sub-Total: 7 marks)

(c) The enquiries to be made and the documents to request for bearing in mind that the policy is valid and the car is subject to a hired purchase agreement are:

- the status of the passenger should be investigated, whether fare paid or free rider;
- validity of vehicle particulars should be investigated;
- extent of damage to the third-party building should be investigated and estimate of repairs obtained;
- extent of injury to thirty pedestrian and passenger should be ascertained and medical report/medical bill obtained.

(3 marks for each correct and completely stated enquiry. Maximum of 3 to be graded. Sub-Total: 9 marks)

The policy liability for the losses are:

- damage to his own vehicle – not covered by the policy;
- damage to building on roadside - recoverable under the policy;
- injury to his passenger –the claim is recoverable;
- injury to a pedestrian – recoverable;
- injury to himself – not recoverable.
- the overall coverages are limited to the extent of cover provided by the third-party motor insurance policy.

(3 marks for each correctly stated liability and the coverage applicable. Maximum of 4 to be graded. Sub-Total: 12 marks)

(Sub-Total: 21 marks)

Grand Total: 34 marks

13. Two theft losses occurred on the same day to the same insured but at different locations, Ijebu-Ode and Mokwa. Read the scenario below and answer the following questions.

Circumstances of Loss:

According to the Financial Controller – Mr. Sareesh at about 11.50a.m. on June 1, 2022 at the optic fibre laying site along the Lekki-Epe-Ijebu-Ode, unknown persons carted away two splicing machines, when the technician working around there had just moved out to draw more cables for installation.

In a similar vein, at about 8.00p.m. on June 1, 2022 at the Company's Guest House behind Golden Filling Station, Mokwa unknown persons attacked the Supervisor, Mr. Raphael Uche, thus robbing him of two splicing machines and other items in his possession.

Loss Investigation:

Ijebu-Ode

Our visit to the Lekki-Epe Ijebu-Ode Road site revealed that the Insured's personnel were engaged in laying optic fibre cables for GMA Telecoms. The job was segmented into two i.e. those digging the cables' channel and technicians connecting the joints of the cables at the manholes. The work had progressed up to manholes 27 and 28. We observed, during the visit, that the site was under-staffed. The Technician who connected the joints of the cables was also saddled with the job of drawing cables to be laid from the drums.

On the fateful day, Mr. Ignatus Onmonya said he went to the site with two splicing machines in anticipation that another Technician would be assigned for the job but none came up to the time of the incident. According to him, he was working within Manholes 27 and 28 when the cable laying team located about 500 metres away signaled that more length of cables should be released. He was said to have left the manholes for where the cables' drum was located about 800 metres away, to release the cable; a task which took him about an hour. On completion of that task, he returned to the Manhole Area only to discover that both joints and splicing machines were no more available where he left them. He claimed to have rushed to the cable laying team but each person claimed not to have seen anybody around the manholes whilst he was busy drawing the cables. He notified the site engineer who was at another site on phone and who instructed him to notify the police.

A visit to the site revealed that it was located at a bushy area. It was possible for any miscreant who had the workers under close surveillance to strike when the opportunity arose and to disappear into the surrounding bush.

Mokwa:

When the Adjuster visited the Insured's Guest House in Mokwa, it was discovered that it is located at an isolated area and about 50 metres behind Golden Filling Station, Kurki about 7 kilometres along the Mokwa-Jebba highway. The area is not electrified hence the reliance on power from the portable generator.

According to Raphael Uche – Supervisor, the Mokwa Team worked at the cable laying site along Mokwa-Bida Road and the company's Toyota Hilux Pick-Up dropped him and the equipment at the Guest House at about 7.45pm. After discharging the equipment he instructed the driver to return to town to pick the Site Engineer – Mr. Prakasan. Afterwards, he (Uche) said with the aid of a torchlight he brought out the portable Tiger generator and was in the process of starting it when some unknown men suddenly emerged from the dark and wrestled him to the ground. He was ordered to keep mute or his throat would be slashed. He claimed that a knife was actually laid across his throat. The unknown persons were said to have ransacked his pocket where cash meant to settle some labourers the next day was removed. The equipment that was just discharged i.e. the splicing machine, OTDR, meters and generator were carted away by the unknown persons. Two of them were said to have stayed back with him for some time before they too disappeared into the darkness.

