



Chartered Insurance

Institute of Nigeria

Chief Examiners' Report

April 2025

*Post AIIN*

*(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 (Intermediate and Associateship Level)
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.	Nuture fear on any subject. There is no subject that distinction cannot be obtained.
Attend the Annual Students' Forum	Avoid the Annual Students' Forum
CANDIDATES SHOULD VISIT & UNDERSTAND THE CONTENTS, REGULATIONS AND GUIDELINES/MARKET AGREEMENTS ETC ON THE FOLLOWING SITES <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://ilan.com.ng">ilan.com.ng</a> (ILAN); <a href="http://ciinigeria.org">ciinigeria.org</a> (CIIN)	
INFRACTIONS ON ANY OF THE INSTRUCTIONS COULD LEAD TO STIFF SANCTIONS. DO NOT BE A CULPRIT. ANY CANDIDATE CAUGHT AND/OR FOUND TO BE CHEATING/HAVE CHEATED WILL BE BARRED FROM PARTICIPATING IN ANY OF THE INSTITUTE'S EXAMINATION ACTIVITY FOR TWO (2) YEARS, AND THE EMPLOYER WILL BE DULY INFORMED OF ANY SUCH INCIDENCE(S).	
STOP WORKING HARD TO FAIL!!! START WORKING EFFORTLESSLY TO PASS OUTSTANDINGLY!!!	



CHARTERED INSURANCE INSTITUTE OF NIGERIA

POST AIIN - INTERMEDIATE

APRIL 2025 DIET EXAMINATION PAPER

SUBJECT PI02

PI02 – LOSS ADJUSTING PRACTICE (INTERMEDIATE)

**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 does not apply to the separate parts.
- Write in the ruled margin the number and question attempted.
- Leave no blank pages among your answers.
- Where supplementary leaves are used, the candidate's number should be written in the space provided on them and fastened at the end of the book inside the cover.

**FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL) WILL ATTRACT STATED SANCTIONS AS STATED IN THE APRIL 2025 DIET CANDIDATES' INSTRUCTIONS.**

# CHARTERED INSURANCE INSTITUTE OF NIGERIA

## PI02 – LOSS ADJUSTING PRACTICE (INTERMEDIATE)

### 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**

75% of candidates scored 50% and above. The question on listing the classes of general insurance as classified in the Insurance Act 2003 was generally well answered, indicating a good understanding of the topic.

### **Question 2**

Performance was below expectations. The question examined knowledge of the attributes of a loss adjuster and basic requirements of a post-loss survey report. Unfortunately, 75% of candidates scored below the pass mark, with only one candidate achieving 60%. More emphasis should be placed on understanding key responsibilities of the loss adjuster.

### **Question 3**

Candidates failed to address the core concept of acting as the "eyes and ears" of the underwriter. In part (a), responses were conceptual but missed the critical points. In part (b), on the formation of an adjuster's report, no candidate scored up to 5%, reflecting a lack of understanding and preparation.

### **Question 4**

50% of the candidates scored 80% and above. The question tested knowledge of investigative actions during a loss survey. However, some candidates confused it with risk survey. Careful reading and comprehension of the question are advised to avoid misinterpretation.

### **Question 5**

50% of candidates scored 50% and above. The question assessed understanding of subheadings under which information is categorized and the characteristics of information. Many candidates failed to address these correctly due to insufficient preparation.

### **Question 6**

100% pass rate with scores of 80% and above. Candidates demonstrated strong understanding of the concept of market surveys and the three types of market surveys. Performance was commendable.

### **Question 7**

75% of candidates scored 60% and above. The question on policy considerations was well attended. Candidates performed better in part (b), although part (a) on general policy considerations needs further attention. Continued study and mastery of key concepts are advised.

### **Question 8**

75% of candidates scored 50% and above. Part (a) on interim reports was well addressed, but part (b) on premises exemption was poorly attempted. Candidates should aim to improve through targeted reading and understanding of practical applications.

**Question 9**

100% pass rate. Candidates performed well in the question that tested writing short notes on displacement, Maritime Mobile Service Identity, Dead Weight Tonnage and Net Registered Tonnage

However, deeper understanding can still be cultivated through further study.

