



*Chartered Insurance  
Institute of Nigeria  
Chief Examiners' Report  
October 2024  
Post AIN  
(Loss Adjusting Practice)  
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
<p><b>CANDIDATES SHOULD VISIT &amp; UNDERSTAND THE CONTENTS, REGULATIONS AND GUIDELINES/MARKET AGREEMENTS ETC ON THE FOLLOWING SITES <a href="http://naicom.com">naicom.com</a> (NAICOM), <a href="http://nigeriainsurers.org">nigeriainsurers.org</a> (NIA), <a href="http://ncrib.net">ncrib.net</a> (NCRIB), <a href="http://nigeriailan.com">nigeriailan.com</a> (ILAN), <a href="http://cinigeria.com">cinigeria.com</a> (CIIN)</b></p>	
<p><b>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).</b></p>	
<p><b>STOP WORKING HARD TO FAIL!!! START WORKING EFFORTLESSLY TO PASS OUTSTANDINGLY!!!</b></p>	



CHARTERED INSURANCE INSTITUTE OF NIGERIA

POST AIIN - INTERMEDIATE

OCTOBER 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 OCTOBER 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.

## **Chief Examiner's Comments**

### **Question 1**

The question examined candidates' knowledge of the content of facing sheets. The attempt was 100% and the performance was above 90%.

### **Question 2**

The question assessed the practices of loss adjusters within the profession, specifically focusing on the writing of an addendum report. Both the attempt and performance achieved a score of 100%.

### **Question 3**

The question was on information for cargo shipment claims. The attempt was 100% but the performance was 75%. Candidates need to study more about this.

### **Question 4**

The question was on average clause on property insurance. The attempt by candidates was 100% but the performance was poor as only one candidate passed with an excellent score. Others performed poorly.

### **Question 5**

The question was on the Agreed Value Policy and First Loss Policy. The performance was excellent and the attempt was 100%.

### **Question 6**

The question was on Money Insurance Claim Injury. Both the attempts and performance were 100% each.

### **Question 7**

The question examined candidates' knowledge about the stages of insurance reports. It was well attempted and the performance was excellent.

### **Question 8**

The question was on technical reports. Candidates attempt was 100% as the pass performance was about 70%.

### **Question 9**

The question examined candidates' knowledge of how loss adjusters can improve their performances. Performance was fair. Candidates are encouraged to study well ahead.

### **Question 10**

The question was on the standard property loss report. The performance was about 90% and the attempt was 100%.

### **Question 11**

The question was on marine cargo claims and what is required of a surveyor. The performance was slightly above average. And the attempt was 100%.

**Question 12**

The question was the business interruption as part of a claim following property damage. The attempt was 100%. And the performance was fair.

**Question 13**

The question was on risk improvement recommendations following a natural disaster. The question was attempted and the performance was good.

**Question 14**

The question examined candidates on money insurance. The attempt was 100% but the performance was average. Candidates should prepare well ahead.

**Question 15**

The question was on the relevant information on a report. The question was attempted by 100% of the candidates and the performance was above average.

**Question 16**

The question examined candidates' knowledge of the period of cover and average clause calculation. About 75% of the candidates attempted it and the performance was excellent.

**Question 17**

Only about 33% of the candidates attempted this question and their performance was fair. Candidates are encouraged to study wide future attempts.

**Question 18**

No candidate attempted this question. It appears that most candidates are not familiar with the international conventions that govern maritime operations. Candidates are encouraged to study widely as they cannot escape or avoid these areas of their profession.

**Comments on Overall Performance:**

Overall performance was acceptable but some candidates avoided some crucial questions. Future candidates will need to prepare adequately for the examination.

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

Loss adjusters' business is both local and international, especially from the perspective of maritime and aviation. Candidates are enjoined to study widely and prepare well for future examinations.

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 10 marks.

1. BDC Insurance Company has issued a standard property final loss report to its policyholder, Mr. Ebuka, following a recent fire at his commercial building. The facing sheet of the report contains the basic information about the loss, including the date, location, and estimated value of the loss. However, the report is classified under various subheadings to provide a detailed breakdown of the loss. Mr. Ebuka is interested in understanding the different subheadings used in the report and their relevance to his claim. Enumerate any ten (10) of these sub-headings that are not contained on the facing sheet.

