

Chartered Insurance Institute of Nigeria

Chief Examiners' Report

October 2026

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 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 - INTERMEDIATE

OCTOBER 2026 DIET EXAMINATION PAPER

SUBJECT PI02

PI02 – LOSS ADJUSTING PRACTICE (INTERMEDIATE)

All answers are to be written on the answer booklet(s) supplied in accordance with the following instructions:

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on Form B.
- Handle the answer booklet with care.
- Do not write on the question paper.
- The answer booklet should be handed over personally by you to the invigilator before you leave the Examination Hall.
- Insert your candidate's number as given on your admission permit and any other particulars required on the cover and flap of the answer booklet.
- Ensure that you write the full and correct candidate's number.
- No name should be written on any leaf of the book, or on any supplementary leaves that may be issued to the candidates.
- The answer to each question must be commenced on a separate page. Where, however, a question consists of two or more parts, this instruction does not apply to the separate parts.
- Write in the ruled margin the number and question attempted.
- Leave no blank pages among your answers.
- Where supplementary leaves are used, the candidate's number should be written in the space provided on them and fastened at the end of the book inside the cover.

FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL) WILL ATTRACT STATED SANCTIONS AS STATED IN THE OCTOBER 2026 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

The question examined the legal framework enacted by the Nigerian National Assembly on July 31, 2025. Although all candidates attempted the question, no pass mark was recorded.

Question 2

The question examined the Post-Loss Survey Report. Approximately 12% of the candidates attained the required pass mark. Most candidates lost marks due to inadequate attention to detail and failure to address the key requirements of the question.

Question 3

The question examined candidates on Specialist Reports. Approximately 89% of the candidates attained the required pass mark, indicating a strong understanding of the subject matter and a satisfactory level of knowledge demonstrated in their responses.

Question 4

The question focused on the Letter of Instruction. All the candidates passed the question, demonstrating that all candidates had a good understanding of the subject matter.

Question 5

The question examined candidates on the Addendum. 45% of the candidates attained the required pass mark, indicating a moderate level of understanding.

Question 6

The question focused on the Standard Property Final Loss Report. 45% of the candidates attained the required pass mark. Some candidates lost marks due to inadequate explanations and a lack of clarity in their responses.

Question 7

The question examined candidates on the Systematic Approaches of a Loss Adjuster. Approximately 33% of the candidates passed, indicating that a significant number of the candidates did not understand the subject matter.

Question 8

The question focused on Marine Loss. All the candidates that attempted the question passed, demonstrating that all candidates had a good understanding of the subject matter.

Question 9

The question examined candidates on the Role of the International Maritime Organisation (IMO). 78% of the candidates that attempted the question passed, indicating a good understanding of the subject matter by the majority of the candidates.

Question 10

The question focused on Periodic Surveys and Inspections of Ships. Approximately 89% of the candidates that attempted the question passed, demonstrating a clear understanding of the subject matter.

Question 11

The question examined candidates on Money Insurance Loss. 56% of the candidates passed, indicating an average level of understanding of the subject matter.

Question 12
The question examined on Theft Claims. About 67% of the candidates passed the question, demonstrating a good understanding of the subject matter.

Question 13
The question focused on Goods-in-Transit Claims. All candidates who attempted the question passed, resulting in a 100% pass rate and demonstrating a good understanding of the subject matter.

Question 14
The question focused on Business Interruption Claims. About 56% of the candidates passed the question, indicating an average level of understanding.

Question 15
The question focused on Loss Adjusting. Approximately 80% of the candidates who attempted the question passed, demonstrating a good understanding of the subject matter.

Question 16
The question examined candidates on Marine Cargo Claims. Although about 67% of the candidates attempted the question, none of them passed. This indicated that the candidates had difficulty understanding the requirements of the question and providing appropriate responses.

Question 17
The question focused on Loss Adjusters. All candidates who attempted the question passed, resulting in a 100% pass rate and demonstrating a good understanding of the subject matter.

Question 18
The question focused on Loss Adjusters. Two candidates attempted the question, of whom one passed, resulting in a 50% pass rate.

