



*Chartered Insurance
Institute of Nigeria*

Chief Examiners' Report

April 2024

*Post AllN - Loss Adjusting Practice
Intermediate (PI02)*

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



CHARTERED INSURANCE INSTITUTE OF NIGERIA

POST AIIN - INTERMEDIATE

APRIL 2024 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 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

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.

Part I**Answer ALL questions in Part I.****Each question carries 10 marks.**

1. Give the full name of the current:
- Commissioner for Insurance in Nigeria;
 - President/Chairman of Council, Chartered Insurance Institute of Nigeria;
 - Chairman, Nigerian Insurers Association
 - President/Chairman of Council, Nigerian Council of Registered Insurance Brokers
 - President/Chairman of Council, Institute of Loss Adjusters of Nigeria.

Solution

The full name of the current holders as requested are:

- Commissioner for Insurance in Nigeria:** Olorunda Sunday Thomas;
- President/Chairman of Council, Chartered Insurance Institute of Nigeria:** Edwin Friday Igbiti;
- Chairman, Nigerian Insurers Association:** Olusegun Omosehin
- President/Chairman of Council, Nigerian Council of Registered Insurance Brokers:** Babatunde Ogundate
- President/Chairman of Council, Institute of Loss Adjusters of Nigeria:** Mr. Diipo Olanrewaju
(2 marks for each correctly stated name. Total: 10 marks)

2. Loss Adjusters are the “eyes and ears” of insurance companies and their post loss report must have some basic ingredients. Enumerate any four (4) of these basic ingredients.

Solution

The basic ingredients that post loss report of loss adjusters must have are:

- clarity, sharpness and conciseness;
- written for a particular audience i.e. claim settlement and insurance company;
- analytical i.e. it must analyse a situation of problem;
- make recommendations for action;
- factual, well-structured and balanced.

(2½ marks for each correct and completely stated ingredient. Maximum of 4 to be graded. Total: 10 marks)

3. Enumerate five (5) relevant structures generally acceptable in loss adjusting report preparation.

Solution

The relevant structures generally acceptable in loss adjusting report preparation are:

- | | |
|-----------------------------------|---|
| * instruction/acknowledgement; | * introduction of parties; |
| * introduction of policy details; | * investigation/market survey discussion; |
| * policy consideration; | * recommendation. |

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

4. In accepting to adjust a claim by a loss adjusting company, some information should be contained in the letter of acceptance/declinature forwarded to insurer. Enumerate any five (5) of the information and state the relevance of each.

Solution

The information that should be contained in the letter of acceptance/declinature forwarded to insurer are:

- **policy number:** relevance is to identify the specific loss being accepted/rejected;
- **claim number:** relevance is to identify the specific loss being accepted/rejected;
- **insured name:** relevance is to identify the specific loss being accepted/rejected;
- **date of occurrence:** relevance is to identify the specific loss being accepted/rejected;
- **nature of loss:** to describe the loss that occurred (as it is currently known) to the insurer.
- **decision to accept or reject the instruction:** to communicate final position to the insurer.

(1 mark for each correctly stated information. 1 mark for correct and completely stated relevance. Sub-total per information: 2 marks. Grand Total: 10 marks)

5. A standard property insurance final loss report is classed under various sub-headings. State any ten (10) these sub-headings which are also not contained in the facing sheet.

Solution

The various sub-headings that a standard property insurance final loss report is classed are:

- * description of premises;
- * description of insured business;
- * claim review;
- * policy conditions, warranties and liability;
- * salvage and recovery;
- * risk improvement recommendation;
- * circumstances of loss;
- * extent of loss;
- * claim adjustment;
- * adequacy of sum insured;
- * conclusions/ recommendation;
- * loss apportionment.
- * the claim;
- * cause of loss;
- * other insurances;

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

6. Define the following terms:

- (a) principal contacts; (b) policy coverage; (c) extent of loss;
(d) circumstances of loss; (e) causes of loss.

