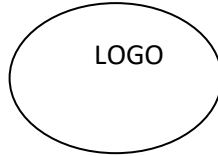




Chartered Insurance  
Institute of Nigeria  
**Chief Examiners' Report**  
October 2025  
*Post AIIN*  
*(Loss Adjusting Practice)*  
**PI02**

# 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  
INTERMEDIATE

OCTOBER 2025 DIET EXAMINATION PAPER

SUBJECT 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 OCTOBER 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**

73% of the total candidates attempted this question with a 10% pass rate from those who attempted the question. This can be attributed to lack of knowledge of transformational drive of NAICOM.

### **Question 2**

100% of the total candidates attempted this question with a pass rate of 40%. Most of the candidates that attempted the question lacked understanding of provisions of security; rather, they wrote on security measures.

### **Question 3**

100% of the total candidates attempted this question with a pass rate of 70%. This can be attributed to knowledge of the question.

### **Question 4**

100% of the total candidates attempted this question with a pass rate of 80%. This can be attributed to knowledge of the question.

### **Question 5**

73% of the total candidates attempted this question with a pass rate of 50%. The loss of marks was writing on types of general reserves rather than reserves under marine cargo claims.

### **Question 6**

100% of the total candidates attempted this question with a pass rate of 90%. This can be attributed to knowledge of the question and it is commendable.

### **Question 7**

100% of the total candidates attempted this question with a pass rate of 90%. This can be attributed to knowledge of the question and it is commendable.

### **Question 8**

100% of the total candidates attempted this question with a pass rate of 40%. This can be attributed to lack of in-depth knowledge of the question.

### **Question 9**

100% of the total candidates attempted this question with an excellent pass rate. Candidates demonstrated vividly their knowledge of the principles of insurance.

### **Question 10**

83% of the total candidates attempted this question with a pass rate of 60%. This can be attributed to knowledge of the question with only few candidates not being able to explain the historical details of vessel.

### **Question 11**

100% of the total candidates attempted this question with a pass rate of 50%. This can be attributed to lack of knowledge of primary knowledge of information required for determination of liability.

**Question 12**

73% of the total candidates attempted this question with a pass rate of 30%. This can be attributed to lack of knowledge of knowledge of and identification of fundamental matters in relation to policy terms, conditions, e.t.c. of the policy.

**Question 13**

73% of the total candidates attempted this question with a pass rate of 80%. This can be attributed to knowledge of the question of the major components of the adjusters' report on property claims.

**Question 14**

73% of the total candidates attempted this question with a pass rate of 83%. This can be attributed to knowledge of the question although some candidates wrote on the general risk improvement recommendation and analysis of risk management process.

**Question 15**

73% of the total candidates attempted this question with a pass rate of 74%. This can be attributed to knowledge of the question.

**Question 16**

43% of the total candidates attempted this question with a pass rate of 40%. This can be attributed to lack of in-depth knowledge of the question.

**Question 17**

12% of the total candidates attempted this question with a pass rate of 10%. Candidates could not explain the systematic approach as requested.

**Question 18**

50% of the total candidates attempted this question with a pass rate of 40%. This can be attributed to lack of knowledge of the question.

**Comments on Overall Performance:**

The overall performance had an 80% pass rate.

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

Candidates should be advised to source materials relating to their profession and endeavor to fully understand and be able to link theories with practice.

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

1. The aim of the Current Management of National Insurance Commission (NAICOM), when the priorities to transform the insurance industry was unveiled, was the safety and soundness of the sectors. State any four (4) of these five transformational focus drives by the Current Management of NAICOM.

**Solution**

The five transformational drive of the current Management of NIACOM recently released are:

- safeguarding policy holder and restoring public confidence in the sector;
- improving the safety and soundness of insurance industry;
- strengthening surpersopy and regulatory capacities;
- fostering innovation and sustainability;
- penetration of insurance products across the country.

(2½ marks for each correctly stated manual. Maximum of 4 points to be graded. Total: 10 marks)

2. (a) In Money Insurance Claim, list any three (3) security provisions of the premises that should be documented. (6 marks)
- (b) List any two (2) conditions in a theft policy. (4 marks)

**Solution**

- (a) The security provisions of the premises that should be documented are:

- perimeter fence
- security guards, are they professionals or amateurs?
- lighting system, particularly at night, (any) cctv cameras?
- types of windows and doors.
- types of protective grilles fitted to the windows and doors.
- type of locks.
- the position where the safe is located and the type of safe. is the safe embedded in the wall or floor?