### Solutions:

The sub-headings that are not contained on the facing sheet are:

- \* Description of premises;
- \* Description of insured business;
- \* Cause of loss;
- \* Policy conditions, warranties and liability;
- \* Claim review;
- \* Salvage and recovery;
- \* Conclusions/ recommendation;
- \* Risk improvement recommendation;
- \* Circumstances of loss;
- \* Extent of loss;
- \* The claim;
- \* Adequacy of Sum Insured;
- \* Claim adjustment;
- \* Other insurances;
- \* Loss apportionment.

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

2. ABC Insurance Company is a leading provider of insurance services in Nigeria. One of their clients, Mr. Abu, has submitted a final report on the fire damage to his house. The report was prepared by the insurance company's loss adjuster, who conducted an investigation and gathered evidence to determine the extent of the damage. As an adjuster at ABC Insurance Company, briefly explain the four (4) situations where issuance of an addendum may be necessary.

### Solution

As an Adjuster, an addendum can be used in the following situations:

1. when there is additional or new information not captured in the final report;
2. when an error is noticed in the final report;
3. Where penalties are imposed or waved which will affect the final offer;
4. when liability has been repudiated and the insurer wishes to accommodate the loss under commercial ground.

(2½ marks for each correctly stated situation. Total: 10 marks)

3. Ocean Freight Shipping Company (OFS) transported a shipment of perishable goods from New York to Hong Kong on board the reefer vessel, "Water Dragon". The shipment consisted of 500 boxes of fresh produce, valued at \$250,000. During the voyage, the vessel encountered rough seas and high winds, resulting in a significant loss of power and subsequent delay in refrigeration unit functioning. The cargo arrived at the port of destination with visible signs of spoilage and damage.

As a cargo claim adjuster, you have been assigned to investigate and settle this claim.

- (a) Enumerate any three (3) information that is required from OFS for the cargo claim adjustment.

(6 marks)

- (b) List two (2) different vessel types a cargo claims adjuster should be familiar with. (4 marks)

**Solution**

- (a) The information required for the cargo claim adjustment are:  
 \* Marine Certificate; \* Commercial Invoice;  
 \* Packing List; \* Custom Bill of Entry;  
 \* Duty Payment Documents; \* Certificate of Quality and Quantity (where necessary).  
**(2 marks for each correctly stated information. Maximum of 3 to be graded. Sub-Total: 6 marks)**

- (b) The vessel types an adjuster should be familiar with are:  
 \* Dry Cargo Ships; \* Liquid Cargo Ships; \* Specialised Cargo Ships.  
**(2 marks for each correctly stated vessel type. Sub-Total: 4 marks)**  
**(Sub-Total: 10 marks)**

4. Two insurance policies, Policy A and Policy B, each covering different aspects of a property and subject to the average clause.  
 Policy Details:  
 Policy A: Sum Insured on stock: ₦500,000.00  
 Policy B: Sum Insured on stock, fixtures, and fittings: ₦1,000,000.00  
 Actual Value of Stock at Risk: ₦800,000.00  
 Loss Sustained: ₦300,000.00  
 You are required to determine the independent liabilities and the loss payment from both policies after a loss event.

**Solution**

- Independent Liability of policy A:  

$$\frac{\text{Sum Insured}}{\text{Value at Risk}} \times \text{Loss}$$

$$= \frac{500,000}{800,000} \times 300,000$$

$$= ₦187,500.00 \quad \text{(2 marks)}$$
 Independent liability of policy B is ₦ 300,000 because average will not apply. (2 marks)  
 Total liability under both policy (₦ 187,500 + ₦ 300,000) = ₦ 487,500 (1 mark)

Loss Payment:

- Policy A  $\frac{187,500}{487,500} \times 300,000$   
 = ₦ 115,400 (2½ marks)
- Policy B  $\frac{300,000}{487,500} \times 300,000$   
 = ₦ 184,600 (2½ marks)  
**(Sub-Total per stage: 5 marks. Grand Total: 10 marks)**

5. Claims investigation and adjustment under specialised insurance policies necessitate a thorough and meticulous approach. Briefly explain these two specific types of policies  
 (a) First Loss Policy; (b) Agreed Value Policy.

**Solution**



### First Loss Policy

The nature and size of some stock will suggest that it is highly unlikely for the entire stock to be lost in a single event. When the value at risk amounts to several millions of Naira and loss by theft is only a fraction of the full value, the insurer may issue a first loss insurance policy which will be for a value less than the value at risk (usually not less than 20% representing maximum likely loss in any one occasion). Average clause for such a policy will provide that if the declared value of the property covered is less than the actual value at the time of loss or damage, the amount payable shall be proportionately reduced.