Solution

(a) **principal contacts:** these are the main contacts, which will include the insured representatives and possibly their brokers that are/will be met during the loss investigations. Their name(s) and job description(s) or rank(s) inclusive.

(b) **policy coverage:** this gives a detailed description and location or address of building and other properties covered including current date of policy, insured name and sum insured. The scope of policy coverage is stated and sometimes the items of the scheduled which is the subject matter of claim, may be reproduced for clarity instead of reproducing the entire policy document.

(c) **extent of loss:** this gives a detailed summary of the nature of physical damage to item(s) of claim.

(d) **circumstances of loss:** is complete record from insured or eye witness on the incident that caused the loss. It must address the question of who, what, when, where and how the loss occurred.

(e) **causes of loss:** is the proximate cause of loss need to be clearly identified and stated so as to established so that damage or loss is within policy provision.

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

7. (a) What is a dry cargo ship? (2 marks)
(b) Enumerate any four (4) examples of dry cargo ships. (8 marks)

Solution

- (a) A dry cargo ship is a ship that carries unpackaged dry cargo, such as grain or coal. (2 marks)
(b) Examples of dry cargo ships are:

- * bulk carriers; * general cargo vessel; * container vessels;
- * reefer vessel; * Ro vessel.

(2 marks for each correctly stated example. Maximum of 4 to be graded. Sub-Total: 8 marks)
(Grand Total: 10 marks)

8. Write short notes on the following terms:

- (a) contribution; (b) reserve; (c) subrogation;
- (d) quantum; (e) recovery.

Solution

- (a) **Contribution:** this deals with the existence of other insurances involved in the claim and the method by which the loss will be apportioned between the various covers, if so required.
- (b) **Reserve:** this is a statement of the financial details of the amount to be reserved in a preliminary report showing the apportionment of this amount between different items of the policy.
- (c) **Subrogation:** this is the right of the insurer after settling the claim to pursue recovery from third party liable to the loss.
- (d) **Quantum:** it is the established quantities, pricing, values and the likes of the claim.
- (e) **Recovery:** this is when the insurer, after settling a claim, proceed to recover part or all of the claim amount paid to the insured from liable third party.

(2 marks for each correctly stated example. Maximum of 4 to be graded. Sub-Total: 8 marks)
(Grand Total: 10 marks)

9. State the meaning and provide an explanation on the following key abbreviations/terms.

- (a) IMO; (b) LBPP ; (c) Loadline Surveys;
- (d) GRT; (e) MMSI.

Solution

(a) **IMO:** - International Maritime Organisation

International Maritime Organisation is a global standard-setting authority for the safety, security and environmental performance of international shipping. Its main role is to create a regulatory framework for the shipping industry that is fair and effective, universally adopted and universally implemented.

(b) **LBPP:** Length Between Perpendicular

This is the length of a ship along the summer load line from the forward surface of the stem or main bow perpendicular member, to the after surface of the stern-post, or main stern perpendicular member. This variable can give a reasonable idea of the vessel's carrying capacity, as it excludes the small, often unusable volume contained in her overhanging ends.

(c) **Loadline Surveys:** are done before assignment of load line to the vessel. During the survey, a vessel's structural strength is checked for cracks or deformations in the hull to ensure that, various openings such as hatches, machinery space openings, or any other openings on the deck are watertight.

(d) **GRT:** Gross Registered Tonnage

Gross Registered Tonnage 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, passengers and crew.

(e) **MMSI:** Maritime Mobile Service Identity is a nine digit number uniquely identifies ship stations, ship earth station, coast stations, coast earth station, and group calls.

(2 marks for each correct and completely stated explanation for (c). For (a), (b), (d) and (e), 1 mark for correctly stated meaning of acronym. 1 mark for correct and completely stated explanation under each acronym. Sub-Total per acronym: 2 marks. Grand Total: 10 marks)

10. Below is a Summary of Adjustment and Adjuster's Bill:

	₦
Gross Liability	4,500,000
Loss Adjusters Bill	500,000
Total	5,000,000

It involves the following co-insurers and their corresponding proportions:
 Calabar Insurer: 40%; Adama Insurer:30%; Benue Insurer: 30%.
 Allocate the claim amount and fees to each insurer in a table.

