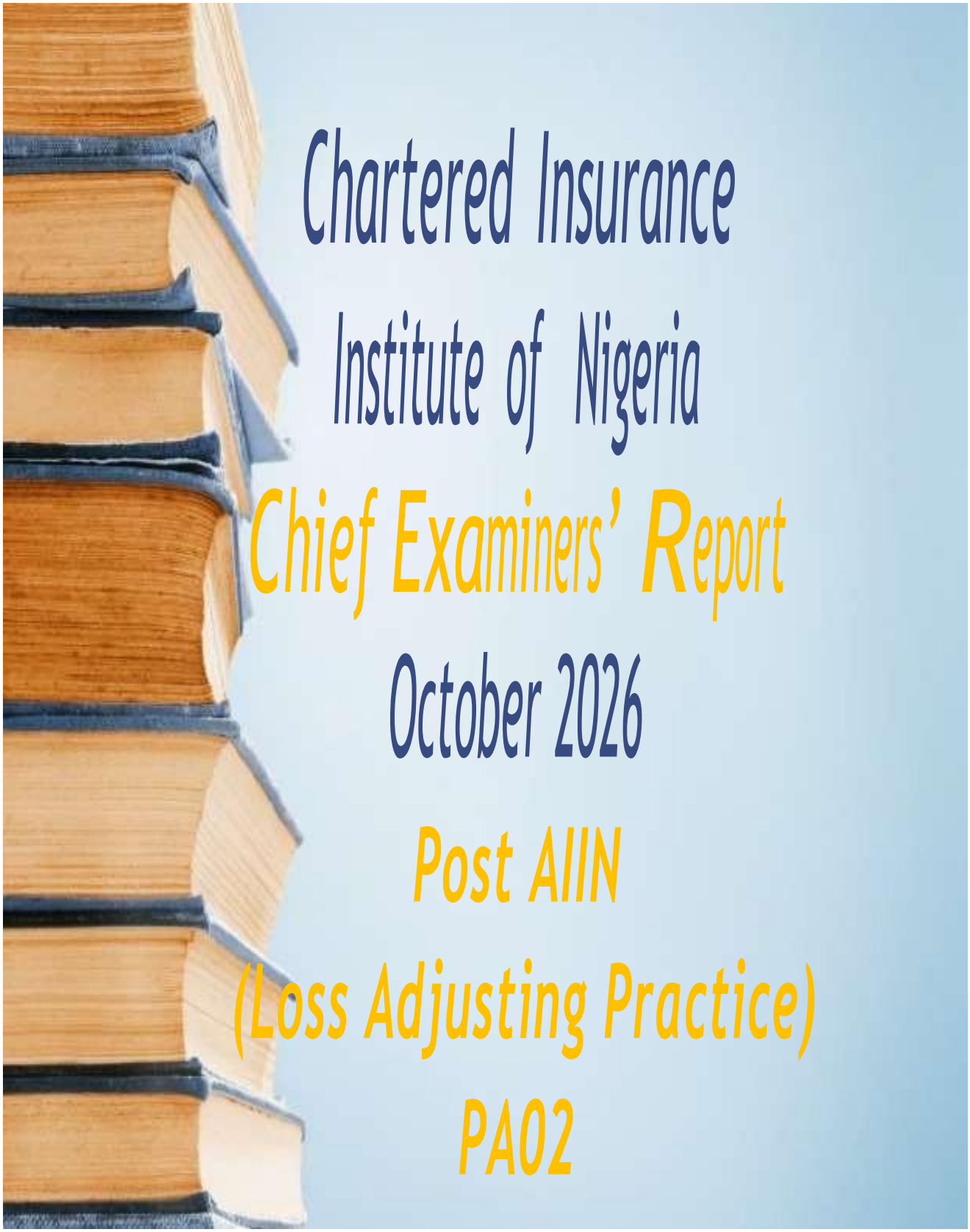


Chartered Insurance Institute of Nigeria

Chief Examiners' Report

October 2026

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 at the detriment of Parts B & C (Intermediate and Associateship Level)
Start each question on a fresh page	Write after the invigilators have declared "time-up.
Read and follow instruction s 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 the tips learnt before the exams and concentrating on questions that would fetch you more marks.	Nurture fear on any subject. There is no subject that distinction cannot be obtained.
Attend the Annual Students' Forum.	Avoid the Annual Students' Forum.

