



*Chartered Insurance
Institute of Nigeria
Chief Examiners' Report
October 2024
Post AIN
(Loss Adjusting Practice)
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 - INTERMEDIATE

OCTOBER 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 OCTOBER 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.

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

Question 1

The question examined candidates about ethics and professional responsibilities. It was well attended and 100% of the candidates performed above average.

Question 2

The question was on the calculation of some aspects of business interruption. The performance was moderate, with approximately 50% of candidates scoring above average.

Question 3

The question was on the various international countries. The performance was poor with none of the candidates scoring above average.

Question 4

The performance of the candidates was fair as about 60% of the candidates performed above average.

Question 5

The question focused on the business interruption insurance policy and was well-attempted, with 100% of candidates who answered it performing above average.

Question 6

The question was on assessing the fire losses of an insurance claim. More than 95% of the candidates performed above average.

Question 7

The question covered international terms, and candidates who attempted it showed a fair performance, scoring above average.

Question 8

All candidates attempted the question and the performance was excellent at about 90% above average.

Question 9

This was a compulsory question. The sub-question tested the candidates' knowledge of inspection machinery and maintenance as it relates to insurance. The attempt was 100% and the performance was slightly above average (60-65%). Candidates are encouraged to prepare adequately by studying the prescribed coursebook.

Question 10

The sub-questions assessed candidates' knowledge of adjusting money insurance claims. While the attempt rate was 100%, performance was slightly above 65%, as most candidates struggled to identify exclusions in money insurance policies and differentiate between direct and non-direct transit in these policies.

Question 11

The question was on the importance of reading policy documents by a loss adjuster. About 75% of the candidates attempted it with an above average (60-64%) pass performance.

Question 12

The question examined candidates' knowledge of theft claims and loss mitigation. The attempt and the performance were above 73% each although some candidates struggled with the concept of loss mitigation.

Question 13

The question was on an international convention. No candidate attempted this question. It seems the candidates are not familiar with this part of the syllabus. It is advisable for candidates to thoroughly prepare on all the topics in the coursebook so that they will be a fully qualified and knowledgeable loss adjuster.

Question 14

The question assessed candidates' knowledge of adjusting public liability policies and the presentation of cloned cheques in relation to fraud. Approximately 65% of candidates attempted it, and their performance was excellent.

Comments on Overall Performance

The overall performance was impressive, with all candidates passing and two achieving distinctions. However, some questions were avoided as it can be suggested that the candidates focused more on the core areas they are familiar with.

Suggestion(s) on Improvement(s) (if any)

Although all candidates passed excellently, future candidates are encouraged to thoroughly study the prescribed text and other industry regulatory publications for proper professionalism.

Candidates are also encouraged to ensure that they adhere to the instruction of starting each question on a fresh page in the answer booklet. It should be noted that (a), (b), (c), from a question, has the same number 1 and should be answered together; but once it is another number entirely, the other number is required to start on a new sheet in the answer booklet.

The above will ensure that there is no deduction of 10% of earned marks from the final score of the candidates.

Part I

Answer ALL questions in Part I.

Each question carries six (6) marks.

1. In Nigeria, insurance practitioners play a crucial role in upholding professional standards and contributing to the growth of the insurance sector. Chartered Insurance Institute of Nigeria (CIIN) serves as a professional body that ensures adherence to ethical standards.
- (a) Define “ethics”. (2 marks)
- (b) Enumerate four (4) responsibilities insurance practitioners owe to the Chartered Insurance Institute of Nigeria. (4 marks)

Solution

(a) Ethics is defined as a moral philosophy or code of morals practiced by a person or groups of people. It also refers to well-founded standards of right and wrong that prescribe what humans ought to do, usually in terms of rights, obligations, benefits to society, fairness, or specific virtues. (2 marks)

(b) Insurance Practitioners have various responsibilities to the Institute and its other members. They should:

- i. act at all times according to the laws of the Institute (including this Code of Ethics);
- ii. ensure a transparent relationship with the Institute, based on trust, respect, responsibility and integrity;
- iii. have pride in their status as a member of the Insurance Institute and in any of the Institute’s qualifications they hold;
- iv. ensure they do not make improper use of information or disclose, or allow to be disclosed, information confidential to the Institute;
- v. aim to seek opportunities to support the work of the institute and to promote its values to others, especially industry bodies, employers and prospective members;
- vi. aim to seek opportunities to support Institute Branch activities;
- vii. demonstrate to others the value of professional qualifications and continuing professional development;
- viii. treat other officers, other members and employees of the Institute with the same respect they would wish to be given;
- ix. ensure that any conduct, promotion, or public announcement, with which a member, their name, or qualification are connected does not bring the Institute, another member, or their profession into disrepute;
- x. advise the Institute of any member(s) not complying with its laws and this code;
- xi. notify the institute of any person falsely acting to be an insurance practitioner;
- xii. ensure the expected standard of technical competence is maintained and that they remain informed of current developments (to ensure they remain competent to out their role) by undertaking appropriate professional development;
- xiii. notify the Institute promptly of any change in the area of their employment and update their record with the Institute appropriately;
- xiv. maintain their membership by payment of the appropriate annual membership fee.

(1 mark for each correct and completely stated responsibility. Maximum of 4 to be graded. Sub-

Total: 4 marks)

(Grand Total: 6 marks)

2. A manufacturing company is in the process of reviewing and updating its Business Interruption Policy. The company’s risk management team needs a clear understanding of specific terms used within the policy to ensure adequate coverage and accurate

claims handling. These terms are critical for assessing the financial impact of business interruptions and for making informed decisions about policy provisions. Briefly explain the following terms:

- (a) turnover; (1 mark)
- (b) gross profit (difference basis) (2 marks)
- (c) increase in the cost of working. (3 marks)

Solution

- (a) **Turnover:** the money paid or payable to the Insured for goods sold and delivered and for services rendered in the course of the Business at the Premises. (1 mark)
- (b) **Gross Profit (difference basis):** is the amount by which:
 - (a) the sum of the amount of the turnover and the amounts of the closing stock and work in progress shall exceed; BOTH
 - (b) The sum of the amount of the opening stock and work in progress and the amount of the Uninsured Working Expenses. (2 marks)
- (c) **Increase in Cost of Working:** This is the:
 - (a) additional expenditure necessarily and reasonably incurred
 - (b) for the sole purpose of avoiding or diminishing the reduction in Turnover which but for that expenditure would have taken place during the Indemnity period in consequence of the Incident,
 - (c) but not exceeding the sum produced by applying the Rate of Gross Profit to the amount of the reduction thereby avoided (the economic limit). (3 marks)

Grand Total: 6 marks

3. A global shipping company is evaluating different international maritime conventions to ensure that its shipping contracts offer adequate protection and liability coverage. The legal team is specifically looking into the limitations of the Hague Rules to understand their implications in relation to the scope of application, maximum liability, and compatibility with container transport. State and briefly discuss any two (2) of the limitations of the Hague Rules and their implications in relation to the scope of application, maximum liability, and compatibility.

Solution

The following are the limitations of the Hague Rules:

- (i) **Scope of Application:** This primarily applies to outward shipments from contracting states, leaving inward shipments governed by other laws. For instance, if goods shipped from a non-contracting state to a contracting state are lost, the Hague Rules may not be applicable.
- (ii) **Maximum Liability:** The rules limit carrier liability to £100 per package or unit. If perishable goods worth £500 per package are lost in transit without a declared value, the carrier's liability is limited to £100 per package, potentially leading to significant losses for the shipper.
- (iii) **Compatibility with Container Transport:** The rules do not clearly address container transport, leading to uncertainty. For example, if a container with multiple cargo items is lost in transit, it's unclear whether each item is considered a package or unit, affecting liability calculations.