Solution

Coinsurers	Proportion %	Claim Amount (N)	Fee (N)	Total (N)
Calabar Insurance Company	40	1,800,000.00	200,000.00	2,000,000.00
Adama Insurance Company	30	1,350,000.00	150,000.00	1,500,000.00
Benue Insurance Company	30	1,350,000.00	150,000.00	1,500,000.00
	100	4,500,000.00	500,000.00	5,000,000.00

(1 mark for each correctly stated claim apportionment per insurer. 1 mark for each correctly stated fee apportionment per insurer. 1 mark for each correctly stated overall total claim amount. ¼ mark each for correctly stated overall (i) proportion; claim amount; fee and total amount. Sub-Total per stated overall: 1 mark. Grand Sub-Total: 10 marks)

11. Write short notes on the following:

- (a) conditions precedent to policy; (3 marks)
- (b) conditions subsequent to the policy; (3 marks)
- (c) conditions precedent to liability. (4 marks)

Solution

(a) **Conditions precedent to policy** are implied condition whose breach renders the policy void from inception. An example is where the property insured does not exist and the purported insured has an interest in it. (3 marks)

(b) **Conditions subsequent to the policy** identifies the duties that the insured must comply with during the currency of the policy. An example is where a specific type of lock be used in securing the insured premises or the security guards to be present at the premises at certain time or all times. This also includes conditions prescribing that the risk will not be altered without the knowledge of the insured. (3 marks)

(c) **Conditions precedent to liability** are conditions that relates to a loss `such as notifying the police of a theft or that the insured keeps records of assets or transactions involving the property insured. (4 marks)

(Total: 10 marks)

12. Briefly explain the following clauses attaching to goods-in-transit insurance policies in relationship with claim adjustment:

- (a) brittle/fragile article clause; (b) hired vehicle clause;
- (c) waybill clause; (d) tarpaulin clause.

Solution

(a) **Brittle/Fragile Article Clause** is a condition of a policy that losses arising from breakage of brittle articles, containers, china glasses, earthen wares, pictures, scientific instruments, statutory marble or plaster work are excluded unless caused by (a) fire (b) theft (c) an accident to the conveying vehicle or (d) an object falling onto the conveyance.

(b) **Hired Vehicle Clause** requires that when goods are conveyed by hired vehicles insured to adhere to the following conditions;

(i) enter into agreement with the carrier whereby the later accepts liability for loss or damage to the goods while in their custody;

(ii) shall be able to identify and present the owner and the driver of the carrying vehicle;

(iii) shall obtain identification particulars of the vehicle and the driver;

(iv) shall notify the insurer the value of any carrying prior to time of transit.

(c) **Waybill Clause** declares that goods in transit would be accompanied by waybill, relevant to the consignment, stating the quantity, type of goods, point of loading and destination.

(d) **Tarpaulin Clause** warranted that all goods insured are protected by a sound tarpaulin firmly secured covering the whole load on the vehicle (s) specified in the schedule of the policy. (2½ marks for any correct and completely stated explanation. Maximum of 1 to be graded. Sub-Total: 2½ marks per term. Grand Total: 10 marks)

13. (a) What is the difference between GRT and NRT? (4 marks)

(b) Enumerate any three (3) reasons for a port State to detain a ship. (6 marks)

Solution

(a) GRT is actually a measure of volume and it means all gross volume of the ship (4 marks). As per new convention, GRT is just called GT i.e Gross Tonnage; while NRT is Net Register Tonnage which is a measure of all cargo volumes of the ship (2 marks) (Sub-Total: 4 marks)

(b) The reasons for a port to detain a ship are:

- when the ship pollutes the sea by oil;
- when there is pollution by notorious liquid substance in bulk;
- pollution by harmful substances carried by sea in package for;
- pollution by sewage from ships;
- pollution of cabbages from whip;
- air pollution form ship.