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

- (b) The conditions in theft policy are:

- conditions precedent to the policy
- conditions subsequent to the policy
- conditions precedent to liability

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

(Grand Total: 10 marks)

3. List and briefly explain any two (2) types/examples of Dry Cargo Ships.

**Solution**

The types/examples of Dry Cargo Ships are:

- Bulk Carriers;                      \* General Cargo Vessels;                      \* Container Vessels.
- Reefer Vessels;                      \* Ro-Ro Vessels.

- **Bulk Carriers:** Modern bulk carriers are used for dry cargoes with a high weight to cost ratio such as coal, grain and ore. These vessels are divided into several separate holds covered by hatches. In port, cargo is loaded by conveyor and spouts, or by crane and grab.

Some bulk carriers are geared (usually a crane is located between each hatch) to allow the loading and unloading of cargo at berths without the need for shore equipment.

- **General Cargo Vessels:** This is a vessel designed to handle bulk cargo such as bags, cartons, cases, crates and drums, either individually or in unitised or palletised loads. General cargo or multi-purpose vessels are designed for flexibility and they carry a huge variety of cargoes.
- **Container Vessels:** Containers have become the main way of transporting manufactured goods around the world. A container can be transferred between truck, train and ship relatively easily and is a standard size to simplify transportation. Containers can accommodate anything from foodstuffs to electrical equipment to automobiles. They are also used to transport bagged and palletised goods, as well as liquids and refrigerated cargo.
- **Reefer Vessels:** Reefer Vessels are Ships designed to carry refrigerated cargo and perishable goods such as fruit or meat. Cargo is stowed in holds which are then sealed and temperature controlled. Traditional reefer vessels have been largely replaced by the use of reefer containers which are carried aboard container vessels. Reefer containers need a power source to function and often require inspection during the voyage.
- **Ro-Ro Vessels:** Roll on-Roll off or Ro-Ro vessels come in many forms. They include vehicle ferries and cargo ships carrying truck trailers. The car carrier is the most commonly used Ro-Ro vessel. These slab-sided vessels feature of multiple vehicle decks comprising parking lanes, linked by internal ramps have access to shore provided by one or more loading ramps. Cargo capacity of such vessels is measured in Car Equivalent Units (CEU) and the largest car carriers afloat today have a capacity of over 6,000 CEU.

(2 marks for each correctly stated type/example. 3 marks for each correct and completely stated explanation.

Sub-Total per example: 5 marks. Maximum of 2 to be graded. Grand Total: 10 marks)

4. (a) (i) What is the full meaning of IMO, as studied in the course and what does it stand for as it relates to international shipping? (4 marks)
- (ii) Explain the main role of (i). (3 marks)
- (b) Why is P & I cover necessary in shipping? (3 marks)

#### **Solution**

- (a) (i) The International Maritime Organisation is the global standard-setting authority for the safety, security and environmental performance of international shipping.

(2 marks for correctly stated meaning of the term. 2 marks for correct and completely stated explanation. Sub-total: 4 marks)

- (ii) Its main role is to create a regulatory framework for the shipping industry that is fair and effective, universally adopted and universally implemented. In other words, its role is to create a level playing field so that ship operators cannot address their financial issues by simply cutting corners and compromising on safety, security and environmental performance. This approach also encourages innovation and efficiency.

(3 marks for correctly stated roles)

- (b) P & I is important because protection is required for the safe working of seafarers and ships, and indemnity is necessary to compensate for any loss of life, environment and property.

(3 marks for correct explanation)

(Grand Total: 10 marks)

5. (a) In marine insurance, explain the term “inland loss” as studied in the course.  
 (b) Explain the term “Reserve” under Marine Cargo Claim.

**Solution**

(a) **An inland loss** pertains to landlocked countries only, where commodities are received at a port in an intermediate country and then transported to the recipient country. Inland losses may include warehouse handling losses at the port of entry and losses that occur during transportation through the intermediate country to a designated point in the recipient country.

(5 marks for any correct and completely stated explanation)

(b) This should be a very simple statement of the financial details of the reserve in a Preliminary Report, showing the apportionment of the reserve between different items of the policy. It should be noted that the Format for Preliminary Reports ends with this heading (Reserve).