(2 marks for each correctly stated limitation. 1 mark for any correct and completely stated explanation. Sub-Total: 3 marks for each limitation. Grand Total: 6 marks)

4. A property insurance company is conducting a historical analysis of its policies to understand the evolution of coverage options. The focus is on “Reinstatement Cover”, a critical feature in property insurance, and the conditions specified for its application.

By exploring the origins and specific conditions of “Reinstatement Cover”, the company aims to better understand its historical context and ensure that current policies meet clients' needs effectively.

(a) State any factor that led to the creation of “Reinstatement Cover” in the early 20th century. (2 marks)

(b) Enumerate any two (2) conditions specified for “reinstatement” in the “reinstatement memorandum”? (4 marks)

Solution

(a) The factors that led to the creation of “Reinstatement Cover” in the early 20th century
Some trading companies raised concerns to insurers that;

(i) traditional material damage claim settlements (deducting for wear and tear) wouldn't provide enough money to cover the cost of replacing machinery

(ii) this led to financial difficulties for the insureds. (2 marks)

(b) The conditions specified for reinstatement in the Reinstatement Memorandum are:

(i) rebuilding or replacing lost property in a manner suitable to the insured;

(ii) repair or restoration of damaged property to a condition substantially the same as when new;

(iii) the stipulation that the liability of the insurer should not be increased.

(2 marks for each correct and completely stated condition. Maximum of 2 to be graded. Sub-Total: 4 marks) (Grand Total: 6 marks)

5. A retail company is reviewing its Business Interruption Insurance policy to ensure comprehensive coverage in the event of unforeseen disruptions. As part of this review, the company needs to understand the various extensions that can be included in the policy and the specifics of one critical extension.

(a) Enumerate any four (4) extensions permissible in a Business Interruption Insurance contract. (4 marks)

(b) Briefly explain when the "Prevention of Access" extension in Business Interruption Insurance is applicable. (2 marks)

Solution

(a) The extensions permissible in a Business Interruption Insurance contract are:

* Prevention of Access;

* Alternative Trading Clause;

* Uninsured Standing Charges Clause;

* Additional Increase in Cost of Working;

* Public Utilities;

* Professional Insured: Document

* Customers (Specified)

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

(b) Prevention of Access: The "Prevention of Access" extension is applicable when the property in the vicinity of the insured premises is damaged or blocked, hindering access or use of the premises. This relates to the physical blocking of the means of access or egress and not the cutting of service. (2 marks)

(Grand Total: 6 marks)

6. A Loss Adjuster is tasked with assessing fire losses for an insurance claim. Understanding common causes of fire losses and effective loss mitigation exercises are crucial for accurate assessment and recovery planning.

(a) State four (4) common sources of fire losses that a Loss Adjuster should be vigilant about. (4 marks)

- (b) State two (2) examples of actions that could be classified as loss mitigation exercises following a fire incident. (2 marks)

Solution

- (a) The common sources of fire losses to be vigilant about are;
* storage of petrochemicals; * naked flames; * rodents;
* smoking in unauthorized places; * malicious damage; * arson;
* spontaneous combustion; * electrical surge;
* hazardous processes involving the application of heat.
(1 mark for each correctly stated source. Maximum of 4 to be graded. Sub-Total: 4 marks)

- (b) Loss mitigation exercises would include actions such as:
* propping and shoring damaged buildings; * covering exposed stock;
* relocation of damaged property in the open;
* advising the insurer on salvage disposal.
(1 mark for each correctly stated exercise. Maximum of 2 to be graded. Sub-Total: 2 marks)
(Grand Total: 6 marks)

7. In international trade, the use of International Commercial Terms (INCOTERMS) plays a crucial role.

- (a) What are INCOTERMS? (2 marks)
(b) What is the significance of INCOTERMS in international trade? (1 mark)
(c) Enumerate any three (3) main areas of responsibility that INCOTERMS cover in international trade. (3 marks)

Solution

(a) INCOTERMS are internationally recognised trade terms published by the International Chamber of Commerce that define the obligations and responsibilities of the seller and buyer. (2 marks)