**Question 10**

75% of candidates scored above 70%. Part (a) of the question focused on three additional documents required for cargo claims was excellently answered.

Part (b) on increase in cost of working expenses also reflected good understanding. Continued study is encouraged to maintain this standard.

**Question 11**

100% failure, with the highest score at 20%. Part (a) focused on two reasons for the material damage proviso was poorly attempted. Part (b) on dual wages insurance lacked clarity. This poor performance highlights a serious need for better preparation and coursebook engagement.

**Question 12**

75% of candidates scored above 50%. performance in part (a) on shortage of turnover was satisfactory. Part (b) tested candidates' knowledge on main content headings and was better handled. Further preparation is still recommended to ensure full coverage of expected knowledge.

**Question 13**

Part (a) of the question assessed on the definition of theft according to the Theft Act 1968 was attempted, though few candidates could state it verbatim. Part (b) on modifications and implications of the Act was well addressed, indicating reasonable comprehension.

**Question 14**

100% failure was recorded. Candidates struggled with explaining the term "excess" in part (a). Responses to how indemnity is provided under a theft claim in part (b) were vague and inaccurate. Performance reflects a lack of practical knowledge and preparation.

**Question 15**

Only 25% of candidates scored 70%, while the majority scored below 43%. The question required candidates to state and explain six contents of a loss adjuster's report, which was poorly answered. Improved preparation and familiarity with report structure are necessary.

**Question 16**

75% of the candidates attempted this question, with a score rate of 66% and above. Part (a)(i) on the letter of instruction and its components was well answered. Part (a)(ii) on the letter of acceptance was also well handled.

Part (b) on addendums and situations requiring them was less successfully answered. A practical approach to studying is recommended.

#### **Question 17**

Only 25% of candidates attempted this question, but those who did performed excellently, scoring 83%. Their calculation-based response to tentative adjustment of loss was accurate.

The guarantor's clause and differentiation between Gross and Net Registered Tonnage were also well understood.

#### **Question 18**

No candidate attempted this question.

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

Overall performance was excellent, with no student failing the course. This suggests a good grasp of foundational knowledge across most questions, though there is still room for growth in certain areas.

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

Candidates are advised to engage more actively with their coursebooks and attend tutorials regularly.

Greater effort is expected in line with the standards of the profession. Success in this field requires not only theoretical knowledge but also a solid understanding of practical application.

In addition, candidates should ensure they follow the instructions to start each question on a new page in the answer booklet. It is important to note that sub-questions labeled (a), (b), (c), ..., from the same question should be answered together under the same number. However, if the next question has a different number, it should begin on a new sheet in the answer booklet.

Adherence to these guidelines will prevent the deduction of 10% of the marks that could have been earned on the affected questions.

Furthermore, candidates should not write their names on the answer booklet. Doing this is a breach of Council approved guidelines for the examination.



## Part I

**Answer ALL questions in Part I.**

**Each question carries 10 marks.**

1. List any five (5) classes of general insurance business as classified in the Insurance Act 2003.

### **Solution:**

Classes of general insurance business as classified in the Insurance Act 2003 are:

- (a) fire insurance business;
- (b) general accident insurance business;
- (c) motor vehicle insurance business;
- (d) marine and aviation insurance business;
- (e) oil and gas insurance business;
- (f) engineering insurance business;
- (g) bonds credit guarantee and suretyship insurance business;
- (h) miscellaneous insurance business.

**(2 marks each for each correctly stated class. Maximum of five to be graded. Total: 10 marks)**

2. (a) What three (3) attributes must the adjuster possess in order to succeed in their work? **(6 marks)**
- (b) State the two (2) basic requirements for the post lost survey report for the Nigerian insurance industry. **(4 marks)**

### **Solution**

- (a) The adjuster to succeed in their work should have:
- (i) a strong command of the English language to clearly convey their findings in a way that others can understand.
  - (ii) they should possess knowledge of economics, current affairs, and contract law
  - (iii) they should be able to interpret the policy and any other documents related to the claim presented by all parties involved.

**(2 marks each for each correctly stated attribute. Sub Total: 6 marks)**

- (b) The basic requirements for the post lost survey report for the Nigerian insurance industry are:

- It is a short, sharp, concise document which is written for a particular purpose and audience;
- It generally sets out and analyses a situation or problem, often making recommendations for future action
- It is a factual paper, and needs to be clear, well-structured and balanced.