(2 marks for each correct and completely stated reason. Maximum of 3 to be graded. Sub-Total: 6 marks)
(Grand Total: 10 marks)

14. Enumerate any five (5) reliable sources of contents that are admissible for use by a loss adjuster in coming up with the report.

Solution

The reliable sources of contents that are admissible for use by a loss adjuster in coming up with the report are:

- | | | |
|-----------------------------|--------------------|----------------------|
| * letter of instruction; | * policy document; | * specialist report; |
| * investigative interviews; | * police report; | * invoices; |
| * repair estimate; | * photographs; | * site layout plan; |
| * media clippings. | | |

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

Part II

Answer two questions in Part II.

Each question carries thirty (30) marks

15. (a) Define "theft" as defined by the Theft Act 1968. (3 marks)
- (b) In a theft policy,
- (i) what does the "material changes" condition in the insurance policy document entail? (5 marks)
- (ii) how can the condition impact an insured's ability to make a claim? (5 marks)
- (iii) give an example of a material change. (2 marks)
- (c) What does the principle of "indemnity" entail in the context of theft insurance? (3 marks)
- (d) Enumerate any four (4) factors that are considered when determining the amount payable for a theft-related loss. (12 marks)

Solution

(a) Theft as defined by the theft Act 1968 is the dishonest appropriation of property belonging to another with the intention to permanently deprive the other of it. (3 marks)

(b) (i) The "material changes" condition in the insurance policy stipulates that no claim will be recoverable if there are significant alterations in the insured premises. (5 marks)

(ii) The condition can impact an insured's ability to make a claim if the condition of the risk as at the time the claim occurred is different from the condition from the condition that it was in at the time of policy acceptance (2 marks), when compared; and such changes was not reported in writing to the insurer when it occurred (3 marks). (Sub-Total: 5 marks)

(iii) An example of a material change might be replacing a robust entrance with a less secure one during premises refurbishment.

(Any reasonable example of a material change in risk will suffice. Sub-Total: 2 marks)

(Grand Sub-Total: 12 marks)

(c) The principle of "indemnity" in theft insurance means that the insured should be fully compensated for their loss but should never be paid more than the loss's actual value. When calculating the amount payable, the cost of replacement usually includes the insured's purchase price, delivery costs, and any processing charges incurred up to the time of the loss. For certain items, wear and tear is considered to determine the pre-loss value.

(3 marks for any correct and completely stated explanation. Maximum of 1 to be graded. Sub-Total: 3 marks)

(d) The factors that are considered when determining the amount payable for a theft-related loss are:

- checking for forcible entry or exit;
- checking for potential collusion with the insured or their staff;
- verifying the existence of properties/goods/stock before the loss;
- examining security measures in place;
- assessing the adequacy of building structure security.

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

(Grand Total: 30 marks)

17. The process of claim settlement presents complex and challenging circumstances that will require an adjuster to constantly update the principal. List four (4) stages that the report of an adjuster may take and explain in detail each and every one of these stages.

Solution

Solution: Chpt 2 pgs. 10 & 11

Listing the four stages: 2½ marks each - total 10mks

Explanation 5 marks each - four correct answers 20mks i.e. 5mks to be shared 1mk each for 5 correct subheads under each stage. Total 30mks

Types of Loss Adjusting Reports

The four stages that the report of an adjuster may take are:

- (i) preliminary report;
- (ii) interim report(s)
- (iii) final report
- (iv) addendum.

(2½ marks for each correctly stated stage. Sub-Total: 10 marks)

These are as explained below:

(i) **Preliminary Report:** a well written Preliminary report should convey the following information:

- (i) Name and Business Address of the Insurer;
- (ii) Name and Business Address of the Insured; (iii) Policy Number;
- (iv) Claim Number; (v) Name of Insured and Insurer;
- (vi) Type of Loss; (vii) Extent of Loss;
- (viii) Date of Loss; (ix) Date of Loss Survey;
- (x) Introduction, Persons met on site with their job roles, enquiries conducted, circumstances of loss and extent of loss;
- (xi) Actions taken by the insured and details of salvage if applicable;
- (xii) Information on what the adjuster intends to do next or details of any information/documentation being awaited, or details of any tests the adjuster may wish to carry out;
- (xiii) Recommended Reserve;
- (xiv) Authorised signatures representing the adjusting company.