### Agreed Value Policy

The nature of the stock held by some businesses, such as precious metals and gemstones, makes true indemnity difficult to determine due to fluctuating values and potentially negligible intrinsic value. In these cases, insurers may issue an "Agreed Value Policy" which includes a clause stating that the sum insured is agreed upon by both the insurer and the insured as the true value of the property. In the event of a loss, the property will be assumed to have this agreed-upon value.

**(5 marks for each correctly explained policy. Total: 10 marks)**

6. A Money Insurance Claim Loss Survey Report is an essential document that outlines the details and findings of a claim involving monetary losses. Enumerate ten (10) features of the Money Insurance Claim Loss Survey Report.

#### **Solution**

The features of the money insurance claim survey report are:

- \* Detailed facing sheet;
- \* Premises/ location of business;
- \* Circumstances of loss/ interviews;
- \* Adequacy of sum insured;
- \* Other insurances;
- \* Consideration of liability;
- \* Introduction/preamble;
- \* Business of insured;
- \* Policy terms conditions and warranties;
- \* Collusion by employees;
- \* Policy excess;
- \* Adjustment of claim and liability.
- \* The insured;
- \* Safe warranty;

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

7. As an insurance adjuster, the process of claim settlement presents complex and challenging circumstances that require continuous communication with the principal. Briefly explain the use of the four (4) stages that the Adjuster's report may take.

#### **Solution**

There are four stages the adjuster's report may take, namely:

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

#### **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, inquiries conducted, circumstances of loss and extent of loss
- (xi) Actions are 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) Authorized signatures representing the adjusting company.

### 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 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).

### 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.          |                                   |

### 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, such as names of parties, claim no and policy no e.t.c. 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 affect 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 correctly stated state and explanation. Total: 10 marks)**

8. Choice Adjusters, a prominent loss adjusting firm, is dedicated to providing accurate and reliable assessments of insurance claims. To maintain their reputation and ensure fair outcomes for all stakeholders, Choice Adjusters relies on obtaining credible information for their technical reports. Enumerate any four (4) characteristics of credible information needed by Choice Adjusters.

#### **Solution**

The characteristics of credible information are:

- (i) Objective;
- (ii) Accuracy;
- (iii) Verifiable;
- (iv) Scientific;
- (v) Reliability;
- (vi) Relevant to policy condition.

**(2 marks each for any five correctly stated characteristics. Total: 10 marks)**

9. Omitoro Adjusters Limited, a leading firm in the loss adjusting industry, seeks to enhance its assessment accuracy and client satisfaction by utilising various market surveys. Understanding the types of market surveys available and their applications is crucial for Omitoro Adjusters Limited to maintain its competitive edge. Identify and explain any two (2) types of market surveys that can be effectively utilised by Omitoro Adjusters Limited to improve its services and reports.

#### **Solution**

The types of market surveys are:

- (i) Open Market Survey
- (ii) Quotation from a reputable manufacturer or dealer
- (iii) Authorise manufacturer representative

**Open Market Survey:** This involves ascertaining the price of a product or service in the open market. It will include activities such as visiting markets, stores, and searching the internet for prices.

**Quotation from a Reputable Manufacturer or Dealer:** It involves providing sufficient information on a product for the manufacturer to be able to provide a price list. This method of

market survey is useful where the subject matter in question possesses key technical features which require special knowledge to deliver a quotation.

**Authorised Manufacturer Representative:** This method is used for items that only the manufacturer to supply a repair estimate for the replacement price.

**(5 marks each for any two correctly stated market survey and explanation. Total: 10 marks)**

10. Apex Adjusters, a renowned firm in the insurance adjusting sector, is dedicated to providing thorough and accurate claims handling services. The information required in the standard property final loss report needed by the adjuster is classified under several headings. Explain the following headings:

- (a) claim review; (b) adequacy of sum insured; (c) the claim;  
(d) policy conditions, warranties and liability; (e) claim adjustment.

**Solution**

(a) **Claim Review:** This is the process of considering relevant information/ documents obtained during the loss investigation. These information/ documents are verified in line with loss adjuster's site note, market price survey, and other relevant documents to adopt a fair value position on a claim subject to policy terms and conditions.

(b) **Adequacy of Sum Insured:** It means establishing the actual values of property cover under the policy to determine the adequacy or otherwise of the sum insured, if necessary to establish the total value at risk.

(c) **The Claim:** This is the amount the insured presented through the completed claim form to make good the loss.