(b) The significance of INCOTERMS is that it determines insurable interest and responsibility for loss or damage during shipment and specifies the division of costs and risks between the parties involved in international trade. (1 mark)

- (c) The main areas of responsibilities are:
* delivery stage; * transportation stage;
* documentation and formalities; * insurance.
(1 mark for each correctly stated area. Maximum of 3 to be graded. Sub-Total: 3 marks)
(Grand Total: 6 marks)

8. Consider a scenario where a commercial property experiences water damage due to a burst pipe. The insurance claim is supported by documentation including maintenance records, repair estimates, and photographs of the damage. These documents enable the adjuster to accurately assess the claim, determine coverage limits, and expedite the settlement process. Justify, with six (6) justification positions, the primary reasons for documentation in loss adjustment process.

Solution

The following are primary reasons for documentation in loss adjustment process:

- (i) to determine the quantum of loss;
(ii) to understand the circumstances of loss;
(iii) to verify the existence of the subject matter;
(iv) to confirm the identity and existence of the subject matter of the claim;
(v) to determine the date of loss;

- (vi) a written account of the circumstances of the loss provides context for the claim;
- (vii) to confirm the name and contact details of the insured, helping in proper claim processing;
- (viii) documenting the time, duration, cause, and method of extinguishment of the fire is essential for claim evaluation;
- (ix) obtaining firsthand information, particularly regarding the circumstances of the incident, adds credibility to the claim;
- (x) photographic evidence captured during site visits can aid in understanding the loss's extent and provide visual documentation.

(1 mark for each correct and completely stated reason. A maximum of 6 is graded. Total: 6 marks)

Part II

Compulsory Question.

This question carries 50 marks.

9. XYZ Manufacturing is a prominent industrial firm specializing in the production of high-quality materials and products across diverse sectors. Their expansive manufacturing facility is equipped with a variety of machinery and electronic equipment crucial for their production processes. These machines are indispensable, ensuring operational efficiency and product excellence.

Central to their facility is a colossal turbine, a vital component in their production line. This turbine plays a pivotal role by generating the necessary power for heavy machinery and various plant processes. It stands as a remarkable engineering achievement, embodying power and functionality critical to daily operations.

However, during a typical day of full-capacity production to meet urgent orders, a calamity strikes. The turbine unexpectedly grinds to a halt, plunging the entire facility into darkness. This sudden breakdown triggers a series of challenges for XYZ Manufacturing:

1. **Production Standstill:** With the turbine offline, the entire production line ceases operation abruptly. This halt leads to an immediate loss of output, imperilling their ability to fulfill client orders and meet deadlines.
2. **Increased Costs:** The production stoppage incurs escalating expenses for XYZ Manufacturing. They must continue paying their workforce despite the halted production and face mounting costs for repairing or replacing the turbine. Every moment is crucial as they strive to restore operations swiftly.
3. **Operational Disarray:** The breakdown sends shockwaves through the organization. Engineers and maintenance personnel mobilize urgently to diagnose the problem, while management grapples with tough decisions regarding resource allocation and commitments to clients.
4. **Client Implications:** XYZ Manufacturing serves several major clients reliant on their products. The breakdown threatens to disrupt the supply chain and strain relationships, potentially resulting in financial penalties and erosion of client trust.
5. **Safety Considerations:** The sudden shutdown raises safety concerns within the facility. Some processes necessitate precise control, and a malfunctioning turbine poses risks to both equipment and personnel safety.

In response to this crisis, XYZ initiates a claim under their machinery breakdown insurance policy. They seek to recover costs associated with repairing or replacing the turbine and mitigate the financial fallout from this unforeseen breakdown. As a Loss Adjuster

dispatched by the insurance company, your role is crucial. You will assess the damage, investigate the cause of the breakdown, and ensure that the claim aligns with the terms and conditions of the insurance policy.