(ii) **Interim Report:** the interim report is issued to an insurer by a loss adjusting company as the claim progresses. It details additional and relevant information gathered after the preliminary report. It presents to insurers the claim position as at the time of the report. This report will contain similar information to the preliminary report but will be an updated version. Areas to update are not limited but could include information on the results of tests carried out, an adjustment in the recommended reserve and the reason for the adjustment, new information not previously available at the preliminary report stage or an updated position on policy liability. There are no limits as to how many interim reports that can be issued as this would depend on the nature of the loss. Some losses may take years to conclude but insurers would require regular updates so that they can adjust their reserves if there is any change. The important thing to remember is that the interim reports should be appropriately numbered bearing in mind that the preliminary report is also an interim report, hence when numbering the interim reports, it should start from Interim Report Number Two (2).

(iii) **Final Report:** this is the report issued by a certified loss adjusting company to an insurer containing all relevant information needed by the insurer for consideration of the claim and settlement, if so recommended. This report contains all information in the previous reports condensed to one final report which would include the latest information obtained over the loss. A typical final report may have the following sub-headings:

- (i) Policy Number;
- (ii) Claim Number;

- | | | |
|---------------------------------|------------------------------------|-----------------------|
| (iii) Date of Loss; | (iv) Policy Cover; | |
| (v) Introduction; | (vi) Insured Details; | |
| (vii) Insurer Details; | (viii) Circumstances of Loss; | |
| (ix) Subject Matter of Claim; | (x) Investigation; | |
| (xi) Policy Liability; | (xii) Claim Review; | |
| (xiii) Adequacy of Sum Insured; | (xiv) Policy Terms and Conditions; | |
| (xv) Other Insurances; | (xvi) Policy Excess; | |
| (xvii) Salvage; | (xviii) Adjustment; | (xix) Recommendation. |

(iv) **Addendum:** this is a report issued after the final report has been presented to the Insurer and has been considered by them. It is issued when there is a need to reflect additional or new information not captured in the final report. At times it could be as a result of an error in calculation on the part of the loss adjuster which the insurer has noticed and has called to the Loss Adjuster's attention. Such would be addressed by issuing an Addendum to the Final Report. The addendum report would include the basic information of prior reports e.g. names of parties, claim no. and policy no., etc. but need not be a reproduction of the final report duly amended. The addendum report should concentrate on the area for which it is being issued and so tends to be shorter than a final report. Other situations which may require the issuance of an addendum to a final report could be:

- report has repudiated liability, but insurers wish to accommodate the loss under commercial considerations;
- penalties are being imposed or waived which would have an effect on the final offer figure;
- co-insurers are involved but such information is not known to the loss adjuster at the time of submitting a final report.

Generally, any situation that would require the alteration of the recommended offer figure would require an addendum report.

(2½ marks for each correct and completely stated explanation. Maximum of 2 to be graded under each stage. Sub-Total per stage: 5 marks. Grand Sub-total: 20 marks)
(Grand Total: 30 marks)

18. XYZ insurer instructed you through an e-mail to intervene in a case of a fire damage to an insured property located at Sambisa Forest Axis in Bornu State, Nigeria. Amidst the security challenges in the area, you were able to visit the scene of loss and do all that is necessary in a claim of this nature. Now you are in position to issue your final report, enumerate and describe any fifteen (15) classification/ subheading of information that will be contained in your final report.