CANDIDATES SHOULD VISIT & UNDERSTAND THE CONTENTS, REGULATIONS AND GUIDELINES/MARKING AGREEMENTS, ETC. ON THE FOLLOWING SITES: naicom.gov.ng (NAICOM), nigeriainsurers.org (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 FACE NECESSARY DISCIPLINARY ACTIONS 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 - ASSOCIATESHIP

OCTOBER 2026 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 2026 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), etc, marks for each part are only shown if they are split unevenly between the parts and you should spend your time in accordance with the allocation.

In attempting the questions, you may find it helpful in some places to make rough notes in the answer booklet. If you do this, you must cross through these notes before you hand in the booklet.

A formula sheet will be issued for use with this paper.

It is important to show each step in any calculation, even if you have used a calculator.

Answer each question on a new page. If a question has more than one part leave several lines blank after each part.

Chief Examiner's Comments

Question 1
The question examined candidates' knowledge of the Retention Memorandum. Over 90% of the candidates attempted the question. However, only 7.69% passed, indicating a limited understanding of the subject matter.

Question 2
The question focused on policy documentation and candidates' knowledge of the Fire Insurance Policy. All candidates attempted the question, and 84.62% passed, demonstrating a good understanding of the subject matter.

Question 3
The question examined candidates' understanding of the documentation required in claims handling, which is an essential aspect of loss adjusting. The majority of candidates attempted the question, while 46.15% passed, indicating a below average level of understanding.

Question 4
The question assessed candidates' knowledge of Money Insurance. All candidates except one attempted the question, and 30.77% passed, suggesting that many candidates had difficulty demonstrating an adequate understanding of the subject.

Question 5
The question examined candidates' knowledge of Pay-One-Basis Insurance. Only 30.77% of the candidates passed, indicating a limited understanding of the concept.

Question 6
The question examined candidates' understanding of the concept and importance of salvage in the claims process. The question was generally well understood, with 84.62% of the candidates passing, reflecting a good grasp of the subject matter.

Question 7
The question focused on Car Insurance. Candidates demonstrated a poor understanding of the subject, as none of them passed the question. This indicates the need for improved preparation in this area.

Question 8
The question assessed candidates' knowledge of the special conditions of average. Most candidates appeared familiar with the basic pro-rata condition but demonstrated limited understanding of the other conditions. Nevertheless, 61.54% passed the question.

Question 9
Candidates demonstrated difficulty understanding the requirements of the question, with many providing irrelevant responses, particularly in the section relating to the NIIRA. The second part of the question was better understood. Only 7.69% of the candidates passed, indicating a significant gap in their understanding of the subject matter.

Question 10
The question assessed candidates' knowledge of the Contractors' All Risks (CAR) Policy. Most candidates demonstrated unfamiliarity with the policy, as only 15.38% passed the question.

Question 11
The question examined candidates' knowledge of professional ethics and was adequately answered by the candidates who attempted it. However, only 7.69% of those who attempted the question passed, indicating that further attention should be given to this area of study.

Question 12
This question focused on Money Insurance, which was attempted by some candidates. While a few demonstrated a good understanding of the subject, only 30.77% passed the question, suggesting that further study is required in this area.

Question 13
The question focused on Burglary Insurance and was generally well attempted and adequately answered. Candidates demonstrated a reasonable understanding of the subject, with 92.31% passing the question.

Question 14
The question assessed candidates' knowledge of Public Liability Insurance. Although candidates made commendable attempts, their responses revealed a poor understanding of the subject. Only 30.77% passed the question.

Comment(s) on Overall Performance:
An overall pass rate of 8% was recorded, indicating a below average performance by the candidates.

Suggestion(s) on Improvement(s) (if any):
Candidates are advised to prepare more thoroughly for future Institute examinations by studying the prescribed course materials and broadening their understanding of the various insurance concepts. They should also pay closer attention to the specific requirements of each question and ensure that their answers are relevant, clear and adequately developed. Greater emphasis should be placed on areas where performance was particularly weak.

PA02 – LOSS ADJUSTING PRACTICE – ASSOCIATESHIP

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

1. Explain three (3) special conditions considered under Reinstatement Memorandum.

Solution

The special conditions considered under Reinstatement Memorandum are:

- **Special Condition 1:** Does not require comments

- **Special Condition 2:** The term of imports average should be considered carefully. The first point is to consider the two base figures in the context of possible operation of average. These two base figures are:
  - the sum insured at the time of the damage; and
  - the Value at Risk (that is the cost of reinstatement of all the property covered) is taken at the time that reinstatement is completed.

- **Special Condition 3:** spelt that in order to recover the cost of Reinstatement the insured must at **section 3(a)** proceed with reasonable care and speed to carry out the work of Reinstatement. Here delays outside the control of the insured would not be considered a breach. **Section (b)** has important implications "until the cost of reinstatement has actually been incurred" that the insured may recover under the policy, "the amount which would have been payable" had the **Reinstatement Memorandum** not been a condition of the policy.

