# Chartered Insurance Institute of Nigeria

## Chief Examiners' Report

## October 2025

## *Post AIIN*

## *(Loss Adjusting Practice)*

## *PA02*

# GENERAL RELATED ISSUES TO WATCH OUT FOR IN FUTURE SITTINGS

| DO'S | DON'TS |
| --- | --- |
| Start studying for the next diet early (from November/December for April diets and May for October diets) | Concentrate all your time and effort on Part 1 @ the detriments of Parts B & C (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 naicom.com (NAICOM), nigeriainsurers.og(NIA); ncrib.net(NCRIB); ilan.com.ng(ILAN); ciinigeria.org (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!!!

LOGO

CHARTERED INSURANCE INSTITUTE OF NIGERIA

POST AIIN - ASSOCIATESHIP

OCTOBER 2025 DIET EXAMINATION PAPER

SUBJECT PA02

LOSS ADJUSTING PRACTICE (ASSOCIATESHIP)

**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 OCTOBER 2025 DIET CANDIDATES' INSTRUCTIONS.**

CHARTERED INSURANCE INSTITUTE OF NIGERIA

PA02 – LOSS ADJUSTING INSURANCE PRACTICE

INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

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

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

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

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

Where a question is split into parts (a), (b), 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**

100% of the candidates attempted the question and 67% pass rate was achieved. There is however room for improvement.

**Question 2**

89% of the candidates attempted the question and 33% pass rate was achieved. Candidates could not discuss the single contract policy and blanket policy, which accounted for loss of marks and the resultant 66% failure rate.

**Question 3**

100% of the candidates attempted the question but it was very interesting to discover that lots of the candidates did not know main cover that could cause claim under C.A.R. the pass rate was 33%.

**Question 4**

89% of the candidates attempted the question and 33% pass rate was achieved. Candidates were unable to respond correctly to the question asked.

**Question 5**

89% of the candidates attempted the question. Candidates did not fully understand the difference between reinstatement memo and reinstatement as a term of indemnification.

**Question 6**

100% of the candidates attempted the question and 11% pass rate was achieved. Candidates did not properly understand (6b). Also, on (6a), candidates were writing lengthy or moral ethics without actually relating to ethics and code of conduct required from loss adjusters in the industry.

**Question 7**

60% of the candidates attempted the question and 22% pass rate was achieved. Candidates were able to correctly answer the question on (7a) but (7b) was incorrectly answered.

**Question 8**

89% of the candidates attempted the question and 0% pass rate was achieved. Candidates did not understand this question at all.

**Question 9**

100% of the candidates attempted the question and 30% pass rate was achieved. Candidates did not understand the case study, hence their inability to correctly answer the questions from the case study.

**Question 10**

44% of the candidates attempted the question and 20% pass rate was achieved.

**Question 11**

56% of the candidates attempted the question and 22% pass rate was achieved. The major challenge encountered by them were their inability to state the excluded risks under machinery breakdown and the causes of transformer breakdown.

**Question 12**

78% of the candidates attempted the question and 88% pass rate was achieved.

**Question 13**
56% of the candidates attempted the question and 40% pass rate was achieved.

**Question 14**
60% of the candidates attempted the question and 34% pass rate was achieved.

**Comments on Overall Performance:**
The overall performance was just average.

**Suggestions on Improvement(s) (if any):**
For improved performance, candidates are highly encouraged to study harder, while also ensuring that they internalize the theories being studied into case study scenarios so there can be full understanding of the issues at hand. They are also encouraged to research more diligently and be abreast of Industry code and conduct.

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

1. (a) Explain the maintenance period in a Contractors All Risks (CAR) policy. **(2 marks)**

   (b) State any two (2) forms of cover that may apply during the period stated in (a) above. **(4 marks)**

**Solution**

(a) The maintenance period is shown separately from the actual expiry date of the construction and a different cover applies. The contract conditions require that the project should be handed over in sections; the Maintenance Period for such completed sections after it has been so certified and a certificate of completion issued by the principal or his agent, will commence immediately thereafter.

**(2 marks for correctly stated explanation)**

(b) The maintenance period typically ranges from 3 to 12 months and ensures continuity of protection for obligations post-completion.