- (a) Outline the steps you would take while inspecting the damaged machine. **(25 marks)**
- (b) Enumerate five (5) significance of proper maintenance for machinery like the turbine and role of maintenance logs. **(10 marks)**
- (c) Explain how fatigue failure leads to damage. **(6 marks)**
- (d) Enumerate the common causes of Transformer breakdown. **(9 marks)**

Solution

- (a) The steps to be taken are:
 - (i) Obtain detailed particulars of the machine.
 - (ii) Examine carefully the items reported damaged and note the nature and extent of damage. Identify the exact nature of damage e.g. whether it is broken, bent, distorted etc.
 - (iii) Establish the cause of damage to see if it is an insured peril.
 - (iv) Check the schedule to see if the affected property is covered.
 - (v) If repair estimates are available, go through them individually with the insured's technician and engineer to confirm the damage.
 - (vi) Take photographs of all and every damaged item.
 - (vii) Ascertain if the damage is repairable or not.
 - (viii) Confirm if liability exists under the terms of the policy.
 - (ix) Request for the maintenance log and go through it carefully (records dating to at least 3 months before the loss is not unreasonable).
 - (x) Find out when last an overhaul was performed and comment on whether the machine is kept and operated in good condition.

(20 marks for correctly outlined steps from start to finish. 2 marks for each correct and completely stated step. 5 marks for logical arrangements of the steps. Sub-Total: 25 marks)
- (b) The significances of proper maintenance are:
 - i) maintenance is crucial for preventing unscheduled downtime and high repair costs;
 - ii) proper maintenance minimizes sudden failures and production efficiency losses;
 - iii) it involves correcting minor faults and following recommended maintenance schedules;
 - iv) maintenance logs are essential for assessing the turbine's condition before a loss event;
 - v) examining logs for the three months preceding the loss event helps understand maintenance practices;
 - vi) periodic overhauls are an established method for preventing losses in turbines;
 - vii) overhaul records provide information on the turbine's last maintenance, which can extend its lifespan and improve performance;
 - viii) maintenance is the best-known method of loss prevention.

(2 marks each for correct and completely stated significance. Maximum of 4 to be graded. Sub-Total: 8 marks)
- (c) Fatigue failure leads to damage as metallic components fail more by fatigue than by any other mechanical cause. Fatigue failure occurs as a result of repeated application of small loads which are individually incapable of producing detectable deformation. Eventually these repeated loads can cause a crack to open and spread across the metal and lead ultimately to fracture.

(3 marks for any correct and completely stated reason. Maximum of 2 to be graded. Sub-Total: 6 marks)
- (d) Transformer breakdown can occur as a result of the following:
 - * overloading and/or insulation breakdown of the oil or the windings;

- * overheating fault; * earth fault; * tank faults (oil level);
 - * phase to phase faults; * open circuit faults; * bushings flashover.
- (3 marks for each correctly stated cause. Maximum of 3 to be graded. Sub-Total: 9 marks)**
(Grand Total: 50 marks)

Part III

Answer THREE of the following FIVE questions.

Each question carries 34 marks.

10. ABC Retail, a chain of stores, maintains a Money insurance policy to protect against losses of cash during transit to banks. The policy explicitly covers direct transits between store locations and designated banks within a specified geographical area. During a routine cash deposit, one of ABC Retail's store managers, unaware of surveillance cameras, takes a substantial amount of cash from the daily deposit and falsifies records to cover up the shortage. The theft remains undetected until the store conducts its routine audit the following week.

Upon discovering the missing funds, ABC Retail files a claim under its Money insurance policy to recover the stolen amount. The insurer initiates an investigation into the claim.