Comment(s) on Overall Performance
A pass rate of 78% was recorded, indicating a good overall performance by the candidates.

Suggestion(s) for Improvement
Candidates are encouraged to improve their preparation for future Institute examinations through thorough study of the relevant course materials and a better understanding of the examination requirements.

PI02 – INSURANCE LOSS ADJUSTING PRACTICE (II)
Part I
Answer ALL questions in Part I.
Each question carries 10 marks.

1. (a) State the full name of the legal framework enacted by the Nigeria's National Assembly on the 31st day of July, 2025 to regulate insurance industry in Nigeria. **(2 marks)**

   (b) Enumerate any four (4) of the five Acts of Parliament that the legal framework in (a) above repealed. **(8 marks)**

Solution

(a) The name is The Nigerian Insurance Industry Reform Act No. 14 of 2025 i.e. NIIRA 2025. **(2 marks)**

(b) The Act repealed the following insurance Acts:
(i) The Insurance Act, Cap I17, Laws of the Federation of Nigeria (LFN), 2004,
(ii) The Marine Insurance Act, Cap M2, LFN, 2004
(iii) The Motor (Vehicle) Third Party Insurance Act, Cap.M22, LFN, 2004
(iv) The Nigerian Insurance Corporation Act, Cap N54, LFN, 2004
(v) The Nigerian Reinsurance Corporation Act, Cap N131, LFN, 2004. 5Mks
(2 marks for each correctly stated Act. Maximum of 4 to be graded. Sub-Total: 8 marks)
(Grand Total: 10 marks)

2. (a) Explain in any two (2) ways the term "post loss survey report". **(6 marks)**

   (b) The adjuster should also bear in mind that his report may be the subject of litigation, state the type of remark that should be avoided in the report. **(4 marks)**

Solution

(a) Post loss survey report can be explained as follows:
(i) It is a short, sharp, concise document which is written for a particular purpose and audience;
(ii) it generally sets out and analyses a situation or problem, often making recommendations for future action;
(iii) it is a factual paper, and needs to be clear, well-structured and balanced.
(3 marks each for each correctly stated explanation. Maximum of two (2) to be graded. Sub-Total: 6 marks)

(b) The adjuster in preparing the report should avoid the use of derogatory and libelous remarks. **(4 marks)**

(Grand Total: 10 marks)

3. (a) A policy document contains the scope of cover, items covered, values, list of coinsurers, terms and conditions, exclusions and exceptions. State why the relevant parts of this document need to be reproduced in the report. **(3 marks)**

   (b) Specialist reports are reports issued by other relevant professionals whom the Loss Adjuster may call upon in order to assist with certain aspects of the loss. State in one sentence why the reports are useful. **(3 marks)**

   (c) State any two (2) examples of specialist reports. **(4 marks)**

Solution

(a) Relevant parts of this document would need to be reproduced within the report to prevent the reader from having to jump from the report and start looking for supporting material in the policy document. **(3 marks)**

(b) Specialist reports are useful and may be called upon if the claim becomes contentious.
(3 marks for correctly stated explanation)

(c) Examples of specialist reports are:
* quantity surveyor's report * engineering report * doctor's medical opinion
*legal opinion prepared by a lawyer * forensics.

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

4. A letter of instruction is an instrument of authority issued to a loss adjusting company to investigate and adjust a claim on behalf of an insurer. State five (5) pieces of information that would normally be contained in the instrument.

Solution

The pieces of information that would be contained in the letter of instruction are:
(i) Policy Number (ii) Claim Number (iii) Insured Name
(iv) Nature of Loss (v) Date of Occurrence
(vi) Contact Details of Broker/Insured (vii) Insurer's Authorised Signatory(ies).