(d) **Policy Condition, Warranty, and Liability:** This is the application of all relevant policy conditions, warranties, and clauses to the loss to establish liability.

(e) **Claim Adjustment:** This is the process of adjusting the claim after claim review. The financial value of loss suffered after due consideration of the policy condition is established and all deduction relevant applied to arrive at a final figure.

**(2 marks for each correctly stated explanation. Total: 10 marks)**

11. As a marine cargo claim surveyor, you were retained by an insurance company to investigate a claim filed by a shipper regarding the loss of a cargo shipment. To investigate the claim, some basic information is needed for the cargo claim survey. Enumerate ten (10) required information needed during the survey.

**Solution**

The information required for the cargo claim survey is as follows:

- Copies of Bills of Lading
- Copies of final invoices
- Exact Date of Vessel's arrival at Port
- Date containers discharged from the vessel
- Condition of containers when discharged from the vessel
- Date container delivered from the port
- Condition of containers when delivered from port - support with the container condition report
- Was clean receipt given to bailee/ port authority

- Date containers were received at Consignee's Warehouse
  - What were the conditions of the containers when received at the consignee's warehouse
  - Have you held the ship/bailee responsible for the loss- please show a copy of the acknowledgment copy of the letter
  - Copy/copies of Marine Insurance Cover Note/s
  - Parties present at any joint inspections
  - Were the goods properly packed in line with international best practices?
- (1 mark for each correctly stated information. Maximum of 10 to be graded. Total: 10 marks)**

12. ABC Manufacturing, a mid-sized company, recently experienced a significant interruption in its operations due to a fire that damaged its primary production facility. As part of the insurance claim process, the company's management must understand several key terms related to their Business Interruption Insurance policy. Explain the following terms to them:

- |                           |                                   |
|---------------------------|-----------------------------------|
| (a) rate of gross profit; | (b) increase in cost of workings; |
| (c) dual wages insurance; | (d) material damage proviso.      |

**Solution**

(a) Rate of Gross Profit: This is simply the percentage of profit to turnover of a business. It is a ratio that would be commonly applied in the BI loss adjustment process. The rate of gross profit is important because, as a loss adjuster, you would be expected to calculate and arrive at the rate of gross profit which usually differs from the definition of gross profit within the accounting standards.

(b) Increase in Cost of Workings: This ensures loss of gross profit as a result of a reduction in turnover and loss of gross profit as a result of an increase in cost of workings.

(c) Dual Wages Insurance: This is a hybrid form of wage insurance developed to overcome some of the disadvantages of partially insuring wages. In this method there is an initial period for example 100% for 12 weeks then the balance of indemnity period wages is partially insured e.g 40% of wages may be covered for 40 weeks. This second period is known as the remainder period.

(d) Material Damage Proviso: This provides that the business interruption policy will not come into play unless liability for the material damage has been admitted by the material damage insurer.

**(2½ marks for each correctly stated explanation. Total: 10 marks)**

13. XYZ Retail, a thriving chain of supermarkets, faced a significant disruption in its supply chain due to a prolonged road closure following a natural disaster. This disruption led XYZ Retail to file a Business Interruption (BI) insurance claim to cover the resulting financial losses. As part of the claim process, XYZ Retail received recommendations for improving risk management practices. Enumerate the main two (2) risk improvement recommendations for the Business Interruption Insurance Cover that can be effected by the insurer.

**Solution**

The risk improvement recommendations in Business Interruption are:

- (i) The Business Interruption section of the policy should be adequately worded. There should be no ambiguity in the policy wording.

- (ii) Wages should be insured on a dual basis method and this allows for greater control over the sums payable.  
**(5 marks for each correctly stated recommendation. Total: 10 marks)**

14. AO Jewelers, a renowned jewelry store, recently experienced a significant theft incident resulting in the loss of valuable inventory. As AO Jewelers prepares to file a theft insurance claim, it is crucial to understand the three primary categories of exclusions outlined in the policy to assess the claim's eligibility and potential coverage. Explain any two (2) of the categories available to AO Jewelers.

**Solution**

The categories of exclusions are:

- (i) Losses that are excluded because of its fundamental nature and/or legislation stipulate that the losses would be borne by the government e.g nuclear or radioactive contamination, war and related risks, e.t.c.
- (ii) Losses that can be more specifically insured by other policies such as fire and explosion.
- (iii) Losses that will be difficult to avoid or control. This includes theft involving connivance by members of the insured household, employees, or any person lawfully on the premises. These are people who have more than a passing knowledge of the business, the premises and protection measures in place.