- **Special Condition 4:** simply requires that the general and other conditions and warranties etc., of the basic policy apply regardless of whether the Reinstatement Memorandum provisions are being complied with or not, save only so far as the Reinstatement Memorandum provision might vary the basic conditions.

(1 mark for each correctly stated condition. 1 mark for each correct and completely stated explanation. Sub-Total per condition: 2 marks. Maximum of 3 to be graded. Grand Total: 6 marks)

2. (a) Explain the meaning of policy documents. **(2 marks)**
   (b) In a fire claim, state any two (2) general causes to look out for. **(4 marks)**

Solution

(a) The policy document is evidence of the contract between the insurance company and the insured. It is the basis of the claims process and its importance cannot be overemphasised. **(2 marks)**

(b) In a fire claim, general causes to look out for include:

- storage of petrochemicals;
- smoking in unauthorised places;
- arson;
- electrical surge;
- hazardous processes involving the application of heat.
- * naked flames;
- * rodents;
- * malicious damage;
- * spontaneous combustion;

(1 mark for each correctly stated cause. Maximum of 2 to be graded. Sub Total: 4 marks)
(Grand Total: 6 marks)

3. State six (6) reasons for documentation in the processing of an insurance claim.

Solution
The reasons for documentation in the processing of an insurance claim are to:

- confirm the quantum of loss;
- confirm the identification and existence of the subject matter of the claim;
- confirm the date of loss;
- get a written account of the circumstances of loss;
- confirm the name and contact details of the insured;
- obtain the time, duration, cause and method of extinguishment of the fire;
- obtain firsthand information, particularly as regards the circumstances of the incident, subject to the loss adjuster's subsequent confirmation;
- provide photographic evidence of the loss prior to the site visit.

(1 mark for each correctly stated cause. Maximum of 6 to be graded. Grand Total: 6 marks)

4. State any six (6) main exclusions on the "money insurance policy" and which the Loss Adjuster needs to consider during the loss investigation process.

Solution
The main exclusions on the Money insurance policy and which the Loss Adjuster needs to consider during the loss investigation process are:

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

(1 mark for each correct and completely stated exclusion. Maximum of 6 to be graded. Grand Total: 6 marks)

5. (a) Explain the term "Declared Value". **(2 marks)**
   (b) State any two (2) items that provide due allowance under (a). **(4 marks)**

Solution
(a) "Declared Value" means the insured's assessment of the cost of reinstatement of the property insured arrived at in accordance with the level of costs applying at the inception of the period of insurance (ignoring inflationary factors which may operate subsequently).

(2 marks)

(b) The items that provide due allowance are:
   (i) the additional cost of reinstatement to comply with Public Authority Requirements.
   (ii) professional fees

(iii) debris removal costs.

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

6. Explain the concept of salvage, including the initial expectations of both the loss adjuster and the insurer in its application.

Solution

Salvage refers to damaged property that still retains some economic value from which insurers can recoup part of their outlay. Once the possibility of salvage becomes apparent, the **Loss Adjuster** should communicate same to insurers immediately and take urgent steps to preserve the value of the salvage. The **insurers** may request the Loss Adjuster to invite salvage buyers to come and inspect the damaged property and make offers either to the Loss Adjuster or directly to the insurer or to dispose of the salvage directly on their behalf, in which case the Loss Adjuster is entitled to remuneration.

(2 marks for the salvage explanation.
2 marks for the loss adjuster's expectation.
2 marks for the insurer's expectation.
Grand Total: 6 marks)

7. Under the condition section of a "Contractors' All Risk Policy", state three (3) duties of the insured.

Solution

The duties of the insured, under the condition section of a "Contractors' All Risk Policy" are:
(a) to prevent any event which may give rise to a claim under the policy;
(b) to maintain the premises, plant and everything used in the Business in proper repair;
(c) to take reasonable care in the selection and supervision of employees.;
(d) to comply with all statutory and other obligations and regulation imposed by any authority.

(2 marks for each correct and completely stated duty. Maximum of 3 to be graded. Grand Total: 6 marks)

8. (a) State the three (3) types of average in practice.
(b) Explain any one (1) of the types stated in (a) above.