(5 marks for any correct and completely stated explanation)

(Grand Total: 10 marks)

6. (a) What is the significance of employment clause in a Fidelity Guarantee Policy.  
 (4 marks)  
 (b) State two (2) types of professionals that a loss adjuster might consult during a loss incidence investigation.  
 (4 marks)  
 (c) State a reason why photographs are important in a loss adjuster’s report.  
 (2 marks)

**Solution**

(a) The significance of the “employment clause” is that Fidelity Guarantee policy is meant to indemnify the principal (employer) – the insured against dishonest acts of its employees; hence, it is important to confirm that the suspect or defaulter is actually a person in the employment of the insured when the fraud/theft was perpetrated to be considered within the policy. Insurer will among other documents require copy of employment/appointment and/or confirmation letter issued by the employer (insured) to the defaulter before discovery of fraud/theft.

(4 marks)

(b) The loss adjuster may consult the following professionals during a loss incidence investigation:

- |                       |                         |                          |
|-----------------------|-------------------------|--------------------------|
| * quantity surveyors; | * structural engineers; | * forensic specialists;  |
| * police officers;    | * marine engineers;     | * private investigators. |

(2 marks for each correctly stated professional. Maximum of four to be graded. Total: 4 marks)

(c) Photographs provide visual evidence of damage, aid in information processing and serve as verifiable documentation

(Any of the stated reasons suffices. Sub-Total: 2 marks)

(Grand Total: 10 marks)

7. (a) Explain how average is applied in a first loss insurance claim on stock. (6 marks)  
 (b) Why is preliminary report from a loss adjuster significant? (4 marks)

**Solution**

(a) The nature and size of some stock suggest that it is unlikely for the entire property to be lost at once. This is particularly true for stock in large retail stores or warehouses, where the total value at risk may amount to several million naira, while losses due to theft would typically represent only a fraction of this value. In such cases, insurers may offer a first loss insurance policy, covering a sum lower than the total value at risk (usually no less than 20%), which reflects the maximum probable loss in a single incident.

These policies are tailored to meet the specific needs of each insured party. A standard average clause in such policies typically states that if the declared value of the insured property is lower than its actual value at the time of loss or damage, the amount payable will be proportionally reduced.

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

(b) Preliminary report from a loss adjuster is significant because it provides the first independent assessment of a claim, helping insurers set financial reserves and determine potential liability

**(4 marks for any correct and completely stated explanation)**

**(Grand Total: 10 marks)**

8. (a) (i) When is a "letter of reserve" issued in marine insurance? **(3 marks)**

(ii) Why is (i) important? **(3 marks)**

(b) Enumerate any two (2) reasons why crucial information are usually contained on the facing sheet in a report from a loss adjuster. **(4 marks)**

**Solution**

(a) (i) A Letter of Reserve is issued when it appears that the loss is the vessel's fault. It is important because it preserves the insurer's rights of recovery. **(3 marks)**

(ii) This letter is important because it ensures that insurers can seek compensation from responsible third parties, such as a shipowner or carrier, within the legal timeframe before the claim becomes time-barred.

**(3 marks for correct and completely stated reason)**

(b) Crucial information are usually contained in the facing sheet of the adjuster's report in order to enable the reader to have first-hand information about the parties to the claim – their names, addresses, type of loss, amount involved and amount approved. Most times, the schedule of the policy stating items covered and their location is included. At times, a summary of conditions, clauses and warranties applied in the consideration of the claim is included.

**(4 marks for correctly stated information)**

**(Grand Total: 10 marks)**

9. (a) State a reason why it is necessary to compare the limits of items provided in the policy and those kept by the insured at the time of claim? **(3 marks)**

(b) Enumerate two (2) principles of insurance that should be duly considered by the adjuster when investigating money insurance claim (or any property claim) report writing. **(4 marks)**

(c) Explain the term "Residual Value" in business interruption insurance. **(3 marks)**

**Solution:**

(a) It is important for the adjuster in the course of adjustment of the claim to compare limits of cover provided in the policy and those kept by the insured at the time of loss to establish adequacy of the limits against the amount being claimed.