**(2 marks each for each correctly stated requirement. Maximum of two to be graded. Sub Total: 4 marks)**  
**(Grand Total: 10 marks)**

3. (a) A manufacturing company suffers a significant fire incident that damages its production facility. The company promptly files a claim with its insurer, and a loss adjuster is appointed to assess the situation. As the appointed loss adjuster, under what three (3) circumstances should you act as the "eyes and ears" of the underwriter during this case? **(6 marks)**
- (b) What is the appropriate format for writing the adjuster's report? **(4 marks)**

### **Solution:**



- (a) The Loss Adjuster serves as the "eyes and ears" of the underwriter while:
- (i) gathering information at the loss scene;
  - (ii) conducting interviews;
  - (iii) performing market verification, and making inquiries, including those with the police.

**(2 marks each for each correctly stated circumstance. Sub Total: 6 marks)**

(b) The adjuster's report must be written clearly and without ambiguity, ensuring it provides unbiased information that will assist underwriters in evaluating the insured's claim. It must contain the following headings or information: Name of company, name of insured, policy number, location of loss, type of loss, circumstances of loss, investigation/enquiries, policy liability, claim review, average, salvage, recommendation.

**(4 marks for correct explanation)**

**Grand Total: 10 marks)**

4. Explicitly, with four (4) explanations, explain the act of "*investigation*" in Loss Survey Reporting Process.

### **Solution**

The act of "*investigation*" in Loss Survey Reporting Process is as explained below:

- (i) Claims investigation is the process of obtaining first-hand information about a claim.
- (ii) It involves the visit of the adjuster to the scene of loss for necessary enquiries.
- (iii) The adjuster visits all other relevant agencies/authorities concerned in a given claim situation e.g. Police authority, fire service, hospitals, e.t.c.
- (iv) The adjuster verifies the relevant documents submitted by the insured with a view to ascertaining their validity.
- (v) When the adjuster is satisfied that he has done all that is considered necessary in a given claim situation, he will now use the information gathered to review the claim in line with the policy terms and conditions.

**(2½ marks each for each correctly stated explanation. Maximum of four to be graded. Total: 10 marks)**

5. (a) In conducting an investigation, the adjuster will usually use the gathered information to review the claim. State the three (3) subheadings under which this information is categorised. **(6 marks)**
- (b) State four (4) characteristics of information obtained through the process of investigations. **(4 marks)**

### **Solution**

- (a) The subheadings are:

- \* Subject Matter of loss/damage;
- \* Extent of Loss;
- \* Circumstances of Loss and Loss Investigation or Enquiries.

**(2 marks each for each correctly stated subheading. Maximum of three to be graded. Sub Total: 6 marks)**

- (b) The characteristics of information obtained through the process of investigations are:

- \* Objectivity
- \* Scientific
- \* Accuracy
- \* Reliability
- \* Verifiable
- \* Relevant to policy condition

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

6. (a) Explain market survey. **(4 marks)**
- (b) State the three (3) types of Market Survey. **(6 marks)**

### **Solution**

(a) Market Survey – Market survey process shows efforts and results carried out by the adjuster in verifying repair or replacement costs (in the case of property losses). The information obtained may be reported under a heading such as the Claim Review. This is the process of researching on the price of items submitted by the insured to make good the loss. Market survey must take into consideration the quality of items being claimed and the initial market environment. This will enable the adjuster adopt a reasonable price that will adequately provide indemnity to the insured. The information gathered during the market survey should be stated in full with copies of invoices obtained attached (where possible) so as to support the Loss Adjuster's findings

**(4 marks for correct explanation)**

(b) The three types of Market Survey are:

- Open Market Survey
- Quotation from Reputable Manufacturers or Dealers
- Authorised Manufacturer's Representative

**(2 marks for each correctly stated type. Total: 6 marks)**

7. (a) Explain "policy consideration" within the context of loss adjusting report.

**(4 marks)**

(b) State any three (3) areas for policy consideration.