- (a) List the ten (10) main exclusions commonly found in money insurance policies. **(20 marks)**
- (b) Provide an example of how one of these exclusions could significantly impact a claim investigation related to cash losses. **(5 marks)**
- (c) Explain the importance of distinguishing between direct and non-direct transits in money insurance policies. **(5 marks)**
- (d) Provide an example of how this distinction in (c) above can impact a claim involving a loss during the transportation of cash. **(4 marks)**

Solution

(a) Money insurance policies typically contain various exclusions that may impact claim investigations. The following are exclusions of the policy:

- i. shortage due to error or omission;
- ii. riot, strike, civil commotion unless specifically agreed for;
- iii. terrorism
- iv. unexplained losses and mysterious disappearances;
- v. loss or damage due to flood, cyclone, earthquake and other convulsions of nature, war and war like operations;
- vi. loss or damage arising out of use of a key(s) to a safe(s) or strong room unless such keys are obtained by force or threat;
- vii. money entrusted to any person other than the insured or an authorised employee;
- viii. legal liability, consequential loss, theft from an unsecured vehicle and consequential loss;
- ix. money entrusted to a carrier;
- x. loss due to any act in which the insured, his/her family member/employee is involved as principal or party except dishonesty of cash carrying employee where specifically covered;
- xi. such dishonest activity of cash carrying employee shall be discovered within 48 hours;
- xii. money carried under a contract of affreightment.

(2 marks for each correct and completely stated exclusion. Maximum of 10 to be graded. Sub-Total: 20 marks)

(b) Any single example used must be discussed on how it impacts the claim investigation. For instance, a common exclusion is "loss or damage due to flood, cyclone, earthquake, and other convulsions of nature." Suppose a business experiences a significant cash loss due to flooding, and this peril is excluded under the policy. In such a case, the claim may be denied or partially covered, highlighting the importance of understanding policy exclusions and how they can affect investigations and claim outcomes.

(Candidates are required to give any example that is correct and completely stated. 5 marks for any correct and completely stated example. Sub-Total: 5 marks)

(c) Distinguishing between direct and non-direct transits in money insurance policies is significant as the policy typically covers direct transits only. For instance, if an insured's staff makes multiple stops between cash withdrawal and the destination, and the policy specifies coverage for direct transits, a claim resulting from a loss during those non-direct stops may not be covered. **(5 marks)**

(d) The distinction in (c) above can impact a claim involving a loss during the transportation of cash by avoiding policy liability if the condition has to be fulfilled before policy liability is engaged. If it isn't tied to policy liability then its breach may attract a penalty.

(4 marks)

(Grand Total: 34 marks)

11. John owns a small manufacturing business that recently suffered a fire in its warehouse, resulting in significant damage to equipment and inventory. John promptly files a claim with his insurance company to cover the losses under his property insurance policy. The insurance adjuster assigned to John's claim has extensive experience in handling property damage claims. However, the adjuster recognises the importance of thoroughly reading John's insurance policy despite their expertise.

Upon reviewing the policy, the adjuster discovered a specific exclusion related to fire damage caused by faulty electrical wiring, which John had overlooked. Despite the fire being accidental, the policy clearly states that damage from faulty wiring is excluded from coverage. This understanding prompts the adjuster to carefully assess whether the fire was indeed caused by faulty wiring or by another covered peril, such as a lightning strike.

During the investigation of John's claim, the adjuster conducts interviews with witnesses and John himself to gather information about the fire's cause and the extent of the damage. The adjuster opts to record these interviews rather than relying solely on written statements. This decision allows the adjuster to capture not only the verbal content but also nuances such as tone of voice, hesitation, and additional details that may arise spontaneously during the conversation.

As the adjuster continues to investigate John's claim, the issue of policy interpretation arises regarding the coverage of fire damage under specific conditions, including the impact of recent legislative changes.

(a) State the two (2) reasons why it is important for adjusters to carefully read the policy despite their experience. **(5 marks)**

(b) Enumerate three (3) reasons why recording a statement during an interview is preferable to obtaining a written statement. **(9 marks)**

- (c) Regarding the interpretation of policy clauses, what are four (4) key considerations and changes brought about by the Insurance Act of 2003 concerning breach of policy conditions or warranties? **(20 marks)**

Solution

- (a) It is important for adjusters to carefully read the policy, despite their experience, because of the following reasons:

- new facts in each claim may bring up new policy distinctions;
- there might be new policy provisions that are crucial to the case.