(ii) The forms of cover that may apply during this period are:

- Visits Covers
- Limited Maintenance
- Full Guarantee

**(2 marks for each correctly stated form. Maximum of two (2) to be graded. Sub Total: 4 marks)**
**(Grand Total: 6 marks)**

2. State and explain the two (2) forms by which cover can be arranged in Contactors All Risk Insurance.

**Solution**

Cover can be arranged on:

(a) Single Contract Policy – Contract by contract basis: The period of cover depends on the duration of each construction period either in days, weeks, months or years

(b) Blanket (or Floater) Policy – where a considerable number of contracts are undertaken each year. The policy is renewable annually and charged at fixed premium rates against the turnover.

**(3 marks each for each correctly stated form. Total: 6 marks)**

3. State any four (4) main risks that could cause claims under Contractors' All Risk policy.

**Solution**

The main risks that could cause claims under Contractors' All Risk policy are:

* fire damage; * flood damage; * storm damage;
* debris removal; * wet risks; * risks affecting plant;
* other risks (bursting and overflowing of water apparatus, subsidence or heave on ground surface).

**(1½ marks each for each correctly stated enquiry. Maximum of four (4) to be graded. Total: 6 marks)**

4. List and explain any two (2) main categories of Marine Surveyors based on their specialisation.

**Solution**

The main categories of Marine Surveyors based on their specialisation are:

- Classification Society Marine Surveyor **(1 mark)**
- Government Marine Surveyor **(1 mark)**
- Private Marine Surveyor **(1 mark)**

i. **Classification Society Marine Surveyor**: A Classification Society Marine Surveyor inspects ships to make sure that ships, components and machinery are built according to the standards required for their class, and examines accident damage.

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

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

**(I mark each for correctly listing the categories. 2 marks each for correctly stated explanation. Maximum of two to be graded. Sub Total: 4 marks)**

**(Grand Total: 6 marks)**

5. (a) Explain the term "Reinstatement Memorandum (Day One Basis) " **(2 marks)**
   (b) State two (2) due allowances provided for under "Declared Value". **(4 marks)**

**Solution**

(a) For the problems which exist in Reinstatement Memorandum – re-establishing sum insured, application of Average and problems of Reinstatement generally brought about the terms of the Reinstatement Memorandum (Day One Basis). This is intended to mitigate the problems of underinsurance arising from inflation as an alternative to the method adopted in the basic Reinstatement Memorandum 85% condition of Average. The cover under the Day One Basis still requires that the insured makes a forecast of the possible or probable level of inflation.

**(2 marks for correctly stated explanation)**

(b) The due allowance provided for unde declared value are:

- The additional cost of Reinstatement to comply with Public Authority Requirements.
- Professional fees
- Debris Removal Costs.

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

**(Grand Total: 6 marks)**

6. (a) Define the term "ethics". **(2 marks)**
   (b) State two (2) forms of evidence that a loss adjuster can use to verify the existence of stolen property in theft claims. **(4 marks)**

**Solution**

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

**(2 marks for correct explanation)**

(b) The evidence includes the following:

- Stock records (e.g., bin cards and movement vouchers).
- Purchase receipts or valuation certificates for stolen items.
- Photographs

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

**(Grand Total: 6 marks)**

7. Explain the following:
   (i) "Forcible Entry and/or Exit" clause in burglary policies.
   (ii) "Free Issue Materials" in Contractors All Risks policies

**Solution**

(i) For a claim to succeed usually under the standard burglary policy, the theft must have been accompanied by forcible entry and/or exit. The condition does not require both entry and exit to be by force but where one of the conditions is satisfied, the claim will be admissible.

(ii) **Free Issue Materials:** materials supplied by the Employer or their agents for which the Insured is responsible under the terms of the contract and for which the value has been declared to the Insurers.