**(5 marks each for any two correctly stated exclusions. Total: 10 marks)**

**Part II**

**Answer two questions in Part II.**

**Each question carries thirty (30) marks**

15. ABC Insurance Company received a notification of a fire loss from its insured and subsequently appointed your loss adjusting company to investigate and adjust the claim on its behalf. As the assigned adjuster, you are to focus on gathering useful and relevant information to form an opinion in your report to your principals. State and explain any six (6) relevant information required to form a report.

**Solution**

To write a report, the adjuster needs information to form the content. The main sources of content for the loss survey report are:

- (i) The Letter of Instruction: this is relevant in that it commences the whole process. Once an instruction is received, a file is usually opened. Information such as the file number, claim and policy numbers, the name of the insured and sometimes a representative contact may be provided in the instruction instrument.
- (ii) The Policy Document: this contains the scope of cover, items covered, values, list of coinsurers, terms and conditions, exclusions and exceptions and so on. Relevant parts of this document would need to be reproduced within the report to prevent the reader from having to jump from the report and start looking for supporting material in the policy document.
- (iii) Specialist Reports: these are reports issued by other relevant professionals who the Loss Adjuster may call upon to assist with certain aspects of the loss. Examples of specialists' reports would be a quantity surveyor's report, an engineering report, a doctor's medical opinion, a legal opinion prepared by a

lawyer, and forensics. These reports are useful and may be called upon if the claim becomes contentious. The reports may be included by being summarised, reproduced, or simply inserted in its entirety, however, the full document must be submitted along with the report as part of the attachments.

- (iv) Investigative Interviews: these are the results of the Loss Adjuster's extensive inquiries, transcripts of discussions held with other professionals, witnesses, the police authority, or any party whose relevancy to the loss was deemed necessary.
- (v) Police Reports: if the claim warrants the issuance of a police report, such report would form part of the loss adjuster's report and it may be summarised within the report so long as the summary conveys the content with accuracy.
- (vi) Invoices and Repair Estimates: the information contained in the valuation documents is vital to the report. Valuation documents include purchase and sales invoices, Bills of Quantities, Independent valuation reports, and commercial orders. It should be remembered that the loss adjuster's report is a financial report in that it conveys a financial loss valuation which insurers are to rely on in their consideration of the claim.
- (vii) Photographs: it is usually said that a picture is worth a thousand words. This is particularly true in the field of loss adjusting as visual aids may convey information quicker or be processed by the mind better than just relying on pure narrative. The use of photographs in the loss adjuster's report is very vital and it is rare nowadays that a report is issued without photographs. Photographs taken at the loss scene immediately after the loss, photographs taken by the loss adjuster during the loss survey and photographs provided by third parties may contain essential information that would be fundamental in admitting liability and considering settlement or not.
- (viii) Site Layout Plan: sometimes when describing premises, the inclusion of a site layout plan depicting the position of buildings and key structures such as tanks, silos, fuel dumps, etc. may prove invaluable. It allows the insurers to have a bird's eye view of the premises and thus makes it easier to process information. It also aids in identifying where structures were located following a total destruction scenario.
- (ix) Media Clippings: it may happen that an instruction may come long after an event has happened. In such circumstances, if the event was of such a magnitude that it caught the attention of local media, information that may be obtained from such clippings may support confirmation of the occurrence of an event, the circumstances and the date of loss among other information.
- (x) Any source of information relevant to forming an opinion on a claim settlement should be identified within the report and a copy of the actual document, source, or reference be included in the final report.

**(3 marks for each correctly stated information. 2 marks for each correct and complete explanation. Sub-Total per information: 5 marks. Maximum of 6 to be graded. Grand Total: 30 marks)**

16. (a) On 1st January 2023, a loss occurred, and the insured filed a claim under its insurance policy, which covers the period from 1st January to 31st December 2022. The sum insured is set at ₦50,000,000.00, while the actual value at risk amounts to ₦250,000,000.00. After assessment, the adjusted claim amount is determined to be ₦54,196,313.00. As a loss adjuster, assess the loss and recommend necessary adjustments for the aforementioned insurance claim details. **(10 marks)**
- (b) In the context of insurance claims, it is essential to understand specific terms to effectively assess and manage liabilities and losses. Explain the following terms:  
 (i) mode of packaging; (ii) recovery; (iii) quantum; (iv) reserve;  
 (v) third parties and/ or bailees or parties responsible for the loss. **(20 marks).**