Solution

(a) The three types of average in practice are:
- Pro-rata Condition of Average
- Special Condition of Average
- Two-Conditions of Average

(1 mark for each correct and completely stated type). Sub-Total: 3 marks

(b) (i) **Pro-Rata Condition of Average (Underinsurance)**

The fundamental rules of insurance contracts make it mandatory for policy holders to make equitable premium contribution into the "common pool". Therefore, for the good management of the "common pool" for policy holders, it becomes necessary also to ensure that those who do not contribute equitably to the pool are penalised in the event of an occurrence for which they may rise to make a claim on their policy for the loss that they had suffered.

(ii) **Special Condition of Average**

This is also known as 75% condition of average. Under this type of average if at the time of loss it is found that the sum insured is less than 75% value of the property then the insurers will pay that proportion of the loss that the sum-insured bears to the actual value. If the sum insured is at least to the extent of 75% (or more) of the actual value then no

average applies. This condition is usually applied to those types of properties (e.g., stock) where there is a possibility of violent fluctuation in price rapidly.

(iii) **Two-Conditions of Average**

This Condition of Average is simply a qualified pro-rata condition of average. It has two parts. The first part is exactly the pro-rata condition of average. The second part says that if at the time of loss it is found that there is a more specific policy covering the same loss then that specific policy shall pay the loss first and if there is still a balance of claim left then only this policy shall come forward to pay the balance loss and in case of under-insurance average shall apply in the usual manner on the balance.

(3 marks for a correct and completely stated explanation. Maximum of 1 to be graded. Sub-Total: 3 marks)

(Grand Total: 6 marks)

Part II
Compulsory Question.
This question carries 50 marks.

9. Messrs. Omnisure, a newly incorporated and licensed insurance organisation in Nigeria, is seeking your guidance and advice as a student of the insurance professional examination in Nigeria on the various arms of trade associations that are available in the Nigeria insurance industry. Advise the new company on any five (5) arms of trade associations that are available in the Nigerian Insurance Industry and the relevance of the associations.

Solution

The arms of trade associations that are available in the Nigerian Insurance Industry and their relevancies are:

- **The Nigerian Insurers Association:** a primary trade group for registered insurance companies in Nigeria.
- **Nigerian Council of Registered Insurance Brokers**: a primary trade group for the interest and protection of their members, who are registered with them as Brokers.
- **Institute of Loss Adjusters of Nigeria:** a primary trade group for the interest of loss adjusters in the industry.
- **Association of Registered Insurance Agents of Nigeria:** represents the interest of all insurance agents in Nigeria. They moderate and monitor the activities of their members.
- **National Association of Insurance Consumers in Nigeria:** the association focuses on consumers' interests.
- **Nigerian Actuarial Society:** a primary trade group for the interest of actuaries in Nigeria.
- **Professional Reinsurers Association**: a primary trade group for the interest of reinsurers in Nigeria.

(1 mark for each correctly stated association. 1 mark for each correct and completely stated relevance. Sub-Total per association: 2 marks. Maximum of 5 to be graded. Grand Total: 10 marks)

Part III
Answer THREE (3) of the following FIVE (5) questions.
Each question carries 34 marks.

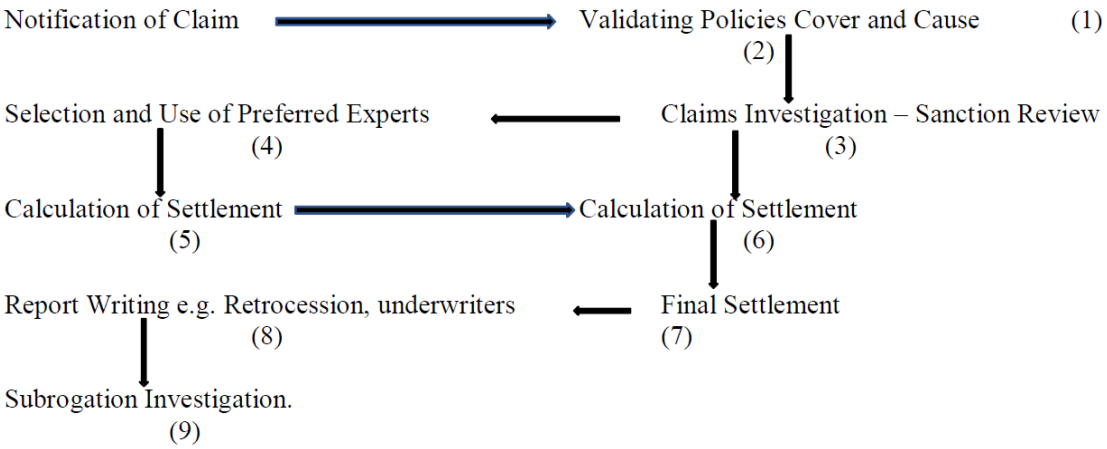
10. (a) With the aid of a diagram, explain the overview of the claims process. **(18 marks)**

(b) Under Contractors' All Risk claims handling, state five (5) essential things to do. **(15 marks)**

(c) State one (1) of the risks affecting plants in Contractors' All-Risk (CAR). **(1 mark)**

Solution

(a)



(2 marks for each correctly mentioned stage/process)

(b) The essential things to do under CAR claims handling are:

(1) **The Contract:** Establish the principal parties to the contract and sub-contractors, and who is the insured under the policy.