**(6 marks)**

### **Solution**

(a) Policy Consideration is the nexus of a loss adjusting report. It is core in a report because it has to deal with the issues contained in the policy which is the organic instrument of the contract of insurance between an insurer and the insured. The loss adjuster as a matter of obligation is required to issue a report in tandem with the policy terms and conditions. Any considerations outside the policy conditions are voidable and as such unacceptable in issuing an adjusting report. Policy consideration is where the adjuster aligns the information he has gathered with the limitations or conditions of the policy.

**(4 marks for correct explanation)**

(b) The Areas for Policy Consideration are:

- |                       |               |                  |
|-----------------------|---------------|------------------|
| * Policy cover        | * Exclusions  | * Warranties     |
| * Conditions          | * Sum insured | * Dates of cover |
| * Geographical limits |               |                  |

**(2 marks for each correctly stated area. Sub Total: 6 marks)**

**(Grand Total: 10 marks)**

8. (a) What is an interim report?

**(4 marks)**

(b) Explain, in two (2) clear explanations, "description of the premises" according to the final loss report.

**(6 marks)**

### **Solution**

(a) 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.

**(4 marks for correct explanation)**

(b) Description of the Premises:

- (i) It is very vital that the adjuster identifies the number of buildings on the premises, their various types of construction and the materials used for construction. The report should be able to point out any physical hazards associated with the risk insured under the policy.
- (ii) The section should include details of adjacent developments in the proximity, the type of fence and any security therein embedded.

**(3 marks for each correct explanation. Sub Total: 6 marks)**

**(Grand Total: 10 marks)**

9. Write a short note on the following:

- |                             |                                       |
|-----------------------------|---------------------------------------|
| (a) displacement;           | (b) maritime mobile service identity; |
| (c) dead weight tonnage;    | (d) gross registered tonnage;         |
| (e) net registered tonnage. |                                       |

### **Solution**

(a) **Displacement:** Displacement or displacement tonnage is the weight of water that a ship pushes aside when it is floating, which in turn is the weight of a ship (and its contents). It is usually applied to naval vessels rather than commercial ones, and is measured when the ship's fuel tanks are full and all stores are aboard.

(b) **Maritime Mobile Service Identity:** This is a nine-digit number that uniquely identifies ship stations, ship earth stations, coast stations, coast earth stations and group calls.

(c) **Dead Weight Tonnage:** Dead Weight Tonnage defines the weight a vessel can carry and is used in technical vessel documents and classifications.

(d) **Gross Registered Tonnage:** Gross Registered Tonnage (GRT) is the volume of space within the hull and enclosed space above the deck of a merchant ship which are available for cargo, stores, fuel, passengers and crew.

(e) **Net Registered Tonnage:** Net registered tonnage is a ship's cargo volume capacity expressed in "registered tons", one of which equals to volume of 100 cubic feet.

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

10. (a) Enumerate any three (3) of the additional documents required for "cargo claim documentation". **(6 marks)**
- (b) Explain "increase in cost of working expenses". **(4 marks)**

### **Solution**

(a) Additional documents required for Cargo Claim Documentation are:

- |   |                              |
|---|------------------------------|
| * Marine Certificate                                    | * Commercial Invoice         |
| * Packing List  | * Duty Payment Documentation |
| * Certificate of Quality and Quantity (where necessary) |                              |

**(2 marks for each correctly stated document. Maximum of three to be graded. Sub Total: 6 marks)**

(b) **Increase in Cost of Working Expenses:**

Under the sum insured for the gross profit item, the policy insures loss of gross profit as a result of reduction in turnover and loss of gross profit as a result of increase in Cost of working. The effect of this is that the policy does not differentiate between a financial loss to the insured business as a result of a loss due to turnover having fallen due to an insured disruption or as a result of the business incurring increased expenditure. It will meet losses suffered by the business in either form or combination of both up to the Limit of Liability. It covers extra or additional expenses a business incurs in order to continue operations or minimize the impact of an insured event, such as a fire, flood, or machinery breakdown. It is however subject to an economic limit in that such expenditure would only be covered if the cost is less than the loss it prevented.