Solution

The information required to be in a standard property final loss report may be classed under the following sub-headings:

- | | |
|--|--|
| (i) policy coverage; | (ii) insured's business; |
| (iii) principal contacts; | (iv) description of premises; |
| (v) circumstances of loss; | (vi) extent of loss; |
| (vii) cause of loss; | (viii) loss investigation; |
| (ix) the claim; | (x) policy liability; |
| (xi) adequacy of sum insured; | (xii) claim adjustment; |
| (xiii) claim review (subrogation matters may be discussed here if applicable); | |
| (xiv) salvage and recoveries; | (xv) details of other insurances/contribution; |
| (xvi) recommendation. | |

- (i) **Policy Coverage:** this gives a detailed description and location, or address of buildings and other properties covered, including current dates of policy, insured's name and sums insured. The scope of policy coverage is stated here and sometimes the item of the schedule, which is the subject matter of claim, may be reproduced for clarity instead of reproducing the entire policy document.
- (ii) **Description of Insured's Business:** the Adjuster under this heading specifies whether the insured is a corporate entity or private business concern. The nature of the business being carried out should be described together with the details of ownership and management where possible. Additional information which the Loss Adjuster may wish to include at this stage could extend to how long the business has been in operation, employee strength and financial strength.
- (iii) **Principal Contacts:** the main contacts, (which would include the insured's representatives and possibly their brokers) met during the loss investigation should be named here with their job descriptions. This information is important as it can be used as a guide to the depth of the investigation or loss enquiry. Insurers would want to know if the Loss Adjuster interacted with the appropriate personnel for the loss in question.
- (iv) **Description of the Premises:** it is very vital that the adjuster identifies the numbers of buildings in the premises, their various types of construction and the materials the buildings are constructed from. The report should be able to point out any physical hazards associated with the risk insured under the policy. The section should include details of adjacent developments in the proximity, type of fence and any security therein embedded. Details of security arrangements, available fire extinguishing and security appliances such as fire alarms, CCTV, sprinkler installations, motion detectors, etc. may be provided here also.
- (v) **Circumstances of Loss:** the Adjuster must take a complete recorded statement from the insured and all witnesses to the incident that caused the loss. The adjuster must get answers to the most important of all questions: who, what, where, why, when and how, with regard to the policy and the loss. Recorded statements of neighbours and relatives of the insured may also be useful in obtaining a complete picture of the loss.
- (vi) **Extent of Loss:** a summary of the physical damage can be included here. The physical assets should be named and the nature of damage to each should be clearly stated. This removes ambiguity in situations where a type of damage may not be covered but other types of damage are involved on other assets. To separate the damaged assets and classify the nature of damage solves this. Of course, there will be situations where it is not possible or feasible to count every single damaged item. Where this happens, the Loss Adjuster can group the damaged items by type with a general description of the damage. The Adjuster must, on the first visit, establish with the insured the exact scope of loss or damage on the building. This means that the adjuster and the insured or broker must walk through the insured's building or business and agree to exactly the extent of damage on the building. In addition, the extent of loss or damage must be detailed. Descriptions, including room dimensions; materials, like mouldings, flooring, wall coverings, and fixtures; and information about special features, openings, casements, and other architectural features must be part of the scope of damage on the affected building. To substantiate the agreed scope of the loss, the Adjuster must take photographs of the scene – both the damaged and undamaged portions of the property- that is the subject of the loss. The Adjuster must take a complete photographic and written inventory of the loss scene, taking photographs of everything damaged, any possible source of ignition of fire, or any other peril that may have caused the damage and those things not damaged. If the damage on the building is extensive, the adjuster should consider hiring the services of a Quantity Surveyors, Structural engineer and/or electrical engineers while narration can be added later. Also, the Adjuster with the insured must agree on items that are salvageable which would be quantified and where the

insured's indicated interest will be negotiated and deducted in final adjustment of the loss or otherwise preserved for insurer's salvage buyers.

(vii) **Cause of Loss:** the proximate cause of loss need to be clearly identified and stated so as to establish that damage or loss incurred to the building falls within the type of loss that the policy intends to cover. Sometimes the cause of loss may not be easily identifiable especially in the case of large fires. It is customary to follow the findings of the Fire Brigade report but where arson is suspected, the loss adjuster may engage the services of a forensic fire investigator (with the insurer's consent).

