PRUDENT
THE FUTURE OF INSURANCE

Liability Claims
TAKEAWAYS

August, 2025

Welcome to the 55th edition of 'Liability Claims Takeaways' - our monthly insights from industry stalwarts.

CONTENT:

1 Commercial General Liability Insurance (CGL Policy)

Event Chronology

The insured is in the business of manufacturing small parts to be fitted into passenger vehicles like rear view mirrors, gear handles etc. They purchased a CGL policy with product guarantee, recall, and financial loss coverage in 2019. However, unfortunately, certain defects were found in the supply made in 2019 – 2021, and customers rejected those supplied units. The insured had to incur costs to recall the same, and also additional costs claimed by the customer due to the said goods being defective. A claim was notified under the CGL policy.

Key Intent of the Claim

Case Study

This incident focusses on the relevance of purchasing the right coverage under your insurance policy and also the need to negotiate the coverage in a manner that is commensurate with the insured's business.

Scope of the Policy

Product Guarantee covers the costs of removal, recovery, repair, alteration, treatment, replacement, or destruction of the insured's product or work (or any part of it) which fails to perform the function for which it was manufactured, designed, sold, supplied, installed, repaired, altered, treated, dispatched, or delivered by or on behalf of the insured in the normal course of the insured's business activity as described in the policy.

Product Recall covers the reasonable and necessary costs incurred by the insured/third-party during the agreed period, exclusively for the recall, recovery, withdrawal, disposal, or destruction of the insured product, provided the recall is a result of the insured's product having resulted in or likely to result in a bodily injury or property damage. Typically, these involve two types of costs:

i. The first-party costs that are incurred directly by the insured in recalling the product, which is the subject matter of the claim

ii. The third-party costs, which any third-party incurs due to the insured's defective product having to be recalled, which the insured becomes legally obligated to pay.

Highlight

This case demonstrates the importance of identifying covers in the policy that are relevant to the insured in question and their business. Vanilla policies are no longer a solution. In the event of a claim, customised insurance policies stand the test of time and truly become the strength of the insured's risk transfer mechanism.

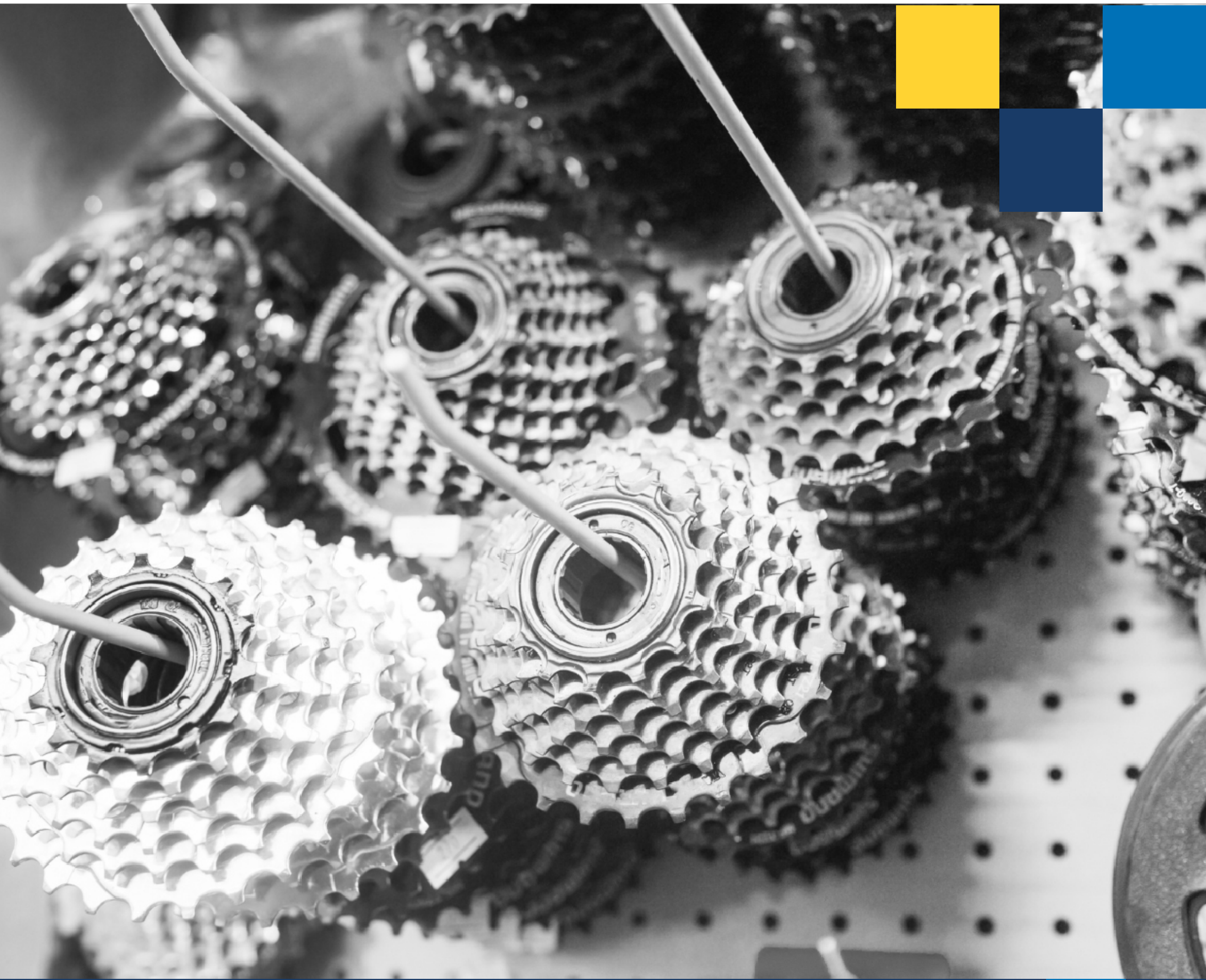
Financial loss cover in the policy reimburses the insured for any damages, costs, and expenses that the insured becomes legally liable to pay to the insured's customers or third parties, as a result of any financial loss which is incurred by them as a result of insured's product being defective.