**(4 marks for correct explanation)**

**(Grand Total: 10 marks)**

11. (a) What are two (2) reasons for Material Damage Proviso? (6 marks)  
 (b) Explain “dual wages” insurance. (4 marks)

**Solution**

- (a) The reasons for Material Damage Proviso are:
- It saves the BI insurer having to put in all material damage clauses and conditions in their own policy as these would have been investigated by the material damage insurer prior to accepting liability.
  - It ensures that there are sufficient funds to cater for the material damage aspect of the loss. This would in turn minimise the BI policy payout, because if there wasn't a material damage cover in place, then there is no assurance that equipment and building will be replaced to accelerate the business's return to normal trading levels. This means that the indemnity period will increase thus resulting in an increased payout under the BI policy.
  - The material damage insurers will have satisfied themselves that there is a valid claim under their policy, and no further investigation need be made into the cause.
- (3 marks for each correctly stated reason. Maximum of two to be graded. Sub Total: 6 marks)

(b) **Dual Wages Insurance:** Dual Wages Insurance is a hybrid form of Wages insurance. In this method, there is an initial period. for instance. 100% for say 12 weeks. Then for the balance of the Indemnity Period, wages are only partially insured, e.g. 40% of wages may be covered for 40 weeks. This second period is known as the remainder period.

This cover provides an “Option to Consolidate”. This means that rather than take the cover in two parts, one can opt to claim 100% wages cover for a pre-agreed number of weeks between the initial period and the full indemnity period.

(4 marks for correct explanation)  
 (Grand Total: 10 marks)

12. (a) In the context of a business interruption insurance policy, what is "shortage of turnover"? (2 marks)  
 (b) Enumerate eight (8) main headings contained in a goods-in-transit claim report. (8 marks)

**Solution:**

(a) Shortage in turnover is the difference between the turnover during the standard period and the turnover during the indemnity.

(2 marks for correct explanation)

- (b) The main headings in Goods in Transit claim report are:
- |                          |                                       |
|--------------------------|---------------------------------------|
| * Name of the Insurer;   | * Address of the Insurer;             |
| * Name of the Insured;   | * Head Office Address of the Insured; |
| * Loss Location;         | * Insured Business;                   |
| * Class of Insurance;    | * Policy Number;                      |
| * Claim Number;          | * Date of Occurrence;                 |
| * Nature of Loss;        | * Estimate of Claim;                  |
| * Gross Adjusted Amount. |                                       |

(1 mark for each correctly stated heading. Maximum of eight to be graded. Sub Total: 8 marks)  
 (Grand Total: 10 marks)

13. (a) Define “theft” in line with Theft Act 1968. (4 marks)  
(b) Describe how the Theft Act 1968 is modified by the insurer and the implications (6 marks)

**Solution:**

(a) Theft is defined in the Theft Act 1968 thus ‘a person is guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it, the Act also states that ‘it is immaterial whether the appropriation is made with a view to gain or for the thief’s own benefit’. As defined, theft includes shoplifting, burglary, robbery, stealing, e.t.c.

(4 marks for correct explanation)

(b) The definition of theft according to the Theft Act is without qualification, which the insurer found too wide as it would expose them to various forms of theft; hence the insurers universally agreed to limit theft incidents to that accompanied by force and violence. However, wider cover can be granted on request at the insurers’ terms.

(6 marks for correct explanation)

(Grand Total: 10 marks)

14. (a) Explain the term “excess”. (4 marks)  
(b) How is indemnity provided to a claimant under a theft claim? (6 marks)

**Solution:**

(a) **Excess:** The policy would often provide for an excess that will be borne by the insured such that the insured is his own insurer for any loss the value of which is equal to or less than such amount.

(4 marks for correct explanation)

(b) Indemnity in a theft case could be either by cash payment, repair of the damaged item such as furniture or replacement of the destroyed items in a manner that puts the insured as near as possible in the position he was before the incident occurred.

(6 marks for correct explanation)

(Grand Total: 10 marks)

**Part II**

**Answer two (2) questions in Part II.**

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

15. A loss adjuster has been assigned to investigate a fire incident at a commercial property. To prepare a comprehensive report, the adjuster must gather specific information to form the content of the survey report. State and explain six (6) contents of the loss adjuster’s survey report.

**Solution:**

The contents of the loss adjuster’s survey report are:

- **The letter of instruction:** This is relevant in that it commences to 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.
- **The policy document:** This contains the scope of the 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 document.