(2) **The Contract Form/Type:** Is it a single contract or multiple?

(3) **Description of the Project:**
(a) Location, nature and value of the works and the situation of the damage.
(b) Contract period, state of the works and extent of completion.
(c) For plant losses: plant and value.

(4) **Circumstances and Cause:**
(a) Circumstances up to and after the damage – time, day and date.
(b) Discovery and by whom, cause of damage.

(5) **Nature and Extent of Damage:**
(a) Under contract works, plants, e.t.c.
(b) Damage and outline of remedial works.

(6) **Contractual Liability**
(a) Liability under contract.

(7) **Policy Liability**
(a) Application of Cover - Exclusions
(b) Terms of policy relevant to loss: parties, policy period, risk locations, business insured, basis of cover, exclusions, extensions.

(8) **Subrogation Aspect**
(a) None/Suspected – evidence, enquiries, financial recovery.

(9) **Further Action**
(a) Summary of proposed actions and pending instruction.

(10) **Reserve**
Basis on which reserve is calculated.

(3 marks for a correct and completely stated essential to do. Maximum of 5 to be graded. Sub-Total: 15 marks)

(c) The risks affecting plants in CAR are:

Damage to or loss of items of equipment:

(i) Excavators may sink into a marsh and become damaged; the cost of extricating it is additional.

(ii) Tower cranes may topple over, apart from the damage to the crane, there is damage to the works, other equipment on the site and possible third party-injury and property damage.

(1 mark for a correct and completely stated risk. Maximum of 1 to be graded. Sub-Total: 1 mark)

(Grand Total: 34 marks)

11. A manufacturing company suffered a significant fire loss affecting its production facility and stock. Following notification of the loss, the insurer appointed a Loss Adjuster to investigate the claim, assess the extent of damage, and make recommendations regarding liability.

Shortly after the loss, the insured, dissatisfied with the initial handling of the claim and concerned about the adequacy of settlement, formally engaged a legal practitioner (attorney) to represent its interests in all matters relating to the claim.

The Loss Adjuster, in the course of carrying out his duties, attempted to directly contact senior management staff of the insured company to obtain statements, clarify aspects of the claim, and discuss possible settlement options. However, it became evident that the insured had instructed that all communications should be channeled exclusively through its appointed attorney.

Despite being aware of this development, the Loss Adjuster proceeded to:

- Request written statements directly from the insured's employees
- Initiate discussions on possible settlement figures with the insured's representatives
- Seek to obtain clarifications without copying or notifying the attorney

The attorney subsequently raised a formal complaint, alleging that the Loss Adjuster had acted unprofessionally by bypassing legal representation and attempting to influence the claim process improperly.

The insurer has now requested a professional opinion on the ethical and procedural implications of the Loss Adjuster's conduct. You are required to:

(a) Explain three (3) ethical obligations of a Loss Adjuster when an insured is represented by an attorney. **(6 marks)**

(b) Explain the propriety of the Loss Adjuster's actions in this case, with reference to professional standards. **(6 marks)**

(c) State two (2) potential consequences of the Loss Adjuster's conduct for: (i) the insurer; (ii) the insured; (iii) the Loss Adjuster. **(12 marks)**

(d) Explain three (3) ways the Loss Adjuster should have properly managed communication and investigation in this scenario. **(6 marks)**

(e) State two (2) recommendations to the insurer on how to handle the situation and prevent recurrence. **(4 marks)**

Solution

(a) A Loss Adjuster is required to act with **integrity, professionalism, and fairness**, while maintaining independence and respect for all parties involved in a claim.

Where an insured is represented by an attorney, the Loss Adjuster must:

- **Recognise and respect the authority of the legal representative**, acknowledging that the attorney is the proper channel for communication.
- **Refrain from direct communication or negotiation** with the insured or its employees on matters relating to liability or settlement without the attorney's knowledge or consent.

- Ensure that all requests for information, clarification, or documentation are **formally routed through the attorney**.
- Avoid any conduct that may be perceived as **undue influence, coercion, or an attempt to circumvent legal representation**.
- Maintain transparency and ensure that all dealings are **documented and professionally conducted**.