**Solution**

(a) Adequacy of Sum Insured:

The sum insured of ₦50,000,000.00 is grossly inadequate; a value at risk of not less than ₦250,000,000.00 would attach

Under Insurance:

At a Minimum Sum Insured of ₦250,000,000.00, the average condition of the policy will operate as follows:

$$\begin{aligned} \text{Tentative adjustment loss x Sum Insured divided by VAR (Value @ Risk)} \\ = \frac{\text{₦54,196,313.00 x ₦50,000,000.00}}{\text{₦250,000,000}} = \text{₦10,839,262.60} \end{aligned}$$

Therefore, tentative adjustment = ₦10,839,262.60

**Recommendation**

The Policy was not in force and accordingly, insurers have no liability. The claim should therefore be repudiated.

**(10 marks for the correct solution and recommendation.)**

(b) **REARRANGE**

- (i) **Mode of Packaging:** it will be appropriate to describe details of the packaging adopted and its suitability to the cargo or product conveyed. This is because the ICC clauses do not allow for losses with unsuitable packing.
- (i) **Recovery:** if the vessel has been found liable for the loss, the Loss Adjuster should hold the vessel liable for the loss by issuing a Letter of Reserve. The letter has the effect of preserving insurers' rights of recovery and is usually time-barred, so it must be issued within a year of the date of the loss. Usually, by the time the Loss Adjuster becomes involved, the assured may already have held the vessel liable. Where the vessel is not liable but perhaps some other party at the port, then such party can also be held liable. When in doubt, a Letter of Reserve should be issued to all parties to avoid becoming time-barred.
- (ii) **Quantum:** this is the section of the report where the adjuster will detail his investigations into the quantum of the claim. It is the place for dealing with the nature of the checks he had carried out to establish quantities, pricing, values, and the like. The loss adjuster will report here the effect of this part of the



adjustment and clearly show insurers a comparison between the amounts claimed and the amounts agreed as a fair quantum on a full liability basis.

- (iii) Reserve: this is a statement of the financial details of the reserve in a Preliminary Report, showing the apportionment of the reserve between different items of the policy.
- (iv) Third Parties and/or Bailees or Parties Responsible for the Loss: establish the stage, purpose, terms and conditions of custody of the cargo. Action taken and nature of correspondence exchanged. You should also be able to establish if the third party or bailee has insurance protection covering their activities with respect to cargo in their custody, that the assurer can exercise contribution and/or subrogation against to mitigate their outlay after settlement of the claim.

In this part of the report, the adjuster will have to state if there is to be any recovery available to insurers. If so, then the adjuster should state what actions have been taken to preserve insurers' rights of recovery and whether they have been prejudiced or not.

**(4 marks each for the correctly explained term. Sub Total: 20 marks)**  
**(Grand Total: 30 marks)**

17. (a) In the context of insurance claims, particularly theft claims, several key concepts play crucial roles in determining coverage, assessing damages, and adhering to policy conditions. Concisely discuss any of the five (5) pertinent aspects related to theft claim adjustment listed below:
- (i) proximate cause;                      (ii) damage;                      (iii) hold -up;
  - (iv) exclusions;                      (v) policy conditions; (vi) material changes.
- (20 marks)**
- (b) In the context of insurance, the right of contribution is a legal concept that allows multiple insurers to share the liability for a loss, rather than each insurer being responsible for the entire loss. This concept is derived from equity, not subrogation. Enumerate any four (4) factors that must exist for contribution to arise.
- (10 marks)**

### **Solution**

(a) (i) Proximate Cause: The onus of proof that loss has occurred rests with the insured. The requirement that in theft insurance, the loss must be accompanied by force and violence during entry or exit to or from the premises has been settled over the years and is important in proving that the proximate cause of loss is the insured peril i.e. theft. It should be noted that the cover only applies when force and violence are used to gain entry to or exit from the premises. Damage to internal doors, desks, or safes is not enough. It should however be noted that in cases of premises where the public normally has a right of access such as schools and hospitals, underwriters may vary the clause to the effect that liability will attach, once force and violence are used within the premises to gain entry or exit into or from a restricted office or room via an internal door. The use of a key, either stolen, a duplicate, or a skeleton, is not considered violent. Some losses occur because thieves conceal themselves within the premises until the close of business for the day. This again will not qualify as theft within the meaning of the policy unless force and violence are involved in the exit of the thieves in breaking out of the premises rather than simply undoing a window catch or door bolt from the inside.