**(3 marks each for each correctly stated explanation. Total: 6 marks)**

8. (a) Explain Cheque Substitution in relation to Fidelity Guarantee Insurance. **(4 marks)**

(b) State two (2) reasons why a banker would warehouse funds in a suspense account to balance the transaction of the day. **(2 marks)**

**Solution**

(a) **Cheque Substitution:** This requires a high degree of efficiency in planning and execution and calls for a higher level of control and vigilance to detect it. Although it can be accomplished at several other points in the clearing process, it usually involves the intersection of the clearing box between a branch and head office central clearing department during which a particular clearing instrument is substituted with another one bearing the same amount and date but made payable to a different payee. In effect, the correct amount of money is cleared for the benefit of a wrong person.

**(4 marks for correctly stated explanation.)**

(b) The reasons why a banker would warehouse funds in a suspense account to balance the transaction of the day are:

- To delay investigation where fraud has taken place.
- To buy time to enable him replace the money he has collected without authority.
- To buy time for a customer whose account would otherwise have been thrown into a debit position without prior approval.

**(1 mark each for each correctly stated reason. Maximum of two (2) to be graded. Total: 2marks)**

**Part II**
**Compulsory Question.**
**This question carries 50 marks.**

9. (a) (i) State two (2) ways through which the directives in the circular on exhaustion/utilisation of local content capacity prior to any offshore/overseas insurance/reinsurance placement impact the competitive landscape of the insurance industry. **(4 marks)**

(ii) In what three (3) ways does the circular reflect the Commission's commitment to regulatory compliance? **(6 marks)**

(b) You are a loss adjuster appointed by Seaweed Marine Insurers to investigate a claim involving a shipment of electronics damaged during transit from Lagos State, Nigeria, to London, United Kingdom. The goods, owned by PEPPERDEM Electronics, were transported on a container ship that encountered a severe storm while crossing the Atlantic Ocean. Upon arrival, PEPPERDEM Electronics discovered significant water damage to many items, along with signs of impact damage on others.

PEPPERDEM Electronics has filed a claim, reporting substantial losses due to damaged stock, anticipated delays in order fulfillment, and additional costs for repurchasing goods. Your assignment includes verifying the claim's validity under the Marine Cargo policy, reviewing relevant documentation, investigating the cause and extent of the damage, and evaluating the potential for recovery from the carrier.

Upon receiving your instructions, you acknowledged Seaweed Marine Insurers' directive, arranged an immediate inspection of the damaged goods, and initiated communication with both the carrier and PEPPERDEM Electronics. The inspection revealed that some packaging appeared inadequate for extended sea voyages, raising concerns about whether PEPPERDEM Electronics might bear partial liability due to insufficient packaging.

Your task is to prepare a report detailing your assessment, including findings on liability, a review of the documentation, and recommendations regarding settlement or recovery actions.

(i) List five (5) types of documentation that a loss adjuster should request from PEPPERDEM Electronics to support a Marine Cargo insurance claim.

(ii) Explain three (3) of these documents. **(25 marks)**

(c) During transit, the carrier has certain obligations for the goods.

(i) State two (2) of these obligations. **(4 marks)**

(ii) Explain how a breach of these obligations might impact the claim. **(5 marks)**

(d) The Rotterdam Rules aim to address gaps in international carriage law. Analyse how these rules deal with carrier liability, including the expansion of liability limits and filing time for legal claims. **(6 marks)**

**Solution**

(a) (i) The directives might have the following implication:

- Provides a competitive edge to local firms that comply with the regulations over foreign insurers.
- Potentially limits market entry for foreign reinsurers, allowing domestic insurers to capture more market share.
- Encourages local companies to innovate and improve service offerings to compete effectively.
- May create a more resilient market as insurers develop local expertise and resources.
- Could lead to consolidation in the industry, with stronger firms acquiring weaker ones that struggle to comply.
- Alters pricing dynamics, as local insurers may have more control over their pricing strategies. Enhances market stability by fostering a competitive environment rooted in regulatory adherence.

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

(ii) Commission's commitment to reflect compliance reflects the following:

- Sets clear directives for insurance companies, outlining expectations for compliance. States specific repercussions for non-compliance, illustrating the seriousness of adherence.
- Actively monitors adherence to regulations through regular inspections and audits.
- Provides a framework for compliance that companies must follow to maintain their licenses. Fosters a culture of accountability within the insurance industry.
- Enhances consumer protection by ensuring that only compliant firms can operate.