(2 marks for each correctly stated ethical obligation. Maximum of 3 to be graded. Sub-Total: 6 marks)

(b) The conduct of the Loss Adjuster in this case falls short of acceptable professional standards. Specifically:

- By **directly contacting employees** of the insured despite knowledge of legal representation, the adjuster failed to respect proper communication protocols.
- Initiating **settlement discussions without involving the attorney** constitutes a serious breach of ethical practice, as settlement negotiations must be conducted through authorised representatives.
- Seeking clarifications outside the knowledge of the attorney undermines **transparency and procedural fairness**.

(Candidates are required to correctly explain propriety. 2 marks for each correct and completely stated explanation. Only 1 to be graded. Sub-Total: 6 marks)

(c) The potential consequences of the Loss Adjuster's conduct are:

(i) **For the Insurer**

- Exposure to legal disputes or litigation due to procedural irregularities
- Potential delay in claim resolution
- Reputational damage arising from perceived unfair claims handling
- Risk that evidence obtained may be challenged or deemed inadmissible

(ii) **For the Insured**

- Loss of confidence in the claims process
- Possible confusion arising from conflicting communication channels
- Risk of disadvantage if statements were obtained improperly

(iii) **For the Loss Adjuster**

- Professional misconduct allegations
- Possible disciplinary action by regulatory or professional bodies
- Loss of credibility and future appointments
- Exposure to legal liability in extreme cases

(2 marks for each correct and completely stated consequence. Maximum of 2 to be graded under each term. Sub-Total per term: 4 marks. Grand Sub-Total: 12 marks)

(d) The Loss Adjuster should have:

- immediately acknowledged the appointment of the attorney and directed all correspondence accordingly;
- channeled all requests for documents, statements, and clarifications through the attorney;
- sought permission, where necessary, before conducting interviews with staff;
- ensured that any meetings or discussions included or were approved by the legal representative;
- maintained proper documentation of all communications to ensure transparency.

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

(e) The following are recommendations to the insurer:

- **Reinforce Professional Conduct Guidelines:** the insurer should remind Loss Adjusters of the requirement to respect legal representation and adhere strictly to communication protocols.
- **Implement Clear Communication Protocols:** establish formal procedures for handling claims involving legal representatives.
- **Provide Training on Ethics and Claims Handling:** regular training should be conducted to ensure compliance with professional standards.
- **Address the Complaint Promptly and Professionally:** engage with the attorney to resolve concerns and restore confidence in the process.

(2 marks for a correctly stated recommendation. Maximum of 2 to be graded. Sub-Total: 4 marks)
(Grand Total: 34 marks)

12. A corporate organisation maintains a Money Insurance Policy which provides cover for various categories of cash handling risks, including Cash in Transit and Cash in Safe.

Under the terms of the policy, a specific limit of ₦15,000,000.00 is provided for Cash in Transit. However, the policy contains strict security warranties, which stipulate that:
- any transit involving cash exceeding ₦10,000,000.00 must be conveyed using an armoured vehicle, and
- such transit must be accompanied by an armed security escort.

In the course of normal business operations, a senior employee of the company was entrusted with ₦12,000,000.00 for conveyance from the company's bank to its head office.

Following a reported loss, a Loss Adjuster was appointed to investigate the circumstances surrounding the incident. The investigation revealed the following facts:
- the cash was transported using a standard unarmoured vehicle, accompanied only by a driver and a senior company officer, with no armed escort provided;
- during the course of the journey, the employee made an unscheduled stop at a post office to attend to personal matters unrelated to the company's business before continuing the transit;
- upon arrival at the office, the cash was deposited in the company's safe. However, during the night, unknown persons gained access to the premises and forced the security guard, under threat and intimidation, to surrender the keys to the safe, after which the cash was stolen.

The insured has submitted a claim under both the Cash-in-Transit and Cash-in-Safe sections of the policy. As the appointed loss adjuster, you are required to:

(a) analyse the Cash-in-Transit aspect of the claim and identify two (2) specific policy requirements or warranties that were breached during transit, including its implications. **(10 marks)**

(b) explain three (3) contractual implications of the unscheduled stop on the recoverability of the claim. **(15 marks)**

(c) (i) highlight the relevant policy exclusion applicable to the circumstances of the theft **(4 marks)**

(ii) state an opposing interpretative positions ("schools of thought") that historically arose in relation to thefts involving access obtained under duress (e.g., ATM-related losses under older policy wordings). **(5 marks)**

Solution

(a) The breaches are:

1. **Breach of Armoured Vehicle Warranty (Fundamental Security Warranty)**

The policy clearly stipulates that any transit involving cash exceeding ₦10,000,000.00 must be carried in an armoured vehicle.