Typically, product guarantee, recall, and financial loss are excluded from the base CGL policy and ought to be added by way of additional covers/endorsements.

Prudent: The Part Well Played

We ensured that the retroactive date-related provisions were negotiated at the time of placement to attach with the claim and not with the manufacturing, since goods also stay within the insured's premises as inventory before they are supplied. This allowed for the claim not to be deemed as outside the purview of the policy.

We also assisted the insured in negotiating a settlement with the customer such that there was more than a 40% drop in the overall liability for the insured.



2 Cyber Risk Insurance

Event Chronology

The insured is in the business of providing online ticket and other booking services. The insured faced a ransom attack by threat actors, resulting in their systems being encrypted. This was followed by approximately a week-long business interruption. The matter was notified under the Cyber Insurance Policy.

Key Intent of the Claim

Case Study

What is a Cyber Insurance Policy?

A well-negotiated cyber policy with minimum restriction and broad strokes of cover can be helpful to an insured in the event of a cyber-attack. As the policy is a good combination of first- party and third-party costs, it can truly help an insured prevent and mitigate the effective loss resulting from a cyber event on their books and protect their balance sheets.

Scope of the Policy

The cyber policy covers first-party and third-party costs associated with a cyber-attack. It also reimburses an insured for any third-party liability that arises due to such a cyber-attack.

In this case, the policy reimbursed the forensics costs incurred by the insured, the business interruption loss suffered by the insured due to the cyber-attack and certain other expenses incurred to bring back their systems into operation to arrest the business interruption.

Prudent: The Part Well Played

The cyber-attack took place a day before the policy renewal. This resulted in the renewal being in jeopardy and the insured's systems being compromised at such a crucial time.

As the mandated insurance broker, we created a strategy to ensure a smooth renewal with the incumbent insurers with minimum impact on premium. By representing the incident and risk to the insurers and reflecting the correct position on the insured's cybersecurity posture, we were able to help them navigate the renewal and claim successfully.

Highlight

This matter is a testament to how a well-placed policy and well thought out claims strategy can create value for the insured. As an insurance broker, keeping a balance between claims efficiency and policy placement is a key role that we play. It multiplies the benefits that the insured receives in the long run from a risk management strategy standpoint.

3 Professional Indemnity Insurance (PI Policy)

Event Chronology

The insured is in the business of providing IT solutions to companies across the globe. One of their customers suffered a cyber-attack and raised an allegation of non-performance on the insured as the reason for the cyber-attack. The customer claimed their entire forensics costs, breach counsel costs, and business interruption losses from the insured. In the meantime, the customer's cyber insurer paid their losses and subrogated in their shoes. The customer's insurer thereby filed an arbitration against insured in the United States of America to recover the payment they made to the insured's customer. The insured notified the same under their PI Policy.

Key Intent of the Claim Case Study

The case is an illustration of how a PI claim may be induced due to a cyber attack in the IT sector. Some geographies, like the United States are highly litigious, and the cost of defense there can run into millions. It also reinforced the relevance of subrogation rights of an insurance company and how a waiver of subrogation in customer's policy can save precious dollars for any insured.

Scope of the Policy

A PI policy aims to cover the liability and costs associated with alleged or actual negligence, error, or omission in the performance of professional services of the insured. It covers the insured's defense cost in defending such claims, settlement with claimant with the insurer's prior consent, and any award or compensation order granted against the insured in such a claim.

Prudent: The Part Well Played

We were appointed as a claim's consultant in this matter and we assisted the insured in navigating the claim. We provided assistance to the insured right from engaging local counsel to advising on how settlement can be covered in the policy. We were able to work with the insured and their lawyers to ensure that the insurer is kept informed of the matter regularly and all costs incurred are covered. This resulted in reimbursing the insured with defense cost upwards of USD 1 million.

Highlight

Linking defence costs coverage to the claim ensures that coverage is triggered as soon as formal proceeding begins -regardless of whether the underlying allegations are ultimately covered under "loss". If defence costs are tied to the loss, then the insurer can deny coverage early on by arguing that the claim relates to excluded 'losses', leaving the insureds to find their own defence. This distinction is critical in liability policies where the cost of defending a claim can be substantial even if no liability is eventually attached upon the insured.

We are sure you found the anecdotes interesting and got some key points to take away.

Stay tuned for the next edition!

About Prudent Insurance Brokers

We, at Prudent Insurance Brokers, provide industry-leading expertise in designing and managing insurance programs to address unique requirements of your organisation. We have a client-centric service infrastructure that delivers proactively & passionately in a highly systematic manner. Our Liability Team consists of members with underwriting experience and the largest number of lawyers who can assist you across different areas:

- Identifying and addressing gaps in your current insurance programs
- Arranging the most cost-effective cover from Indian and international markets
- Ensuring contract compliance for your insurable indemnities
- Offering 360° claims management by one of the largest claims teams across any broker in India
- Providing global solutions through the strongest international alliances

Our Claim-handling Expertise

Our team members come from varied areas of expertise, thereby enabling us to ensure that our clients are assisted thoroughly, through every step of the claims-handling process. We take pride in our professional competency and diligence, and our team is always willing to walk the extra mile in client service.

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PRUDENT THE FUTURE OF INSURANCE

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