- Inform stakeholders that the Commission prioritizes a stable and trustworthy insurance environment.

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

(b) (i) (a) The loss adjuster should request the following documents:

1. Insurance Policy/ Marine Certificate
2. Commercial Invoice
3. Packing List
4. Bill of Lading
5. Notification to Carriers
6. Survey Report (if conducted)
7. Superintendent's Report

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

(ii) **Insurance Policy / Marine Certificate**
The document issued by the Insurance Company to evidence that the cargo has been insured. It provides details of the policy number, voyage, cargo details and insurance conditions.

(ii) **Commercial Invoice**
The invoice accompanying the consignment, issued by the seller of the goods. This should be the actual final invoice and not the proforma. This will be used to establish the purchase price of goods and to confirm the terms of sale to ensure that an insurable interest does apply.

(iii) **Packing List**
The Packing List provides a breakdown of the consignment showing the number of units shipped in each package along with their weights. It is used to inform transportation companies about what they are transporting. It also allows the Loss Adjuster and others involved in the transaction to check what has been shipped against the proforma invoice. Other names for this list include the packing slip, docket or manifest.

(iv) **Bill of Lading**
This is the document of title issued by the shipping line to evidence the shipment of the consignment. The Bill of Lading also provides evidence of the contract of carriage and if possible, the original should be provided with the conditions printed on the reverse side. If the entire shipment is lost all original Bills of Lading must be presented.

(v.) **Notification to Carriers**
Following payment of any claim, underwriters attain the rights, under subrogation, to pursue the claim themselves against the third party. To ensure they are able to do so, the policy stipulates that the Assured should take all steps to ensure that the rights of recovery against third parties are fully exercised and protected. In terms of cargo insurance, the third party will normally be the carrier of the goods, e.g. the shipping line or freight forwarder, if the cargo is transported by sea. It may be necessary to make a claim on all carriers in the transit chain. For underwriters to be able to recover from the carrier after payment of the claim, the carrier must be held responsible, in writing, by the claimant, for the loss. It is the job of the Loss Adjuster to comment in the report whether insurers' rights have been preserved or not.

**(vi) Superintendent's Report**

It may be that as at the time the instruction is received, the damage has already been quantified and inspected by a marine superintendent appointed by the consignee/insured. The marine superintendent will proceed to issue a report detailing the damage with regard to extent and quantity. The report may contain photographs and other useful information which the Loss Adjuster can utilise in preparing his report for insurers. It is to be noted that the cargo superintendent's report has nothing to do with policy liability but is merely a record of the damages as recorded shortly after occurrence.

**(5 marks each for each correctly explained document. Maximum of three (3) to be graded. Sub Total:15 marks)**

(c) (i)

(a) The carrier is obligated to:

- Exercise due diligence to ensure the vessel is seaworthy.
- Properly handle, load, and secure the goods during transit.
- Deliver the goods in the same condition as received.

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

(ii) A breach of these obligations, such as failure to secure the goods properly, could transfer liability to the carrier, reducing the insurer's liability under the subrogation process.

**(5 marks for correctly stated explanation)**

(d) These rules deal with carrier liability, including the expansion of liability limits and filing time for legal claims as follow:

1. **Carrier Liability Expansion:** The liability limits under the Rotterdam Rules are higher than the Hague-Visby Rules, increasing to 3 SDR per kilogram and 875 SDR per package.
2. **Extended Filing Period:** The filing time for claims is now two years, providing more time to investigate and submit claims.

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

**(Grand Total: 50 marks)**

## Part III
**Answer THREE of the following FIVE questions.**
**Each question carries 34 marks.**

10. In maritime shipping, the principle of General Average plays a crucial role in the equitable distribution of losses incurred during a voyage. This principle is governed by the York-Antwerp Rules, which provide a framework for determining how costs and losses are shared among all parties involved in a maritime adventure.