(2 marks each for each correctly stated piece of information. Total: 10 marks)

5. (a) Explain the term "addendum". **(4 marks)**
(b) State any two (2) situations which may require the issuance of an addendum to a final report. **(6 marks)**

Solution

(a) "Addendum" is a report issued after the final report has been presented to the Insurer and has been considered by them. It is issued when there is a need to reflect additional or new information not captured in the final report. At times, it could be as a result of an error in calculation on the part of the loss adjuster which the insurer has noticed and has called to the Loss Adjuster's attention. **(4 marks)**

(b) The situations which may require the issuance of an addendum to a final report are:
(i) report has repudiated liability, but insurers wish to accommodate the loss under commercial considerations;
(ii) penalties are being imposed or waived which would have an effect on the final offer figure;
(iii) co-insurers are involved, but such information is not known to the loss adjuster at the time of submitting a final report

(3 marks each for each correctly stated situation. Maximum of 2 to be graded. Sub-Total: 6 marks)
(Grand Total: 10 marks)

6. There is a considerable amount of information required to be in a standard property final loss report. Explain the following required information:
(i) description of the premises; (ii) cause of the loss.

Solution

(i) **Description of the Premises**: It is vital that the adjuster identifies the number of buildings in the premises, their various types of construction and the materials used for construction. The report should be able to point out any physical hazards associated with the risk insured under the policy. The section should include details of adjacent developments in the proximity, the type of fence and any security therein embedded. Details of security arrangements, available fire extinguishing and security appliances such as fire alarms, CCTV, sprinkler installations, motion detectors, e.t.c, may be provided here also.

(ii) **Cause of the Loss**: The proximate cause of loss needs to be clearly identified and stated to establish that damage or loss incurred to the building falls within the type of loss that the policy intends to cover. Sometimes the cause of loss may not be easily identifiable, especially in the case of large fires. It is customary to follow the findings of the Fire Brigade report but where arson is suspected, the loss adjuster may engage the services of a forensic fire investigator (with the insurer's consent).

(5 marks each for each correct and completely stated explanation. Grand Total: 10 marks)

7. The Loss Adjuster will seek to reconstruct a loss based on the information gathered during the investigation. State and explain any four (4) of the systematic approaches that this will follow.

Solution

The systematic approaches they will follow are:

(i) **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.

(ii) **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

(iii) **Documentary Evidence:** The loss adjuster should request 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 sale, deeds, appraisals, diagrams, proof of ownership, and photographs or video records. The investigator's job is to scrutinise the evidence to either justify the claim or identify potential alterations or falsifications that could indicate a problem.

(iv) **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.

(v) **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.

(1½ marks for each correctly stated approach. 1 mark each for each correctly explained approach. Sub-total per approach: 2½ marks. Maximum of 4 to be graded. Grand Total: 10 marks)

8. (a) Explain the term "marine loss". **(4 marks)**
   (b) State any three (3) documents required from the policyholder for cargo claims adjustment. **(6 marks)**

Solution

(a) A marine loss is a loss in quantity or quality of commodities that occurs between the time the Bill of Lading is issued to the shipping company and the time the shipping company turns over custody and control of the commodities to the Awardee (or the Awardee's designated C&F agent), usually at the port. **(4 marks)**

(b) The documents required from the policyholder for cargo claims adjustment are:

* Marine Certificate * Commercial Invoice * Packing List * Custom Bill of Entry
* Duty payment documents * Certificate of Quality and Quantity (where necessary)
(2 marks each for each correctly stated document. Maximum of 3 to be graded. Sub Total: 6 marks)
(Grand Total: 10 marks)

9. (a) Explain the role of International Maritime Organisation. **(3 marks)**
   (b) Explain the term "displacement tonnage". **(3 marks)**
   (c) (i) Under Goods-in-Transit, state another name used to identify the goods conveyed by the vehicle. **(2 marks)**
   (ii) State the items that may be excluded from the standard goods-in-transit policy and which may require special endorsement for it to be covered. **(2 marks)**

Solution

(a) International Maritime Organisation is the global standard-setting authority for the safety, security and environmental performance of international shipping. 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. **(3 marks)**

(b) "Displacement tonnage" is the weight of water that a ship pushes aside when it is floating, which in turn is the weight of a ship (and its contents). It is usually applied to naval vessels rather than commercial ones, and is measured when the ship's fuel tanks are full and all stores are aboard. **(3 marks)**

(c) (i) Another name for the goods conveyed by the vehicle is **"consignment".** **(2 marks)**

(ii) The items that may be excluded are fragile items such as glass and China ware. **(2 marks)**
Grand Sub-Total: 4 marks)
(Grand Total:10 marks)

10. Periodic surveys and inspections of ships are carried out to ensure the safety and seaworthiness of vessels. State any five (5) types of survey/inspections that are carried out on ships.