**(3 marks for correctly stated importance)**

(b) The principles of insurance to consider by the adjuster when investigating money insurance claim (or any property claim) are:

\* proximate cause;                      \* indemnity;                      \* subrogation recovery;

\* contribution from other policy(ies);

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

(c) Residual value is the remaining value of a damaged asset that can be sold or repurposed after a loss. It occurs where assets having been deployed for loss mitigation still retain value after the loss.

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

**(Grand Total: 10 marks)**

10. (a) State any three (3) details that should be included in the "historical details of vessel." section of a loss survey report. **(6 marks)**

- (b) How is the sum to be insured determined for the purpose of average calculation in a business interruption policy? (4 marks)

**Solution**

- (a) The Historical Details of Vessel section of a loss survey report should include -  
\* when it was built; \* who was the first purchaser;  
\* who the subsequent owners were until it became the insured's property;  
\* repairs and upgrades done on it; \* any refitting done on it; e.t.c.  
(2 marks for each correctly stated detail. Maximum of 3 to be graded. Sub-Total: 6 marks)

(b) To determine the sum to be insured for any purpose, including average, in a business interruption policy, one needs to apply the rate of gross profit (2 marks) to the annual turnover (or to a proportionately increase multiple thereof where the Maximum Indemnity Period exceeds twelve months) (2 marks). Once this is established, Average is calculated in the usual manner.

(Sub-Total: 4 marks)  
(Grand Total: 10 marks)

11. (a) State three (3) primary sources of information required for determining liability. (6 marks)  
(b) What is the major reason why it is important for a loss adjuster to reproduce parts of the policy document in its report(s). (4 marks)

**Solution**

- (a) The primary sources of information required are:  
• the policy document;  
• first-hand information gathered during the investigation. (including post-loss stock audits, police statements, fire brigade reports);  
• expert reports, e.g., engineers, architects;  
• valuation documents such as invoices, purchase orders and bills of quantities;  
• photographs where they provide uncontested evidence.  
(2 marks for each correctly stated source of information. Maximum of three (3) to be graded. Sub-Total: 6 marks)
- (b) The major reason why it is important for a loss adjuster to reproduce parts of the policy document in its report(s) in order to prevent the reader from having to jump from the report and start looking for supporting material in the policy document which leads to inefficiency in claim assessment. (4 marks)  
(Grand Total: 10 marks)

12. (a) State any three (3) fundamental matters that should be looked into under the policy terms, conditions and warranties in money insurance claims. (6 marks)  
(b) Explain the term "modus operandi" as it relates to loss adjusting. (4 marks)

**Solution**

- (a) Fundamental matters that should be looked into under the policy terms, conditions and warranties in money insurance claims.  
\* payment of premium; \* notification of claim; \* safe warranty;  
\* adequacy of the sum insured; \* collusion by employees; \* other insurance;  
\* breach of policy conditions and warranty; \* policy excess.  
(2 marks for each correctly stated matter. Maximum of 3 to be graded. Sub-Total: 6 marks)

(b) **Modus Operandi:** This would seek to establish how the crime was committed. The adjuster should have a profound knowledge of the insured's operations to be able to describe exactly how the employee was able to succeed in the fraudulent act. It should state the instruments used, the persons involved, the loopholes observed (if any) and generally how the employee was able to

circumvent any available checks and balances. There are different methods of carrying out fraudulent activities and the loss adjuster should be able to identify what occurred and why it was successful.

(2 marks for correct and completely stated explanation. Maximum of 2 to be graded. Sub-Total: 4 mark)  
(Grand Total: 10 marks)

13. State five (5) of the major components in a loss adjuster's report on property claims.

**Solution**

The major components in a loss adjuster's report on property claims are:

- \* policy coverage;                      \* description of the insured's business;                      \* the claim;
- \* principal contacts;                      \* description of premises;                      \* circumstances of loss;
- \* extent of loss;                      \* cause of loss;                      \* loss investigation;
- \* policy conditions, warranties, and liability.

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

14. Explain the following terms under property insurance claim.

- (a) Claim Adjustment                      (b) Salvage and Recoveries
- (c) Risk Improvement Recommendations                      (d) Loss Apportionment

**Solution**

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

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

(c) **Risk Improvement Recommendations:** The measures to be taken to minimise hazards and reduce the risk exposure need to be stated here. These findings will later be communicated to the insured, usually through its Brokers or agents, where applicable.

(d) **Loss Apportionment:** Where co-insurers have subscribed to a policy, their extent of participation, together with apportioned liability, should be shown at the end of the report.