After their departure, he said he rushed to the Golden Filling Station to seek the help of the night guard but the latter was not around. He, therefore, had to wait until about 9.00p.m. When the Site Engineer and the driver arrived the guest house.

- (a) Following the above scenarios and loss investigation outcomes, concisely explain any three (3) steps you would recommend to the insurer by way of Risk Improvement Recommendation. **(24 marks)**
- (b) What additional observations might be made from the above scenario? **(10 marks)**

Solution

(a) The following risk improvement measures may be listed:

Scenario 1 @ Ijebu-Ode

- i. ensure there are sufficient personnel to cater to the tasks;
- ii. securing the services of adequate security staff along the road to protect the work in progress.

Scenario 2 @ Mokwa

- i. install security men at the guest house
 - ii. install solar night lights for the premises
- (8 marks for each correctly stated point. Maximum of 3 to be graded. Sub-Total: 24 marks)**

- (b) Additional observations which might be made from the above scenario would include:
- i. why are two losses occurring on the same day?
 - ii. why was it that in both cases, splicing machines were targeted?
 - iii. in both losses, success came because of the absence of a member of staff. Were staff members complicit?

(5 marks for each correctly stated observation. Maximum of 2 to be graded. Sub-Total: 10 marks)

Grand Total: 34 marks

14. (a) Quickfast Logistics Limited has a Goods-in-Transit policy with Triple Transit Insurance Company. The policy is issued on the following terms:

Limit per Carriage	:	4,000,000.00
Estimated Annual Carrying	:	72,000,000.00
Excess	:	10% or 100,000.00 whichever is higher
		Average
Long Term Agreement	:	7.5%
Hired Vehicle Warranty	:	

One of Quickfast's owned insured vehicles is involved in a loss while carrying goods valued at ₦7,000,000.00. Following the insured's recovery operations at the scene of loss, they are able to recover goods valued at ₦4,000,000.00.

Quickfast have submitted a claim for the full value of the goods being carried.

You are required to adjust the loss only for Triple Transit Insurance Company showing full workings. **(20 marks)**

- (b) Enumerate any three (3) types of marine surveyors and briefly discuss their functions. **(6 marks)**
- (c) Write short notes on any two (2) of the following marine insurance concepts:
- (i) general average;
 - (ii) particular average;
 - (iii) sue & labour charges;
 - (iv) protection & indemnity **(8 marks)**

Solution

Claim for full load	:	7,000,000	(2 marks)
Less Recovery	:	4,000,000	(2 marks)
Loss	:	3,000,000	(2 marks)
Loss carried exceeds limit per carriage and policy carries Average condition.			
Average	=	$\frac{4,000,000 \times 3,000,000}{7,000,000}$	(4 marks)
	=	1,714,285.71	(2 marks)
Excess @ 10%	=	1,714,285.75 x 10%	(2 marks)
	=	171,428.57	(2 marks)
Less Excess 10%	=	<u>171,428.57</u>	(2 marks)
Net Adjusted Loss	=	<u>1,542,857.14</u>	(2 marks)

Sub-Total: 20 marks

(b) The types of marine surveyors and their functions are:

(i) **Classification Society Marine Surveyor:** a classification society marine surveyor inspects ships to make sure that ships, components and machinery are built according to the standards required for their class, and examines accident damage.

(ii) **Government Marine Surveyor:** a government marine surveyor inspects ships to make sure that ships, components and machinery meet crew and passenger safety regulations and construction standards. They may also assess and approve safety reports and plans as well as examine candidates for certificates of competency.

(iii) **Private Marine Surveyor:** a private marine surveyor examines ships and their cargoes, investigates accidents in port and at sea (e.g. oil spillages) and prepares accident reports for insurance purposes.

(1 mark for each correctly stated type. 2 marks for each correct and completely stated function.