(a) Explain General Average as defined under the York-Antwerp Rules. **(5 marks)**

(b) List two (2) characteristic features of General Average **(4 marks)**

(c) State four (4) examples of situations where a General Average may arise. **(8 marks)**

(d) (i) Briefly explain Actual Total Loss (ATL) as defined under Section 57 of Marine Insurance Act **(5 marks)**

(ii) State two (2) scenarios with examples where Actual Total Loss (ATL) and Constructive Total Loss (CTL) occurs. **(12 marks)**

**Solution**

(a) The General Average definition is given in rule A of the York-Antwerp rules. which states: *"There is a measure of general average when and only when any extraordinary sacrifice or expense is deliberate and reasonable, and it is done to the joint salvation of a ship and cargo".*

General Average refers to any extraordinary, intentional and reasonable act of sacrifice or expense in moments of common maritime risk to safeguard and/or rescue the ship and freight.

**(5 marks for correctly stated explanation)**

(b) The characteristic features of General Average:

1. The sacrifice or expense is extraordinary, unusual.
2. The action must be deliberate and not unavoidable.
3. There must be a real risk, although it is not necessary to be immediate.
4. The energy must be done for the joint salvation of the ship and cargo, and not simply for the saving of part of the property, that is, the cargo or the ship.

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

(c) Common cases of general average include:

- Voluntary dropping of part of the cargo carried into the sea.
- Deliberate flooding of the ship.
- Destroying part of the cargo from the water leak to fire to save the remaining cargo.
- In the case of a shortage of fuel, part of the cargo can be used as a fuel (oil tanker).
- The wages and charges of the master and all crew and any other costs of embargo or embargo on State order due to war or revolution, or other similar cause.
- Losses and extraordinary expenses incurred to prevent a risk, however, caused, by a defect in the ship or cargo, or by a master's fault, or to the fault of the recipient of the cargo.

**(2 marks each for each correctly stated situation. Maximum of four (4) to be graded. Sub Total:8 marks)**

(d) (i) **Actual Total Loss as defined by s. 57.**

*(1) Where the subject-matter insured is destroyed, or so damaged as to cease to be a thing of the kind insured, or where the assured is irretrievably deprived thereof there is an actual total loss.*
*(2) In the case of an actual total loss no notice of abandonment need be given."*

**(5 marks for correctly stated explanation)**

(ii) ATL occurs when:

1. The subject matter is destroyed or damaged beyond recognition as the thing insured.
   - Example: A ship that sinks completely due to a collision or severe storm, with no hope of recovery.
2. The assured is irretrievably deprived of the insured property.
   - Example: A ship seized by pirates and lost permanently.
3. Presumption of loss when a ship goes missing and, after a reasonable time, no news is received.
   - Example: A ship disappears in the middle of the Atlantic Ocean and is declared lost after months of search.

Constructive Total Loss (CTL):

CTL arises when:

1. Actual Total Loss appears unavoidable.
   - Example: A severely damaged ship where repair costs exceed its insured value.
2. The property cannot be saved without incurring costs that exceed its value.
   - Example: A grounded vessel requiring salvage costs far higher than its market value after recovery.

**(6 marks each for each correctly stated scenario. Maximum of two (2) to be graded. Sub Total: 12 marks)**
**(Grand Total: 34 marks)**

11. (a) (i) Explain the term "Main Insured Peril". **(4 marks)**

(ii) State two (2) excluded risks under machinery breakdown policy that may be reinstated on payment of additional premium. **(4 marks)**

(iii) Enumerate four (4) causes of transformer breakdown. **(8 marks)**

(b) (i) State three (3) information an adjuster must report if the insured is an Individual. **(6 marks)**

(ii) two (2) information each if the insured is a corporation. **(4 marks)**

(iii) two (2) information each if the insured is a partnership. **(4 marks)**

(iv) two (2) information each if the insured is an estate. **(4 marks)**

**Solution:**

(a) (i) **Main Insured Peril**: These are fortuitous working accidents such as maladjustment, loosening of parts, failures or faults in protective devices, entry of foreign bodies, tearing apart due to centrifugal forces, short circuit, over- voltage or over current except when caused by fire defects or faults in design, materials or manufacturing. Faulty operation, lack of skill and carelessness.
**(4 marks for correctly explained clause)**

(ii) The excluded risks under machinery breakdown policy that may be reinstated on payment of additional premium are:

- damage to bearings due to breakage or sudden overheating;
- damage to minor parts of engines, air compressors etc. such as piston rings, springs, e.t.c. These extensions are regarded as essential cover and invariably included where the risks exist;
- loss of oil from transformer tanks as a result of breakdown;
- liability for third-party personal injury can be covered where necessary as an extension to a breakdown policy.