- The insured conveyed ₦12,000,000.00 in a standard unarmoured car, which is a direct and fundamental breach.
- This requirement is not merely procedural; it is a risk-defining warranty intended to reduce exposure to robbery and theft.

Implication:

- Under strict insurance principles, a breach of warranty automatically discharges the insurer from liability from the moment of breach, regardless of whether the breach caused the loss.
- Therefore, once the cash was placed in a non-armoured vehicle, the insurer's liability may be considered suspended or voided for that transit.

2. **Breach of Armed Escort Requirement (Protective Safeguard Condition)**

The policy further requires the presence of an armed escort for high-value transits.

- The absence of armed security represents a failure to comply with a mandatory protective condition.
- This significantly increases the vulnerability of the cash to theft or attack.

Implication:

- This constitutes a separate and independent breach, reinforcing the insurer's right to decline liability.
- Even if one breach were arguable, the presence of multiple breaches strengthens the insurer's position in repudiating the claim.

3**. Breach of "Due Care" / Reasonable Precaution Condition**

Most Money Insurance policies include a general condition requiring the insured to exercise due care and take reasonable precautions to safeguard insured property.

- Transporting a large sum without required security measures demonstrates failure to exercise reasonable care.
- The conduct falls below the standard expected of a prudent insured handling high-value cash.

Implication:

- This may provide an additional contractual ground for denial of liability.
- It supports the argument that the insured contributed to the risk exposure through negligence.

(1 mark for each correct and completely stated breach. 2 marks for correctly stated explanations. 1 mark for each correctly stated implication. Maximum of 2 to be graded. Sub Total: 10 marks)

(b) The contractual implications of the unscheduled stop on the recoverability of the claim are:

1. Deviation from the Ordinary Course of Transit

Cash in Transit cover is typically designed to apply to direct, continuous movement between two specified locations (e.g., bank to office).

- The stop at the post office for personal reasons represents a voluntary and unnecessary deviation.
- It is unrelated to the insured business purpose and therefore falls outside the contemplated transit route.

Implication:

- The insurer may argue that the risk was materially altered, and the cash was no longer in "insured transit" at the time of deviation.

- This could result in the claim being partially or wholly unrecoverable, depending on the timing of the loss.

2. Temporary Termination or Suspension of Transit Cover
An unjustified stop may be interpreted as interrupting the transit.
- During the period of deviation, the cash may be considered not in transit but temporarily exposed.
- Insurance cover may be viewed as suspended during that interval.

Implication:
- If loss had occurred during or as a consequence of the stop, the insurer would have strong grounds for repudiation.
- Even where loss occurs later, the deviation may still be relevant as evidence of improper conduct of transit.

3. Increase in Moral and Physical Hazard
The unscheduled stop increases both:
- **Physical hazard**: prolonged exposure in a non-secure environment
- **Moral hazard**: suggests lax internal controls and poor discipline

Implication:
- Insurers assess risk based on controlled, secure movement of cash.
- Introducing avoidable stops materially increases risk, which may invalidate cover.

4. Breach of Implied Duty of Good Faith and Proper Conduct
Even where not expressly stated, there is an expectation that:
- The insured (or its employees) will act in a manner consistent with safe and prudent handling of insured property.

Using company cash transit for personal errands may be seen as:
- A misuse of entrusted funds
- A breach of internal control procedures

Implication:
- This could weaken the insured's position and support the insurer's argument of reckless exposure to loss.

(1 mark for each correct and completely stated unscheduled stop. 2 marks for correctly stated explanations. 1 mark for each correctly stated implication. Maximum of 3 to be graded. Sub Total: 15 marks)

(c) (i) **Applicable Main Exclusion**
The loss from the safe occurred after perpetrators gained access by threatening the security guard and forcing him to surrender the key.
The relevant exclusion typically found in Money Insurance policies is:
Exclusion of losses where access to the safe is obtained using keys or combinations unless such keys are obtained by force or violence directed at the insured or an authorised employee.

However, many policies distinguish between:
- Forcible and violent entry into the safe, and
- Access obtained through keys or codes, even if obtained under duress.

In some policy wordings, theft involving keys obtained under threat may be excluded, especially where there is no physical breaking into the safe itself.

Application to This Case
- The safe was not forcibly broken into.

- Access was gained using a key obtained under threat from a third party (security guard).