Solution

The types of survey/inspections carried out are:

(i) Dry dock surveys; (ii) Safety construction survey.
(iii) Loadline surveys; (iv) Cargo ship safety equipment survey.
(v) 5 yearly dry or dry dock surveys; (vi) Terminal Safety Inspections;
(vii) Port State Inspection.

(2 marks each for each correctly stated survey type. Maximum of 5 to be graded. Grand Total:10 marks)

11. (a) In money insurance loss, the circumstances of loss will be stated on the claim form. In addition to this, a detailed investigation should be carried out. State three (3) of the parties to be interviewed during the investigation. **(6 marks)**
   (b) In theft claims, state any two (2) general categories of exclusions in the policy. **(4 marks)**

Solution

(a) The parties to be interviewed during the investigation are:

(i) The security guards on duty on the fateful day or night;

(ii) One or two other security guards, who were not necessarily on duty (as the guards on duty on the fateful day or night may have told them a different version of what actually happened;

(iii) Some neighbours;

(iv) Investigating Police Officer (IPO) at the Police Station.

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

(b) The general categories of exclusions in the policy are:

(i) Losses that are excluded because its fundamental nature and/or legislation stipulates that the losses will be borne by the government.

(ii) Losses which can be more specifically insured by other policies, such as fire and explosion.

(iii) Losses which would be difficult to avoid or control which should therefore be carefully considered if cover will be granted.

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

(Grand Total: 10 marks)

12. In consideration of the theft claim, state any four (4) factors that must exist for contribution to arise.

Solution

The factors that must exist for contribution to arise are:

(i) Irrespective of whether the sums insured are different or that other properties are also insured, the damaged property must be identified and covered in both policies.

(ii) The loss or damage must be caused by the contingency against which the policy provides cover, for example, loss by theft being covered by both policies or one of them covering 'all risks'.

(iii) Both policies must insure the same interest, i.e. insurable interest of the same insured.

(iv) The policies in question must be in force at the time of the loss.

(v) The insurer can, by wording in the policy, restrict or exclude their right to contribution.

(2½ marks each for each correct and completely stated factor. Maximum of 4 to be graded. Grand Total: 10 marks)

13. State any five (5) documents the insured/ claimant should submit in support of a Goods-in-Transit claim.

Solution

(a) The documents the insured/claimant should submit in support of the claim are:

* completed GIT claim form * statement of claim * cost analysis
* marine certificate of insurance * motor vehicle particulars/drivers' license
* waybill * incident report * shipping documents * police report

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

14. Explain the following terms in Business Interruption claims:

(i) Turnover; (ii) Shortage in Turnover;

(iii) Annual Turnover; (iv) Rate of Wages.

Solution

(i) **Turnover** is the money paid or payable to the insured for goods sold and delivered and for services rendered in the course of the insured's business and rents receivable.

(ii) **Shortage in Turnover** is the amount by which the turnover during a period shall in consequence of damage, fall short of the part of the standard turnover, which relates to that period.

(iii) **Annual Turnover** is the turnover during the twelve months immediately before the date of the damage.

(iv) **Rate of Wages** is the rate of wages paid on the turnover during the financial year immediately before the date of the damage.

(2½ marks each for each correctly explained term. Total: 10 marks)

Part II
Answer TWO (2) out of the following FOUR (4) questions.
Each question carries thirty (30) marks

15. A loss adjusting firm receives a letter of instruction from an insurer in respect of a complex petrochemical fire incident. Upon assessing its existing workload and the highly technical nature of the plant, the firm determines that it is unable to undertake the assignment. It is therefore required to issue a formal response declining the instruction.