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

(iii) The causes of transformer breakdown are:

- Overloading and/or insulation breakdown of the oil or the windings
- Overheating fault;
- Earth Faults;
- Tank Faults (oil level);
- Phase to phase Faults;
- Open Circuit faults;
- Bushings flashover.

**(2 marks for each correctly stated cause. Maximum of four (4) to be graded. Sub Total: 8 marks)**

(b) (i) The information an adjuster must report if the insured is an Individual are:

- name;
- age;
- date and place of birth;
- citizenship;
- marital status;
- names and ages of spouse and children, if any;
- occupation;
- reputation;
- previous loss history.

**(2 marks for each correctly stated information. Maximum of three (3) to be graded. Sub Total: 6 marks)**

(ii) The information an adjuster must report if the insured is a corporation are:

- the names of the officers;

- where the corporation is incorporated;
- the identity of the majority shareholder(s);

(iii) The information an adjuster must report if the insured is a partnership are :

- the names of the partners;
- the type of partnership (general or limited);
- If the partnership is limited, report the name of the general partner;
- If the partnership is general, report the names of all partners and the person acting as managing partner.

(iv) The information an adjuster must report if the insured is an estate are:

- the identity of the administrator or executor (obtain copies of the official papers appointing a person as the administrator or executor of the insured's estate);
- the assets of the estate; and
- the identities of those who will share in the assets of the estate when it is divided.

**(2 marks each for each correctly stated information. Maximum of two (2) to be graded. Sub Total: 12 marks)**
**(Grand Total: 34 marks)**

12. (a) Write short notes on the following terms in relation to money insurance:
(i) Cash in Safe**;** **(**ii) Cash at Counter **(10 marks)**
(b) (i) State six (6) main exclusions on the Money insurance policy **(12 marks)**
(ii) Explain four (4) special conditions under Reinstatement Memorandum (Day One Basis). **(12 marks)**

**Solution**

(a) (a) (i) **Cash in Safe:**

Cash in Safe cover can be defined as:

*Insurance protection for loss of money in a safe by burglary, housebreaking, robbery or hold-up, provided always that the limit of the Company's liability for any one loss shall in no case exceed the amount specified against any respective section in the said Schedule to the Policy.*

The requirements for a safe are usually that they be secure and sometimes it is warranted that the safe must be embedded in the floor or in the wall. This is to add an extra layer of security, however if the insured has breached the warranty and such breach is a material breach to the loss, then this is an important consideration especially as it impinges on liability.

(ii) **Cash at Counter**:

The coverage under this section is for cash in the tills of tellers, sales personnel, and other employees who hold cash within the premises for the running of the business.

When a claim is being made under this heading, the Loss Adjuster should request for the transaction records detailing how much money was moved from the vault to the cashiers or sales-persons. This along with the sales records or other cash transaction records would enable accurate quantification of the cash available at the till prior to the loss incident.

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

(b) (i) The main exclusions on the Money insurance policy are:

- shortage due to error or omission;
- riot, strike, civil commotion unless specifically agreed for;

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

**(2 marks each for each correctly stated exclusion. Maximum of six (6) to be graded. Sub Total: 12 marks)**

(ii) The special conditions under Reinstatement Memorandum (Day One Basis) are:

- At the inception of each period of insurance the insured shall notify the insurer of the declared value of the property insured by each of the said item(s). In the absence of such declaration the last amount declared by the insured shall be taken as the declared value for the ensuing period of insurance.

- If at the time of damage, the declared Value of the property covered by such item be less than the cost of Reinstatement (as defined in paragraph B above) at the inception of the period of insurance then the insurer's liability for the DAMAGE shall not exceed that proportion there of which the declared value bears to such cost of Reinstatement.