(ii) Damage: Occasionally, thieves forcibly enter a premise and cause damage to tables, desks, cabinets, and other items while attempting to steal, even if nothing is ultimately stolen. Such

damage is covered under theft insurance because the proximate cause is theft or attempted theft. However, deliberate damage that is not related to any act of theft, such as soiling, graffiti, or malicious damage to a valued possession, is not covered by the theft policy.

(iii) Hold-Up: Where thieves enter into the premises and threaten to assault the insured (perhaps with a gun or knife) or an employee in an attempt to steal, this will be construed as the use of violence. Assault and violence should be considered in the context of the meaning in law. Assault occurs when one person intentionally or recklessly causes another to be in fear of immediate and unlawful violence. No contact is required for an assault to be construed. Assault occurs when a person points a weapon at another and acts as if a weapon will be used or perhaps threatens another with his fist. The degree of violence involved will have to be determined by the circumstances surrounding the incident. For example, a minor threatening a six-foot-tall adult with his fist or even a stick in an attempt at theft will not be sufficient. However, where thieves hold the family of the insured or employee hostage, communicate this fact to the person and persuade him to unlock the doors to a store or factory or release property on a premise, must surely be forcible and violent entry within the meaning of the theft policy.

(iv) Exclusions: The exclusions stated in the policy specify those losses that are not covered by the policy whether or not the proximate cause falls within the definition of the loss sustained.

There are three general categories of exclusions in the policy:

- (i) Losses that are excluded because of its fundamental nature and/or legislation stipulates that the losses will be borne by the government. Examples of these are losses due to nuclear or radioactive contamination, war and related risks, riot and civil commotion, and similar losses.
- (ii) Losses that can be more specifically insured by other policies such as fire and explosion.
- (iii) Losses that would be difficult to avoid or control which should therefore be carefully considered if cover will be granted. These include theft involving connivance by members of the insured's household, employees or any person lawfully on the premises. These are people who have more than a passing knowledge of the business, the premises and protection measures in place.

(v) Policy Conditions: Whether or not stated in the policy, the law implies that some conditions are attached to the theft insurance cover. These are the following:

- (i) the parties act in accordance with the principle of utmost good faith.
- (ii) the subject matter of the contract exists at the time the policy is incepted.
- (iii) the insured has an insurable interest in the item being insured
- (iv) the subject matter is clearly identified.

Apart from these, the other conditions intended for the contract must be written in the document and will include the statement that 'due observance and fulfilment' of the terms and conditions in so far as they relate to anything to be done or complied with by the insured and the truth of statements made in the proposal shall be conditions precedent to any liability under the policy'.

The conditions in a policy are of three broad categories:

- (i) Condition precedent to the policy, breach of which 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. These mainly are the implied conditions stated earlier.

- (ii) Conditions subsequent to the policy. These identify the duties that the insured must comply with during the currency of the policy. An example is where a specific type of lock is used in securing the insured premises or that security guards be present on the premises at certain or all times. These also include conditions prescribing that the risk will not be altered without the knowledge of insurers.
- (iii) Conditions precedent to liability. These are conditions that relate to a loss such as notifying the Police of a theft or that the insured keep records of assets or transactions involving the property insured.

The first type of condition renders the policy void ab initio (from beginning) effectively meaning the contract did not exist or that it did not have any legal force. The second and third renders it voidable, that is, it can be avoided by the wronged or aggrieved party who can claim that they are not bound by the terms of the contract. In the event of a breach of policy condition, the insured may elect to waive the breach expressly or by conduct. However, the insurer is not bound to, in case of a breach, immediately refuse to make payment of a claim provided any delay in taking their decision does not prejudice the insured and is reasonable. A delay in repudiation is not a waiver of the right to repudiate. It should be noted that some breaches are waived by statute as in the Insurance Acts which waives enforcement of breach of some policy conditions in insurance policies in Nigeria, such as, the breach of a condition which is immaterial to the loss will not void a policy.

(vi) Material Changes: The policy would often include a condition which states that:  
No claim shall be recoverable hereunder;

- (i) If any material change shall be made in the premises or the condition of the risk as existing, at the time of acceptance or;
- (ii) If the intrinsic value of the contents of the premises is at any time materially increased unless, in any of such cases, the written content of the insurer has been obtained.