(a) State the four (4) stages of loss adjusting report. **(8 marks)**

(b) Explain the second stage of the loss adjusting report, with at least three explanations. **(9 marks)**

(c) State any reason why the instruction may be rejected. **(5 marks)**

(d) Explain the term "open market survey" with two statements. **(8 marks)**

Solution

(a) The four stages of the loss adjusting report are:

(i) Preliminary report; (ii) Interim report;

(iii) Final report; (iv) Addendum

(2 marks each for each correctly stated stage. Sub-Total: 8 marks)

(b) The second stage of the loss adjusting report is the **Interim Report**. **(3 marks)**

Interim Report is the report issued to an insurer by a loss adjusting company as the claim progresses. It details additional and relevant information gathered after the preliminary report. It presents to insurers the claim position as at the time of the report. This report will contain similar information to the preliminary report but will be an updated version. Areas to update are not limited but could include information on the results of tests carried out, an adjustment in the recommended reserve and the reason for the adjustment, new information not previously available at the preliminary report stage or an updated position on policy liability.

(3 marks for each correct and completely stated explanation. Maximum of 3 to be graded. Sub-Total: 9 marks)

(c) The reasons why the instruction may be rejected are:

(i) due to conflict of interest;

(ii) insufficient or inexperienced manpower for that particular type of claim.

(2½ marks each for each correctly stated reason. Sub Total: 5 marks)

(d) **Open market survey** involves ascertaining the price of a product or service in the open market. It would include activities such as visiting markets, stores, surfing the web for

prices. It is a better method for obtaining prices for goods that are easily obtainable and of general usage.

(4 marks for each correct and completely stated explanation. Maximum of 2 to be graded. Sub-Total: 8 marks) (Grand Total: 30 marks)

16. Explain the following terms in a marine cargo claim:
    (a) Marine Loss; (b) Inland loss; (c) Bulk Carriers;
    (d) Reefer Vessels; (e) Ro-Ro Vessels.

Solution

(a) **A marine loss** is a loss in quantity or quality of commodities that occurs between the time the Bill of Lading is issued to the shipping company and the time the shipping company turns over custody and control of the commodities to the Awardee (or the Awardee's designated C&F agent), usually at the port.

(b) **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.

(c) **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.

(d) **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.

(e) **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 multiple vehicle decks comprising parking lanes, linked by internal ramps, and 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.

(6 marks each for each correct and completely stated explanation under each term. Grand Total: 30 marks)

17. A retail company operating from Plot 14, Ezeobi Avenue reported a theft loss of ₦6million involving a 300kg safe. However, the insurance policy indicates the insured premises as Plot 40, Ezeobi Avenue. The safe was discovered in the centre of the office without being bolted down. An internal audit further revealed possible employee involvement in the incident, and the police were not informed until four days after the theft was discovered.
    (a) As the appointed loss adjuster, critically assess any three (3) key breaches of policy conditions in relation to the discrepancy in the insured address, the condition and security of the safe, and the delay in notifying the police. **(18 marks)**
    (b) State two (2) relevant individuals who should be interviewed during the investigation. **(4 marks)**
    (c) State any four (4) essential documents that must be obtained to substantiate the claim. **(8 marks)**

Solution

(a) The key breaches are:

- **Address Discrepancy**: The physical address must agree with the broker's slip or policy; Plot 14 is not the same as Plot 40. Any location change represents a change in risk exposure.
- **Safe Warranty Breach**: The cash-in-safe policies stipulate that any safe weighing less than 508kg must be embedded in the wall or fastened to the ground. Failure to comply with this fundamental warranty makes the claim voidable.
- **Collusion Impact**: If the investigation traces collusion to any employee, the money insurance claim will fail (though a fidelity guarantee policy might provide indemnity).
- **Notification Delay**: Claims must be notified within the specific number of days stipulated in the policy. Prompt notification to the Police and Insurers enhances recovery chances; failing to do so may attract a penalty or void the claim.

