



AUSTRALASIAN INSTITUTE OF
CHARTERED LOSS ADJUSTERS
A.B.N. 18 074 804 167

Dear Member,

I invite members to enter for this prestigious award, “**The Carey Bird Scholarship**” for 2018.

This annual scholarship was established in 2013 in honour of Carey Bird, an AICLA member who was tragically killed in the Christchurch earthquake on 22 February 2011. Carey was working on business interruption claims for international broker Marsh FACS at the time of the accident.

The following scholarship entry information is provided:

Eligibility / Rules

- Open to all AICLA members (excluding AICLA Directors and previous winners)
- Written submission to be between 1,000 and 1,500 words. Any submission fewer than 1,000 or more than 2,000 words may be rejected at AICLA’s sole discretion.
- You should provide full reference of any case or statute law and clearly outline any assumptions. Ignore any tax issues and currency issues. Assume that the policy is a commercial fire policy on indemnity conditions for building, plant and stock.

Topic

The Proper Treatment of Wage Costs.

The Scenario

Following a fire in the insured’s warehouse the insured wishes to claim the following.

- a) The staff who assisted in cleaning up debris. The insured has claimed that 25 staff each spent 40 hours on fire clean-up duties. The insured’s charge-out rate for its staff is \$40/hr and therefore the insured claims \$40,000. Following discussions, the insured accepts that there is an element of profit in its charge out rate and provides accounting records that you determine show a profit rate of 20%. The insured therefore is prepared to reduce its claim to \$32,000.
- b) The insured has lost 25,000 units of stock at a cost price of \$8/unit. This is made up of \$4/unit for materials and consumables, \$2.50/unit of labour costs and \$1.50/unit of overheads. The total claim for stock is \$200,000.
- c) The policy has an extension for claim preparation costs including the salaries and wages of the insured’s staff. The insured claims 100 hours for claim preparation costs (this quantity is verified) at \$40/hour less 20% profit, i.e. a total of \$3,200.

The insured has presented a business interruption claim for loss of gross profit, under the same policy as the material damage cover. The business interruption claim has been adjusted by accountants and the figure of \$200,000 is agreed, however this is without taking into account the material damage adjustment you are completing above.

Essay

For items a) – c) discuss what you would allow for each item and why. The essay should discuss the underlying theory and challenges in respect of claims for wage costs under material damage policies, and the relationship with business interruption claims. You may also wish to discuss whether your views would change if there had been no business interruption insurance.

Submission

- **The deadline for submission for the 2018 Carey Bird Scholarship is 15 June 2018 (midnight AEST)**
- Entries to be emailed to: Tony Libke Chief Executive AICLA at adminoffice@aicla.org

Prize

The winner of the scholarship will be entitled to a framed certificate and **either**;

- 1 Attendance at the Claims Convention (Sydney) or the Asian Claims Convention with the winner free to select, plus airfares (economy), accommodation, meals and out of pocket expenses associated with attendance at the convention, or
- 2 a cash payment of AUD\$3,000.

We acknowledge the support of **Marsh FACS** as co-sponsors of the scholarship.

Kind regards,



Leon Briggs
President
AICLA