- The Liability of the insurer for the repair or restoration of property damaged in part only shall not exceed the amount which would have been payable had such property been wholly destroyed.

- No payment beyond the amount which would have been payable in the absence of this memorandum shall be made: -
    - Unless Reinstatement commences and proceed without unreasonable delay.
    - Until the cost of Reinstatement shall have been actually incurred.
    - If the property insured at the time of its loss destruction or damage shall be insured by any other insurance effected by or on behalf of the insured which is not upon the same basis of Reinstatement.

- All the terms and conditions of the policy shall apply
    - In respect of any claim payable under the provision of this memorandum except in so far as they are varied hereby.
    - Where claims are payable as if this memorandum had not been incorporated except the sum(s) insured shall be limited to _ _% of the declared value(s).

- The premium on each of the said items is provisional on expiry of each period of insurance the premium shall be adjusted by 50% of the difference between:
    - The provisional premium at the commencement of the period and
    - The premium calculated at the terms which have applied during the period under adjustment based on the declared value for the subsequent period of insurance.

- For the purpose of paragraph 6 of this memorandum only:
    - If the policy (or any item thereof) is cancelled or not renewed the insured shall provide the declared value for each of the said item(s) but at the level of cost applying at the date of cancellation or expiry.
    - Where property has not been Reinstated following DAMAGE, the insured shall provide the declared value as though the property had not been lost, destroyed or damaged.
    - Where the declared value is not submitted to the insurer an additional premium of -- --% of the provisional premium shall become payable.

- The insurance under (each of) the said item(s) includes in so far as the same are not otherwise insured.
    - Any newly acquired or newly erected building, machinery & plant and
    - Alterations, additions and improvements to building, machineries and plants anywhere within the geographical description on the policy for an amount not exceeding N… at any one situation.

**(3 marks each for each correctly stated condition. Maximum of four (4) to be graded. Sub Total: 12 marks)**
**(Grand Total: 34 marks)**

13. (a) Following a theft loss, state five (5) basic documents that should be requested from the insured. **(10 marks)**

(b) (i) Describe INCOTERMS. **(5 marks)**

(ii) Explain the purpose of (i) above. **(5 marks)**

(iii) Enumerate two (2) main areas of responsibility that Incoterms cover **(4 marks)**

(c) Write the full meaning of the following acronyms:

(i) CPT (ii) DPU (iii) DDP

(iv) FOB (v) CIF **(10 marks)**

**Solution**

(a) The basic documents that should be requested from the insured are:

- completed claim form with detailed statement of claim where not provided on the form;
- inventory (stock) records, where necessary;
- purchase invoices of stolen items;
- assets register, (for large risks if purchase invoices cannot be found);
- police report;
- internal investigation report;
- eye-witness statements;
- photographs of all damages to building, entry and exit points, theft prevention devices, (if any) e.t.c.

**(2 marks each for every correctly stated document. Maximum of five (5) to be graded. Total: 10 marks)**

(b) (i) INCOTERMS are internationally recognized trade terms published by the International Chamber of Commerce that apply primarily to international trade, not domestic trade. Incoterms is an abbreviation of the phrase "International Commercial Terms. They define the obligations and responsibilities of the seller and buyer and are used to determine the extent of insurable interest in each shipment. Responsibility for loss or damage to goods in transit is assigned to the seller, the buyer, or both for a portion or all of the transit, i.e. they explain the division of costs and risks between the parties.

**(5 marks for correctly stated explanation. Sub Total: 5 marks)**

(ii) Their purpose is to aid communication and reduce confusion when dealing with international and global trade. An Incoterm is something that describes and defines a transaction between two parties, usually the party exporting goods and the party importing them. These terms set out the various parts of trade and can assign which party is responsible for the various costs, tasks, and processes. They also cover all parts of the import-export and transportation process, from the goods leaving the point of production to them being accepted at the importing port. They cover all the ways in which the different parties share obligations and responsibilities.