- **Specialist reports:** These are reports issued by other relevant professionals who the Loss Adjuster may call upon in order 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 a layer, and forensics. These reports are useful and may be called upon if the claims become 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.
- **Investigative interviews:** These are the results of the Loss Adjuster's extensive enquires, transcripts of discussions held with other professional witnesses, the police authority, or any party whose relevance to the loss was deemed necessary.
- **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.
- **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.
- **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.
- **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 have a birds' eye view of the premises and thus make it easier to process information. It also aids in identifying where structures were previously located following a total destruction scenario.
- **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 which may be obtained from such clippings may support confirmation of the occurrence if an event, the circumstances and date of the loss among other information.
- **Any other information relevant** in 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.

(5 marks for each correctly stated and explained content. Maximum of 6 to be graded. Total: 30 marks)

16. (a) Explain the following and state the four (4) information it contains:  
(i) letter of instruction; (ii) letter of acceptance. (20 marks)
- (b) Explain the term "addendum" and state two (2) situations which may require its issuance. (10 marks)

## Solution

(a) (i) **Letter of Instruction:** The importance of the letter of instruction cannot be underestimated. This is the instrument of authority issued to a loss adjusting company to investigate and adjust a claim on behalf of an insurer. It commences the loss adjusting process. In current times, much of the information it contains is conveyed through electronic mail, however, the significance remains the same. The information it contains are:

- |                          |  |                     |
|--------------------------|--|---------------------|
| (i) Policy Number;       | (ii) Claim Number;                         | (iii) Insured Name; |
| (iv) Nature of Loss;     | (v) Contact Details of Broker/Insured;     |                     |
| (vi) Date of Occurrence; | (vii) Insurer's Authorised Signatory(ies). |                     |

**(2 marks for the correct explanation. 2 marks for each correctly stated information. Maximum of 4 information to be graded. Sub Total: 10 marks)**

(ii) **Letter of Acceptance:** Letter of Acceptance is a letter or email from the adjusting company to the insurer acknowledging receipt of their letter of instruction as well as accepting or declining the request of the insurer. The contents of the information are:

- |  |                         |                      |
|--|-------------------------|----------------------|
| (i) Policy Number;                                 | (ii) Claim Number;      | (iii) Insured Name ; |
| (iv) Nature of Loss;                               | (v) Date of Occurrence; |                      |
| (vi) Decision to Accept or Reject the Instruction  |                         |                      |
| (vii) Adjusting company authorised signatory(ies). |                         |                      |

**(2 marks for the correct explanation. 2 marks for each correctly stated information. Maximum of 4 information to be graded. Sub Total: 10 marks)**

(b) **Addendum:** This is a report issued after the final report has been presented to the Insurer and has been considered by them. It is issued when there is a need to reflect additional or new information not captured in the final report. At times it could be as a result of an error in calculation on the part of the loss adjuster which the insurer has noticed and has called to the Loss Adjuster's attention. Such would be addressed by issuing an Addendum to the Final Report. The addendum report would include the basic information of prior reports e.g. names of parties, claim no and policy no 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.

Situations which may require the issuance of an addendum to a final report are:

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

**(4 marks for the correct explanation. 3 marks for each correctly stated situation. Maximum of 2 to be graded. Sub Total: 10 marks)**

**Grand Total: 30 marks)**

17. (a) A policyholder insured a property for ₦50,000,000.00. However, the actual value of the property was assessed at ₦250,000,000.00. Unfortunately, the property sustained damage requiring repairs amounting to ₦54,196,313.00, as quoted by a construction company. Prepare a tentative adjustment of the loss, while considering the inadequacy of the sum insured. **(15 marks)**



- (b) Explain “guarantors clause” in Fidelity Guarantee Insurance policy. (5 marks)
- (c) Differentiate between “Gross Registered Tonnage” and “Net Registered Tonnage”. (10 marks)

### Solution

- (a) At a minimum sum insured of ₦250,000,000, the average condition of the policy will operate as follows:

Tentative adjustment loss X S.I. divide by VAR (Value@Risk)

$$= \frac{\text{₦}54,196,313 \times \text{₦}50,000,000}{\text{₦}250,000,000}$$

$$= \text{₦}10,839,262.60$$

Therefore, tentative adjustment = ₦10,839,262.60

(Sub Total:15 marks)

- (b) The Guarantors’ clause basically states that there should be two or more persons who are willing to guarantee the employee’s fidelity and where such should be found wanting, are willing to be responsible for any ensuing financial fallout.