Maximum of 2 to be graded. Sub-Total: 6 marks)

(c) (i) **General Average:** a General Average act may be either a sacrifice or expenditure, extraordinary in nature, voluntarily and reasonably incurred in the time of General Peril, for the common safety of the maritime adventure. When all these essentials are present, there is said to be a General Average Act, and the loss is to be made good by the contribution of all concerned, when the adventure is saved. In modern times, general average tends to be governed by specific provisions within the contracts of carriage, which usually incorporate a particular version of what are known as the York-Antwerp Rules.

(ii) **Particular Average:** a partial loss is usually referred to in Hull claims as a Particular Average loss. It's measure of indemnity is governed by S64 of the Marine Insurance Act which provides inter alia:

“Where a ship is damaged, but is not totally lost, the measure of indemnity, subject to any express provision in the policy, is as follows:-

(1) Where the ship has been repaired, the assured is entitled to the reasonable cost of the repairs, less the customary deductions, but not exceeding the sum insured in respect of any one casualty:

(2) Where the ship has been only partially repaired, the assured is entitled to the reasonable cost of such repairs, computed as above, and also to be indemnified for the reasonable depreciation, if any, arising from the unrepaired damage, provided that the aggregate amount shall not exceed the cost of repairing the whole damage, computed as above:

(3) Where the ship has not been repaired, and has not been sold in her damaged state during the risk, the assured is entitled to be indemnified for the reasonable depreciation arising from the unrepaired damage, but not exceeding the reasonable cost of repairing such damage, computed as above.” (8 marks)

(iii) **Sue & Labour Charges:** The principle is that if the assured incurs expenditure when averting or minimising a loss, the insurer will reimburse him. (8 marks)

(d) **Protection & Indemnity:** P&I insurance is liability coverage for vessel owners. The primary providers of P&I insurance for oceangoing vessels are “Clubs”, mostly overseas-based assessable mutual associations controlled by the vessel owners they insure. The main aim of the International Group representing the interests of the P&I insurers is to facilitate the schemes of preventing oil spill and accelerate responses.

Subject to exclusions and conditions, the typical P&I policy covers loss of life, injury and illness of crewmembers, passengers, and other third parties, damage to cargo on board the vessel, damage to other floating objects not caused by collision, wreck removal costs, collision liability, damage to fixed objects, repatriation expense, damage to any other property, fines and penalties, costs of resisting mutiny or misconduct, quarantine expenses, putting in costs, cargo’s proportion of general average, and defence costs. (8 marks)

(2 marks for each correct and completely stated explanation. Maximum of 2 to be graded. Sub-Total per term: 4 marks) (Grand Sub-Total: 8 marks)
(Grand Total: 34 marks)

Chief Examiner's Comments

Question 1

Attempts were excellent at 100% and 50% pass rate was recorded.

Question 2

Attempts were excellent at 100% but the pass rate was 0%. This showed that candidates did not show good understanding of the question.

Question 3

Attempts were excellent at 100% and a 100% pass rate was recorded.

Question 4

Attempts were excellent at 100% and a 50% pass rate was recorded.

Question 5

Attempts were excellent at 100%) and a 50% pass rate was recorded.

Question 6

Both attempts and performances were excellent at 100%. Candidates showed a good understanding of the question.

Question 7

Attempts were excellent at 100% and 50% pass rate was recorded.

Question 8

Only one candidate attempted this question and the candidate passed the question.

Question 9

Both attempts and performances were excellent at 100%. Candidates showed a good understanding of the question.

Question 10

Both attempts and performances were excellent at 100%. Candidates showed a good understanding of the question.

Question 11

No candidate attempted the question.

Question 12

Attempt was excellent at 100% but the performance was just average.

Question 13

Both attempts and performances were excellent at 100%. Candidates showed a good understanding of the question.

Question 14

No candidate attempted the question.

Comments on Overall Performance

100% pass rate was recorded. Future candidates should emulate such by being deliberate in their studies.

Suggestions on Improvement (if any)

More in-depth studies are encouraged to all candidates.