(4 marks for each correctly stated breach. 2 marks for each correct and completely stated explanation. Sub-Total per breach: 6 marks. Maximum of 3 to be graded. Grand Sub-Total: 18 marks)

(b) The relevant individuals who should be interviewed are:
- (i) The security guards on duty on the fateful day or night.
- (ii) One or two other security guards, who were not necessarily on duty (as the guards on duty on the fateful day or night may have told them a different version of what actually happened.
- (iii) Some neighbours.
- (iv) Investigating Police Officer (IPO) at the police station

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

(c) The essential documents that must be obtained to substantiate the claim are:
- Completed claim form.
- Incident Report.
- Security guards report(s).
- Chief Accountant's or Internal Auditor's report.
- Photographs and CCTV clips (if any).
- Police Report.
- Cash flow report and reconciliation.

(2 marks each for each correctly stated document. Maximum of 4 to be graded. Sub-Total: 8 marks)
(Grand Total: 30 marks)

18. A pharmaceutical company uncovered that its Warehouse Manager had misappropriated inventory valued at ₦8million over a period of two years. The company promptly terminated his employment after obtaining a written confession. You have been appointed as the loss adjuster to handle the claim. Upon reviewing the employee's personnel record, you observed that although two favourable character references were provided by previous employers, no guarantor forms were executed. The police have subsequently arrested the manager and seized his personal delivery van, which is alleged to have been purchased with the misappropriated funds.

As the assigned adjuster, prepare your report addressing the following:

(a) (i) Define the appropriate technical term used to describe the mis-appropriated funds. **(5 marks)**

(ii) Explain why the commencement of criminal proceedings remains a critical policy requirement, notwithstanding the existence of a written confession. **(5 marks)**

(b) (i) Differentiate clearly between the "Character Reference Clause" and "Guarantors Clause". **(8 marks)**

(ii) Analyse the likely implications of the absence of an executed guarantor forms on the insurer's liability under the policy. **(4 marks)**

(c) (i) Explain the appropriate approach to valuing the impounded van as a potential recovery. **(5 marks)**

(ii) Explain any reason why the insured may object to its inclusion as a recovery in the final claims' adjustment. **(3 marks)**

Solution

(a) (i) The employee and actions associated with him should be referred to as the "alleged" stolen funds or alleged offender or "defalcator," as a person is not strictly "guilty" until proven so by a court of law. **(5 marks)**

(ii) Notwithstanding the existence of a confession, the policy typically stipulates that the insured must formally commence criminal proceedings. This requirement is significant because it facilitates the prospect of recovery, and it is the insured, not the insurer, who has the legal standing to initiate such proceedings. **(5 marks)**

(Grand Sub-Total: 10 marks)

(b) **Character Reference Clause:** is merely an attestation to the moral character of an individual. It conveys no financial obligation to repay the loss; **(4 marks)** while **Guarantors Clause:** requires two or more "guarantors of substance" who agree to be responsible for any financial fallout if the employee is found wanting. **(4 marks)**

(ii) **The likely implication:** As both provisions operate as conditions precedent to liability, the failure to obtain or properly verify the two guarantors, regardless of the existence of character references amount to a breach of warranty. Consequently, non-compliance with any of these conditions entitles the insurer to decline liability, and the claim will not be payable. **(4 marks)**

(Grand Sub-Total: 12 marks)

(c) (i) The appropriate approach to valuing the impounded van as a potential recovery is that the loss adjuster may obtain an independent professional valuation and apply the assessed value as a deduction from the total loss in the final adjustment. **(5 marks)**

(ii) The insured may object to its inclusion as a recovery in the final claims adjustment because:

- the property may be held by police as evidence until the criminal case is concluded and this may take years.
- transfer of ownership may be difficult if the employee refuses to sign over the asset.
- they generally prefer a cash settlement, leaving the insurer to follow up and sell the property later.

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

(Grand Sub Total: 8 marks)

(Grand Total: 30 marks)