(viii) **Loss Investigation/Enquiries:** the steps taken by the loss adjuster in his enquiries needs to be reported. This would normally commence with a visit to the insured to obtain first-hand information. Additional contact may be made with the official investigating officers, either police or fire arson investigators, in person. Personal contact is necessary to gain more than the cursory information from a report. The Loss Adjuster will seek to "reconstruct" the loss. In order to do so they will typically follow a systematic approach along these lines:

- **Incident Overview:** the investigator will begin simply by compiling a short summary of the event that includes the claimant data, type, date, time, location, and brief description of the claim.
- **Claimant Interview/Statement:** the Loss Adjuster should give the insured and other persons of interest an opportunity to make a statement, either verbally or in writing. This statement might even be recorded and entered into the investigation report. A basic "who, what, where, why" series of questions to commence the interview will lead to opportunities for further enquiries.
- **Documentary Evidence:** the Loss adjuster should request for documentary evidence related to the claim. For example, a request may be made for a police report, receipts, inventory records, invoices, and shipping records. Other commonly requested documentary-type evidence includes titles, bills of sales, deeds, appraisals, and diagrams, proof of ownership, and photographs or video records. The investigator's job is to scrutinize the evidence to either justify the claim or identify potential alterations or falsifications that could indicate a problem.
- **Physical Evidence:** physical evidence such as damaged property is also considered in a claim investigation. Investigators are trained to inspect physical evidence for acts of fabrication or illicit substitution.
- **Witness Statements:** statements from people who may have witnessed details or incidents related to the claim will be called upon to give their statements. This is considered a critical element of the investigation as witness reports are "fact-checked" against the statements and evidence collected above. Discrepancies here can lead to additional investigative probing and the need for substantiation.

The report should reflect the outcome of the above listed enquiries in a logical manner. The Loss adjuster should collect as many investigation reports as are available and may purchase photographs taken by the official agency if the loss scene has been substantially altered by the time of the Loss Adjuster's intervention.

(ix) **The Claim:** the adjuster states here the amount the insured is claiming. He may go on to state if the insured have completed a claim form or not and that the claim amount is deduced from estimates so far submitted.

(x) **Policy Conditions, Warranties and Liability:** this section of the report specifies all policy conditions warranties and clauses that are applicable on the damage or loss, such as the Replacement Value conditions, Documentary evidence warranty, Electrical clause, Appraisal clause, Property designation clause, etc. The Loss Adjuster needs to comment on the various clauses relevant to the loss and if they have any effect on the claim.

(xi) **Adequacy of Sum Insured:** the adjuster must establish the actual values of buildings covered under the policy so as to determine the adequacy or otherwise of the sums insured, If necessary to establish the total value at risk, the adjuster should retain the services of an independent valuer for the purpose of applying the condition of average on the loss.

(xii) **Claim Adjustment:** in performing the adjustment, the loss adjuster is reporting the financial values of loss suffered after due consideration of policy conditions. It is advisable to use tables to show numerical data for clarity. Any deductions for depreciation, penalties, policy excess would be shown to allow insurers see how the final offer figure was arrived at.

(xiii) **Claim Review:** each insured's appointed contractors or vendors present detailed estimates for rehabilitation of the damaged building so that the adjuster can identify the low bidder. The adjuster then verifies the costs item by item in line with his or her site notes and price market survey on materials required for repair or reinstatement work. In a large building loss, construction consultants or contractors can be engaged by the adjuster for a fee, to prepare an independent detailed repair estimate or Bill of Quantities for comparison with the estimates made by insured's contractors. If the policy is endorsed with the Reinstatement Value condition, the adjuster must determine the full cost of reinstating the building. The Adjuster should agree with the insured as to what work needs to be done. This section should detail all the actions intended to be performed by the adjuster which tends to alter the claimed figure.