(5 marks for correct explanation)

- (c) Gross Registered Tonnage (GRT) is a measure of volume and it means all *gross volumes* of the ship which are available for cargo, stores, fuel, passengers and crew . As per new convention GRT is just called GT i.e. Gross Tonnage. Net Registered Tonnage (NRT) is a measure of all *cargo volumes* of the ship expressed in "register tons", one of which equals to a volume of 100 cubic feet.

(Sub Total: 10 marks)

Grand Total: 30 marks)

18. (a) List any ten (10) information contained in any insured vessel particulars.
- (b) State and explain any five (5) types of vessel surveys.
- (c) The loss adjusting report is prepared after a careful and thorough investigation. Enumerate any five (5) of the generally accepted milestones process in the report preparation.

### Solution

- (a) Information contained in the vessel particulars are:
- \* Name of Ship/Vessel/Boat/Craft Owner      \* Flag
  - \* Type of Vessel (is it oil tanker; containers; general cargo (is it purpose built/refrigerated/e.t.c.)
  - \* Call Sign      \* Port of Registry
  - \* International Maritime Organisation Number (I.M.O.)
  - \* Maritime Mobile Service Identity (MMSI) Number:
  - \* Gross Registered Tonnage (G.R.T.)      \* Net Registered Tonnage (N.R.T)
  - \* Classification Society      \* Class:      \* Builder:
  - \* Displacement:      \* Deadweight:      \* Light Ship:
  - \* Length Over All      \* Length Between Perpendiculars (Length. P. P)
  - \* Breadth Moulded: \* Depth Moulded:      \* Draught Summer Load:
  - \* Hold Capacity:      \* Hold Dimensions:      \* Main Engine:
  - \* Bow Thruster:      \* Total TEU’s Position:      \* P & I Club:
  - \* Operator:      \* Type of Cover:

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

(b) The Types of Vessel Survey are:

- i. Dry dock surveys or intermediate surveys/ inspections: These are a more extensive form of annual surveys in which several other functional, operational aspects and maintenance routines of shipboard equipment are verified.
- ii. A safety construction survey: This focused on the structural strength of the vessel. It will be assessed for any excessive corrosion of deck or hull, along with the condition of watertight doors, bilge pumping and drainage systems, fire protection equipment, and fixed and portable fire fighting equipment.  
  
Condition of steam lines on deck, anchors chain and cables, and means of emergency escape are also checked.
- iii. Loadline surveys: These are done before assignment of load line to the vessel. During the survey a vessel's structural strength is checked for cracks or deformations in the hull to ensure that, various openings such as hatches, machinery space openings, or any other openings on deck are watertight.
- iv. Cargo ship safety equipment survey: This 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
- v. The 5 yearly dry or dry dock surveys: These are the toughest of these, in which, a thorough inspection and testing as per the guidelines of classification society is being conducted.
- vi. Terminal Safety Inspections: Tanker and Gas industry owing to the hazardous nature of cargoes they handle, are often subjected to Terminal Safety Inspections. A terminal safety manager or representative visits the ship and ascertains safe operations as per terminal requirements.
- vii. Port State Inspection: This is done by Administrations to verify that the foreign flag carrying ships calling at their ports comply with mandatory rules and regulations. A Port State may detain a ship from proceeding to sea if there are clear grounds of serious deficiencies concerning the operational requirements of international conventions (e.g. SOLAS, MARPOL).

**(2 marks for each correctly stated vessel survey. Maximum of 5 to be graded. Sub Total: 10 marks)**

(c) The generally acceptable milestones are:

- |   |                                       |
|---|---------------------------------------|
| • Instruction/Acknowledgement;                | * Policy consideration;               |
| • Introduction of parties and policy details; | * Investigation;                      |
| • Markey survey;                              | * Discussions;      * Recommendation. |

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

**(Grand Total: 30 marks)**