**(5 marks for correctly stated explanation on the purpose. Sub Total: 5 marks)**

(iii) The main areas of responsibility that Incoterms cover:

- Delivery stage: This is where the seller and buyer make an agreement for the details of the cargo's final delivery, and when the goods exchange hands and the seller's responsibility end.
- Transportation stage: Incoterms set out which party is responsible for transportation costs, how these costs are shared, or whether each party takes responsibility for different stages of transportation.
- Documentation and formalities: Incoterms set out which parties take responsibility for dealing with all customs, export, and import documentation, formalities, and duty payments.
- Insurance: Incoterms set out which party is responsible for providing insurance coverage during transportation.

**(2 marks each for every correctly stated responsibility. Maximum of two (2) to be graded. Total: 4 marks)**

(c) (i) CPT - Carriage Paid To
(ii) DPU - Delivered at Place Unloaded
(iii) DDP - Delivered Duty Paid
(iv) FOB - Free on Board
(v) CIF - Cost Insurance and Freight

**(2 marks each for every correctly stated meaning. Sub Total: 10 marks)**

**(Grand Total: 34 marks)**

14. (a) Enumerate five (5) types of Marine Hull Claims that are reported to the insurers. **(10 marks)**

(b) State five (5) tasks a Marine Surveyor may perform. **(10 marks)**

(c) ILAN has its standards for professional conduct. State seven (7) of these. **(14 marks)**

**Solution**

(a) The types of Marine Hull Claims that are reported to the insurers include:

* Collision Liability / Third Party Liability;
* Total Loss / Constructive Total Loss;
* Particular Average;
* Sue and Labour Charges;
* Machinery and Equipment;
* General Average;
* Salvage Charges;
* Protection and Indemnity.

**(2 marks each for every correctly stated type. Maximum of five (5) to be graded. Total: 10 marks)**

(b) The tasks a Marine Surveyor may perform are:

- examine and approve design plans of hulls and equipment such as main propulsion engines, auxiliary boilers and turbines, electrical power generating plant, refrigeration and air conditioning plant and pumping systems
- inspect standards of construction and witness tests of materials iii. inspect hulls, machinery and equipment during ship construction to ensure standards and legislative requirements are met
- conduct surveys throughout the ship's life to ensure standards are maintained
- perform inspections required by domestic statutes and international conventions
- witness tests and operation of emergency and safety machinery and equipment
- measure ships for tonnage and survey them for load line assignment
- attend court as an expert witness and assist in coronial enquiries
- investigate marine accidents.

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

(c) The standards of ILAN for professional conduct are:

- An adjuster must put fair and honest treatment of the claimant above their own interests;
- An adjuster cannot steer any claimant needing repairs or other services to any person with whom the adjuster has an undisclosed financial interest or who is anticipated to provide the adjuster with any compensation for the referral for any resulting business;
- An adjuster should not provide any favoured treatment to any claimant;
- An adjuster must adjust claims strictly in accordance with the insurance contract;
- An adjuster must not approach investigations, adjustments, and settlements in a manner prejudicial to the insured;
- An adjuster must make truthful and unbiased reports of the facts making a complete investigation;
- An adjuster must act with dispatch and due diligence in achieving a proper disposition of the claim;
- An adjuster must exercise extraordinary care when dealing with elderly clients to make sure they are not disadvantaged by failing memory or impaired cognitive processes;
- An adjuster cannot negotiate with a third-party represented by an attorney, if he has knowledge of the attorney. This does not apply to an insured or the insured's resident relatives;
- An adjuster is permitted to interview any witness without the consent of the opposing counsel or party. However, the adjuster must avoid any suggestion calculated to induce a witness to suppress or deviate from the truth. If the witness gives a signed or recorded statement and requests a copy the adjuster must provide a copy;
- An adjuster cannot advise a claimant to refrain from seeking legal advice or retaining legal counsel;
- An adjuster cannot negotiate with or obtain a statement from a claimant or witness at a time they would reasonably be expected to be, in shock or serious mental or emotional distress as a result of physical, mental, or emotional trauma associated with a loss;
- An adjuster cannot conclude a settlement when the settlement would be disadvantageous to a claimant who has been traumatized or distressed by a loss;

- An adjuster cannot give legal advice;
- An adjuster must be competent and knowledgeable as to the terms and conditions of the insurance coverage.

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

**(Grand Total: 34 marks)**