(2½ marks for each correct and completely stated reason. Sub-Total: 5 marks)

- (b) The reasons why recording a statement during an interview is more preferable than obtaining a written statement are:

- (i) recording is easier to take and more detailed;
- (ii) recording gives clarity which a written statement may not give;
- (iii) continuous eye contact can be maintained during the interview;
- (iv) body language can be studied during the interview.

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

- (c) The key considerations and changes introduced by the Insurance Act of 2003 regarding breach of policy conditions or warranties are as follows:

- The Act specifies that a breach of a policy condition or warranty cannot automatically give rise to a right in favour of an insurer against an insured.
- To repudiate liability or reject a claim on the grounds of a breach of condition or warranty, the breach must be material and relevant to the risk or loss insured against.
- A breach must amount to fraud or be a breach of a fundamental term of the policy for the insurer to have grounds to reject a claim.
- In section 55 (5) of the Act, a "fundamental term" is defined as a warranty, condition, or other terms of an insurance policy that a prudent insurer would consider material and relevant when underwriting a risk and determining the premium amount.
- The determination of whether a term is fundamental is made from the perspective of the insurer.

(5 marks for each correct and completely stated key consideration/change. Maximum of 4 to be graded.

Sub-Total: 20 marks)

(Grand Total: 34 marks)

12. In the context of insurance claims, the concept of loss mitigation refers to the proactive measures taken by the insured to minimise the impact of a loss or prevent it from occurring altogether. This concept is crucial in defining both the responsibilities of the insured and the role of the loss adjuster.

Loss mitigation places a responsibility on the insured to implement reasonable measures to prevent losses covered under their insurance policy. For example, installing security systems, conducting regular audits, and maintaining accurate records are proactive steps that can mitigate the risk of theft or reduce its severity.

When adjusting theft claims, several critical inquiries into policy requirements must be considered to ensure compliance with insurance terms and conditions.

- (a) In what two (2) ways does the concept of loss mitigation relate to the insured's responsibilities and the Loss Adjuster's role? **(12 marks)**

- (b) Explicitly enumerate any four (4) key inquiries related to policy requirements when adjusting theft claims, as studied in the course. **(16 marks)**
- (c) (i) Explain the term "collusion" as it pertains to theft claims, **(3 marks)**
(ii) Why does collusion by the insured or their employees invalidate a claim? **(3 marks)**

Solution

(a) The concept of loss mitigation relates to the insured's responsibilities and the Loss Adjuster's role in the following ways:

- the insured has a contractual duty to take steps to minimise the loss as if they were uninsured.
- the loss adjuster should recommend additional loss mitigation measures if they observe opportunities to further reduce the loss.
- the loss adjuster should communicate such recommendations in writing to the insured.

(6 marks for each correct and completely stated concept. Maximum of 2 to be graded. Sub-Total: 12 marks)

(b) The key inquiries related to policy requirements when adjusting theft claims, as studied in the course 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.

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

(c) (i) "Collusion" as it pertains to theft claims refers to the insured's complicity in the theft. **(3 marks)**

(ii) Collusion by the insured or their employees nullifies a claim because it contradicts the principle that losses must be unforeseeable. **(3 marks)**

(Sub-Total: 6 marks)

(Grand Total: 34 marks)

13. (a) Describe the "navigational fault exception" under the Hague Rules and explain its impact on the liability of carriers. **(5 marks)**
- (b) Give an example of a situation where this exception might be applicable. **(5 marks)**
- (c) Explain the primary goals and consequences of the Hague and Hague-Visby Rules in international maritime trade. **(10 marks)**
- (d) Explain the three (3) requirements set by the Hamburg Rules for transporting hazardous cargo. **(9 marks)**
- (e) Provide a real-world example where these requirements would apply. **(5 marks)**