Depending on the exact wording, the insurer may argue that this falls under a key-operated access exclusion, thereby excluding liability.

(ii) There are two Opposing Schools of Thought (ATM / Key Access Cases)

1. Strict Interpretation (Insurer-Favouring View)

- This view holds that only physical forcible entry into the safe or vault is covered.
- If access is gained using a key or code, even if obtained under threat, the loss is excluded.
- The rationale is that the policy intends to cover burglary-type risks, not coerced access.

2. Liberal Interpretation (Insured-Favouring View)

- This perspective argues that force or violence used against a person to obtain keys should be treated as equivalent to forcible entry.
- Therefore, theft following such coercion should be covered, as the essence of "force" is present.
- This approach has been supported in some cases involving ATM thefts, where criminals forced operators to disclose access credentials.

(4 marks for correct and completely stated explanation on applicable exclusion. 5 marks for correctly stated explanations on school of thought. Maximum of one (1) to be graded. Sub Total: 9 marks)

(Grand Total:34 marks)

13. (a) State one role of photographs in loss adjusting. **(4 marks)**
    (b) State three (3) professionals that may assist a Loss Adjuster in complex claims. **(6 marks)**
    (c) State four (4) processes of handling a fire claim from instruction to final report. **(10 marks)**
    (d) Identify three (3) roles of documentation in claims adjustment. **(6 marks)**
    (e) State any four (4) policy conditions relevant to Burglary policy. **(8 marks)**

Solution

(a) The roles of photographs are that:

- it provides evidence of damage
- it preserves the scene condition for future analysis

(4 marks for each correct and completely stated role. Sub- Total: 4 marks)

(b) The three (3) professionals that may assist a Loss Adjuster in complex claims are:

- quantity surveyor; * structural engineer; * forensic accountant.

(The list above is not exhaustive. 2 marks for each correct and completely stated professional. Maximum of 3 to be graded. Sub-Total: 6 marks)

(c) The processes of handling a fire claim from instruction to final report are:

- acknowledge instruction; * obtain policy documents; * conduct site inspection;
- investigate cause; * quantify loss; * prepare report.

(2½ marks for each correctly stated process. Maximum of 4 to be graded. Sub-Total: 10 marks)

(d) The roles of documentation in claims adjustment are:

- provides evidence of loss; * supports quantum assessment;
- ensures transparency; * prevents fraud

(2 marks for correctly stated role. Maximum of 3 to be graded. Sub-Total: 6 marks)

(e) The policy conditions relevant to Burglary policy are:

- forcible entry and/or exit; * collusion clause;
- documentary evidence warranty; * night watchman warranty;
- locks and bolts clause; * risk address; * policy excess.

(2 marks for correctly stated policy condition. Maximum of four (4) to be graded. Sub Total: 8 marks)
(Grand Total: 34 marks)

14. (a) Under the adjustment claim of "Public Liability Policy", state any eight (8) possible policy violations that should be included in the policy conditions and liability. **(16 marks)**

(b) State six (6) information that should be incorporated in a Loss Adjuster's final report on a Public Liability claim. **(12 marks)**

(c) Explain restricted cover in "goods-in-transit" policy. **(6 marks)**

Solution

(a) The possible policy violations that should be included in the policy conditions and liability are:

- delayed notice;
- exclusions that may be applicable to the facts of the loss;
- conditions that might have been violated;
- warranties with which the insured might not have complied;
- change in ownership;
- other undisclosed insurance;
- misrepresentations on the application;
- a misrepresentation to the adjuster about the extent of the loss;
- a misrepresentation to the adjuster about the cause of the loss;
- concealment of material facts;
- that the loss is not within the policy term; and/or
- that the loss is not within the policy territory.

(2 marks for each correctly stated policy violation. Maximum of 8 to be graded. Sub-Total: 16 marks)

(b) The information that should be incorporated in a Loss Adjuster's final report on a Public Liability claim are:

- a brief summary of what was said in the initial report;
- a summary of the settlement negotiations identifying the parties to the negotiations;
- offers and counter-offers made;
- a statement of the settlement;
- a statement of the steps taken by the adjuster to resolve the claim;
- the difference between the reserve and the actual settlement;
- the factual basis for the difference;
- the legal basis for the difference;
- advice provided by counsel; and
- instructions to close the file and take down all reserves.

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

(c) **Restricted Cover:** Cover here is restricted in the sense that it only covers losses following an accident, collision or over- turning of the conveying vehicle. This cover's geographical scope is anywhere in Nigeria.

(6 marks for correctly stated explanation. Sub Total: 6 marks)
(Grand Total: 34 marks)