(2½ marks each for each correct and completely stated explanation. Maximum of 1 to be graded under each term. Total: 10 marks)

**Part II**

**Answer two questions in Part II.**

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

15. (a) Explain Loss Enquiries or Claim Review. (4 marks)
- (b) State eight (8) information that are contained in a well written Preliminary report. (16 marks)
- (c) Explain the following terms as it relates to Fidelity Guarantee policy:
- (i) Character Reference Clause. (4 marks)
  - (ii) Discovery Period (2 marks)
- (d) State any two (2) typical clauses that might only admit loss discovered. (4 marks)

**Solution**

(a) **Loss Enquiries or Claim Review:** Information gathered from any meetings or discussions held can also be reported under loss enquires or claim review, depending on the nature of the

information. It may be that new information is obtained which is of such importance that the adjuster wishes to bring it to the forefront of a subsection of his report. In such a case the adjuster can create another subheading to address it. The name of the heading will be decided by the nature of the issue being highlighted.

**(4 marks for correct explanation)**

- (b) Information contained in a well written Preliminary report are:
- \* name and business address of insurer;      \* name and address of the insured
  - \* policy number;      \* claims number;      \* name of insured and insurer;
  - \* type of loss;      \* extent of loss;      \* date of loss;
  - \* date of loss survey;
  - \* introduction, person met on site with their job roles, enquiries conducted, circumstances of loss and extent of loss;
  - \* actions taken by the insured and details of salvage if applicable;
  - \* 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;      \* recommended reserve;
  - \* authorised signatories representing the adjusting company.

**(2 marks each for each correctly stated information. Maximum of eight (8) to be graded. Sub Total: 16 marks)**

- (c) (i) **Character Reference Clause** - The Character Reference Clause seeks to find out about the character of a person. It is an attestation as to the moral character of an individual and should not be confused with the Guarantor's clause which is simply an agreement to repay whatever losses the person being guaranteed has incurred. The Character Reference clause conveys no such obligation. These two clauses are conditions precedent to liability so care must be taken in reporting on them as they could be the lifeline to the success of a claim. The usual wording can be recorded as:

*"It is hereby understood and agreed that it is a condition precedent to the insurer's liability under this policy that the insured has obtained two satisfactory character references in respect of any person covered by this policy".* **(4 marks for correct explanation)**

- (ii) **Discovery Period** - The discovery period refers to the period within which a loss must have occurred to be admissible in the claim.

**(2 marks for correct explanation)**

- (d) The typical clauses that might only admit loss discovered are:
- during the period such employee is guaranteed or
  - within six months of the expiration of this policy or
  - within twelve months of commitment whichever of these events shall first happen.

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

**(Grand Total: 30 marks)**

16. (a) Upon loss discovery, explain the action required by the insured/ employer. **(5 marks)**
- (b) State six (6) of the major claim supporting documents required by the loss adjuster in a Fidelity Guarantee Claim. **(12 marks)**
- (c) Explain the term "Rate of Gross Profit". **(5 marks)**
- (d) Explain the following the terms:
- (i) annual turnover      (ii) standard turnover **(8 marks)**

### **Solution**

- (a) On discovery of the loss, the insured/employee should intimate the suspect with their findings and immediately issue him a formal query and obtain his response. Stop the suspect from

further access to his duties and immediately lodge complaint of the incident to the police authority. The police are in a better position to discover whether external fraudsters are involved. The insured should notify their insurance company as soon as possible with as much information as may be required.

(5 marks for correct explanation)

(b) The major claim supporting documents required by the loss adjuster in a Fidelity Guarantee Claim are:

- \* letter of appointment;                      \* termination of appointment letter;
- \* statement of claim;                        \* completed claim form – fidelity guarantee;
- \* internal investigation report;            \* police report;                      \* guarantors forms;
- \* character reference forms;           \* copies of instruments used in perpetrating the fraud;
- \* defaulters last payslip;                \* details of recoveries, if any.

(2 marks each for each correctly stated document. Maximum of 6 to be graded. Sub-Total: 12 marks)

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

(5 marks for correct and completely stated explanation)

(d) (i) **Annual Turnover:** The turnover during the twelve months immediately before the date of the damage.

(ii) **Standard Turnover:** The turnover during that period in the twelve months immediately before the date of the damage which corresponds with the indemnity period.