(xiv) **Salvage and Recoveries:** details of all salvage and its condition should be provided here. Sometimes insurers require adjusters to value the salvage and include this information within the body of the report. Whatever insurers' requirements, the existence and condition of any salvage must be included in the report.

(xv) **Other Insurances:** there may be other insurances that may contribute to the loss. If there are any in existence, that fact must be disclosed here giving the name of the insurer, policy type and number if possible.

(v) **Conclusion/Recommendation:** the Adjuster submits the final report stating whether or not Insurer's liability is engaged with an offer recommendation. This could be risk improvement recommendations i.e. the measures to be taken to minimise hazards and reduce the risk exposure needs to be stated here. These findings will later be communicated to the insured usually through its Brokers or agents where applicable. Or loss apportionment, i.e. where co-insurers have subscribed to a policy, their extent of participation together with apportioned liability should be shown at the end of the report.

(1 mark for correctly stated information. 1 mark for any correct and completely stated explanation. Sub-total per explanation: 2 marks. Maximum of 15 to be graded. Grand Total: 30 marks)

Chief Examiner's Comments

Question 1

The question examined candidates on the Industry and its regulators. All candidates attempted it, but only about 50% of them passed it. Candidates are encouraged to keep abreast of industry related matters, market guidelines and regulations.

Question 2

The question examined candidates on knowledge of post loss report. All candidates attempted it and about 90% of them passed it.

Question 3

This was a popular question with the candidates. Over 90% of the candidates passed it.

Question 4

The question examined the candidates on knowledge of the acceptance/declinature letter forwarded to insurer. About 90% of the candidates that attempted the question passed it.

Question 5

The question examined candidates on final loss report and its various sub-headings. All the candidates that attempted the question passed it.

Question 6

The question examined candidates on their knowledge of some technical definitions and terms. All the candidates attempted it and they all passed it with scores that were above average.

Question 7

The question examined candidates on their knowledge about dry cargo ship. All candidates attempted it, and they passed above average.

Question 8

The question examined candidates about their knowledge of terms in a final report. All candidates attempted it and also passed it.

Question 9

The question was intended to examine the candidates on their knowledge of some acronyms in the shipping line and insurance. Only about 50% of the candidates that attempted the question passed it.

Question 10

The question examined the candidates on their knowledge of bill appointment among co-insurers. All the candidates attempted it and only 10% of them passed it.

Question 11

The candidates were asked to discuss some conditions usually stated in the policy document. About 90% of candidates that attempted the question and they all passed it.

Question 12

This question examined the candidates on their knowledge of claim adjusting in GIT policy. All candidates attempted the question and about 90% of them passed it.

Question 13

The question examined candidates on their knowledge of the ship as why a ship could be detained. All candidates attempted the question and 50% of them passed the question.

Question 14

This question examined candidates on their knowledge of sources of documents admissible by a loss adjusting firm. All candidates attempted the question and there was a 100% pass rate.

Question 15

The question examined candidates on their knowledge of Theft Act (1968); the material changes in theft policy; what the principle of indemnity entails in the context of theft insurance and the amount payable in such circumstance. No candidates attempted the question.

Question 16

The question examined candidates on their knowledge of financial fraud, fidelity guarantee, guarantor's clause and character clause. Only about 50% of the candidates attempted it, and their performance was average. Most candidates could not describe the modus operandi involved in financial fraud and they also struggled to differentiate between guarantors' and character reference clauses.

Question 17

The question examined candidates on their knowledge of the four stages of report of an adjuster. About 85% of the question the candidates attempted the question with 100% pass rate.

Question 18

The candidates were examined on their knowledge of the sub-heading of information contained in an adjusting report. About 67% of the candidates attempted the question and there was a 50% pass rate.

Comments on Overall Performance

About 100% of the candidates attempted the questions asked of them and their performance was excellent.

Suggestion(s) on Improvements (if any):

Candidates are encouraged to study and prepare well ahead, with versatility on all aspects of the course as it was realised that none of them attempted the question on the theft policy.