Solution

(a) The navigational fault exception in the Hague Rules states that carriers and ships shall not be responsible for loss or damage arising from acts, neglect, or defaults of the master, mariner, or pilot during navigation or ship management. **(5 marks)**

(b) *Any similar marine related example can be cited.*

For instance, if a cargo vessel collides with an underwater obstacle due to navigational errors by the ship's crew, the navigational fault exception might be applied to reduce the carrier's liability. **(5 marks)**

(c) The Hague and Hague-Visby Rules aim to regulate and unify the obligations and liabilities of carriers and shippers in international maritime trade. They also provide minimum liability standards and protections for cargo owners.

(5 marks for each correct and completely stated goal/consequence. Maximum of 2 to be graded.
Sub-Total: 10 marks)

(d) The three requirements of Hamburg Rules for the transportation of hazardous cargo:

- Indications on the nature of the goods.
- Reporting the dangerous nature of the cargo to the carrier.
- Necessary precautions, including clear statements on the bills of lading.

(3 marks for each correct and completely stated requirement. Sub-Total: 9 marks)

(e) *(Candidates are required to correctly and explicitly state examples. For instance: as below. 5 marks for correct and completely stated example)*

If a shipment contains explosive chemicals, these rules would necessitate clear labeling of the cargo's nature, reporting its hazardous status to the carrier, and ensuring proper precautions and documentation. (5 marks)

(Grand Total: 34 marks)

14. (a) Describe, in the context of “public liability” claims, the legal concepts of:
- | | | |
|-----------------|------------------------|------------|
| (i) negligence; | (ii) nuisance; | |
| (iii) trespass; | (iv) strict liability. | (20 marks) |
- (b) (i) Define "dismissal with prejudice of the complaint". (3 marks)
(ii) Explain its importance in the context of reaching a settlement. (3 marks)
- (c) Explain the concept of "presentation of cloned cheques" in the context of employee fraud. (3 marks)
- (d) Describe how this type of fraud (in (c) above) typically occurs. (3 marks)
- (e) State why this type of fraud might not be covered by Fidelity Guarantee Insurance. (2 marks)

Solution

(a) (i) **Negligence:** Negligence refers to the omission of doing something that a reasonable person would do or doing something that a reasonable person would not do. In the context of Public Liability claims, negligence might involve the failure to take reasonable precautions that lead to harm or damage.

(ii) **Nuisance:** Nuisance is the wrongful disturbance of an individual's enjoyment of their property or the exercise of common rights. Public Liability claims might involve nuisance when an insured's actions disrupt the peaceful enjoyment of another person's property.

(iii) **Trespass:** Trespass involves an unlawful act with force and violence on the person or property of another. Even slight degrees of violence can lead to a trespass claim under Public Liability policies.

(iv) **Strict Liability:** Strict liability is a form of liability arising under specific legal rules, such as the principles established in the case of Rylands v Fletcher. In Public Liability claims, strict liability might come into play when harm or damage occurs due to inherently hazardous activities or conditions on an insured's property.

(5 marks for each correct and completely stated explanation. Sub-Total per term: 5 marks. Grand Sub-Total: 20 marks)

(b) (i) A "dismissal with prejudice of the complaint" is a legal document that advises the court of the settlement and prevents the plaintiff from refileing an action for the same damages in the future. **(3 marks)**

(ii) It is important when reaching a settlement because it provides legal protection by ensuring that the claimant cannot reopen the case, which is essential for finalising settlements. **(3 marks)**

(Sub-Total: 6 marks)

(c) "Presentation of Cloned Cheques" involves presenting a fake instrument to collect money, while the genuine cheque remains in the customer's chequebook. **(3 marks)**

(d) This type of fraud usually occurs from the outside, making it difficult to distinguish between the original and cloned cheques due to technological advancements. **(3 marks)**

(e) This kind of loss is not covered by Fidelity Guarantee Insurance unless it involves collusion with bank employees. **(2 marks)**

(Grand Total: 34 marks)