(4 marks each for correct and completely stated explanation. Sub Total: 8 marks)

(Grand Total: 30 marks)

17. (a) The loss adjuster to reconstruct a loss will follow a systematic approach. State and explain the five (5) systematic approaches. (25 marks)

(b) Explain the term “recovery” under marine cargo claim. (5 marks)

### Solution

The five Systematic approaches are:

- \* incident overview;                      \* claimant interview/statement
- \* documentary evidence;                \* physical evidence;                      \* witness statements.

- **Incident Overview:** the investigator will begin simply by compiling a short summary of the event that includes the claimant data, type, date, time, location, and brief description of the claim.
- **Claimant Interview/Statement:** the Loss Adjuster should give the insured and other persons of interest an opportunity to make a statement, either verbally or in writing. This statement might even be recorded and entered into the investigation report. A basic “who, what, where, why” series of questions to commence the interview will lead to opportunities for further enquiries
- **Documentary Evidence:** the Loss adjuster should request for documentary evidence related to the claim. For example, a request may be made for a police report, receipts, inventory records, invoices, and shipping records. Other commonly requested documentary-type evidence includes titles, bills of sales, deeds, appraisals, diagrams, proof of ownership, and photographs or video records. The investigator’s job is to scrutinize the evidence to either justify the claim or identify potential alterations or falsifications that could indicate a problem.

- **Physical Evidence:** physical evidence such as damaged property is also considered in a claim investigation. Investigators are trained to inspect physical evidence for acts of fabrication or illicit substitution.
- **Witness Statements:** people who may have witnessed details or incidents related to the claim will be called upon to give their statements. This is considered a critical element of the investigation as witness reports are “fact-checked” against the statements and evidence collected above. Discrepancies here can lead to additional investigative probing and the need for substantiation.

(2 marks for each correctly stated approach. 3 marks each for each correct and completely stated explanation.  
Sub-Total per approach: 5 marks. Grand Total: 25 marks)

(b) **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, Letter of Reserve should be issued to all parties to avoid becoming time barred.

(2 ½ marks for each correct and completely stated explanation. Maximum of 2 to be graded. Sub-Total: 5 marks)  
(Grand Total: 30 marks)

18. Explain the following terms:

- |                                     |                               |
|-------------------------------------|-------------------------------|
| (a) Media Clippings;                | (b) Site Layout Plan;         |
| (c) Specialist Report;              | (d) Determination of Quantum; |
| (e) Conveyance in Goods in Transit. |                               |

### Solution

(a) **Media Clippings:** Media clippings are useful in that if they are from a reputable source they can be used as:

- confirmation of facts;
- confirmation of loss date;
- where instructions are received a long time after the loss occurrence, if the event was media worthy then such media information may possess relevant information to determining the cause and effect of the loss incident.

(b) **Site Layout Plan:** A site layout plan is the graphic representation of the structures within the premises. Such structures would include buildings, silos, walkway, power generation rooms, storage depots and perimeter of the property.

Circumstances where a site layout plan may be deemed necessary in property claims would include total destruction scenarios where there is a need to identify the pre-loss structures for the purpose of claim validation.

The site layout plan can also assist with identifying and advising on risk improvement recommendations for the underwriters’ benefit.

(c) **Specialist report:** 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.

(iv) **Determination of Quantum:** It is the duty of the loss adjuster to determine the quantum of the loss. In a preliminary report a rough estimate of this will be communicated to the Insurer which will form the basis of the reserve they should maintain for the claim. The final report will however provide a detailed calculation of the quantity and value of the loss sustained by the insured as well as the adjuster's determination of Insurers' liability.

(v) **Conveyance in Goods in Transit:** Depending on the means of transportation engaged, the conveyance for land transit could be heavy duty truck, low bed trailer, or waterways when small motor boats and crafts are employed. The carrying vehicle/conveyance's details should be provided. This would include but not necessarily be limited to the make, model and tonnage of the conveyance. If the vehicle tonnage/carrying weight is smaller than the weight of the goods carried then this could cause concern for underwriters and give the adjuster reason to note the implication in his consideration of the insured's claim. Other details that should be confirmed by the adjuster are whether the vehicle has valid documents such as roadworthiness certificate, maintenance record, vehicle license and details of the owner (in case subrogation would arise).

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