The condition reinforces the existing common law right of an insurer regarding the duty of utmost good faith imposed on the insured as well as non-disclosure and material facts. It is suggested that a 'material change' would be a change in the premises the nature of which is significant enough to be considered a material fact and warrant notification to the insurer. An example is where in the course of refurbishment of the premises, a main entrance leading into the premises is replaced with one that is less formidable than the one there at the inception of the cover. Similarly, the condition of the risk could be substantially increased in the volume and value of stock held on the premises or perhaps the installation of more valuable and sophisticated portable equipment or machinery. Certainly, the insurer always has some protection in the average clause but it could well be that the changes in risk are of such magnitude that the prudent insurer might require the installation of additional protection such as burglar alarms or motion detectors on the premises. There could also be a material increase in the intrinsic value of the property insured where for example at the inception of cover and following a survey, underwriters find an insignificant quantity of non-ferrous metal (copper) on a premise. However, the insured might decide for their business purposes, to substantially increase the quantity of such metal, which is attractive to thieves, in their stock.

**(4 marks each for any five correctly explained terms. Sub Total: 20 marks)**

- (b) The following are factors for contribution to arise:

- (i) Irrespective of whether the sums insured are different or that other properties are also insured, the damaged property must be identified and covered in both policies.
- (ii) The loss or damage must be caused by the contingency against which the policy provides cover, for example, loss by theft is covered by both policies or one of them covering 'all risks'.
- (iii) Both policies must insure the same interest, that is, the insurable interest of the same insured.
- (iv) The policies in question must be in force at the time of the loss.
- (v) The insurer can, by wording in the policy, restrict or exclude their right to contribution.

**(2 marks each for the correctly stated factor. Sub Total: 10 marks)**  
**(Grand Total: 30 marks)**

18. (a) A maritime company is preparing to update its safety and environmental compliance protocols. As part of this process, the company's compliance team needs to understand two critical international conventions that govern maritime operations. These conventions are essential for ensuring the safety of lives at sea and preventing pollution from ships. The team seeks detailed definitions and explanations of these conventions (International Convention for the Safety of Life at Sea (SOLAS) and International Convention for the Prevention of Pollution from Ships) to guide their policy updates.

Explain what the following conventions are used for:

- (i) International Convention for the Safety of Life at Sea (SOLAS)
- (ii) International Convention for the Prevention of Pollution from Ships (MARPOL). **(10 marks)**

- (b) A shipping company is undertaking a comprehensive review of its safety inspection protocols to enhance operational safety and compliance with international standards. The company's safety team needs to understand various types of inspections that are crucial for ensuring the safety of maritime operations. By providing detailed notes on the following inspections, the safety team will be better equipped to implement and adhere to best practices in maritime safety, thereby ensuring the safe and efficient operation of their fleet. Briefly discuss the following terms:

- (i) Terminal Safety Inspection; (ii) Port State Inspection;
- (iii) Cargo Ship Safety Inspection Survey; (iv) Safety Construction Survey.

**(20 marks)**

### **Solution**

(a) (i) The International Convention for the Safety of Life at Sea (SOLAS) is an international maritime treaty that sets minimum safety standards in the construction, equipment and operation of merchant ships.

(ii) The International Convention for the Prevention of Pollution from Ships (MARPOL) is the main international convention covering the prevention of pollution of the marine environment by ships from operational or accidental causes. The MARPOL Convention was adopted on 2 November 1973 at IMO

**(5 marks each for correctly explained terms. Sub Total: 10 marks)**

(b) (i) Terminal Safety Inspections. A terminal safety manager or representative visits the ship and ascertains safe operations as per terminal requirements.

(ii) Port State Inspection is done by Administrations to verify that the foreign flag ships calling at their ports comply with mandatory rules and regulations. A Port state may detain a ship from proceeding to the sea, if there are clear grounds for serious deficiencies concerning the operational requirements of international conventions (e.g. SOLAS, MARPOL).

(iii) Cargo ship safety equipment survey pertains to conditions and management of the safety system onboard. Muster lists, lifejacket donning instructions, survival craft launching instructions, and muster stations are to be updated and posted in required locations, arrow markings for emergency muster stations, condition of lifeboats, its equipment, and launching appliances.

(iv) A safety construction survey will be focused on the structural strength of the vessel. It will be assessed for any excessive corrosion of the deck or hull, along with the condition of watertight doors, bilge pumping and drainage systems, fire protection equipment, and fixed and portable firefighting equipment. Condition of steam lines on deck, anchors chain and cables, and means of emergency escape are also checked.

**(5 marks each for correctly explained terms. Sub Total: 20 marks)**

**(Grand Total: 30 marks)**