PRUDENT
THE FUTURE OF INSURANCE

Liability Claims

TAKEAWAYS

August, 2026

Welcome to the **67th edition** of '**Liability Claims Takeaways**' - our monthly insights from industry stalwarts.

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1 Cyber Policy

Event Chronology

The insured is a Human Resources (HR) services company that stores and manages confidential employee information on behalf of its clients. The incident came to light when the insured's IT team received an alert that confidential customer information had been published on the dark web. The information appeared to be related to an older database maintained by the insured. The insured immediately appointed forensic experts to investigate how the data had been exposed. While the investigation confirmed that confidential customer information had been disclosed without authorisation, it found no evidence of unauthorised access to or compromise of the insured's systems.

Given the potential impact of the incident, the insured promptly notified the insurer under the Cyber Insurance Policy and claimed for the forensic investigation costs.

Key Intent of the Claim Case Study

Cyber incidents are often associated with hacking or unauthorised access to computer systems. However, not every cyber claim begins with a security breach. This case highlights the distinction between a security breach and a privacy breach under a Cyber Insurance Policy. Understanding that distinction was key factor in determining whether the policy responded to the loss.

Highlight

Not every cyber claim begins with a system being hacked and this case serves as a reminder that historical data should be managed with the same level of care as current data.

Scope of the Policy

The Cyber Insurance Policy provides cover for losses arising from both security breach and privacy breach. A security breach generally involves unauthorised access to, or compromise of, an organisation's systems. A privacy breach, on the other hand, relates to the unauthorised disclosure of confidential information, irrespective of how the disclosure occurred.

As the forensic investigation did not identify any evidence of unauthorised access to the insured's systems, the insurer questioned whether the incident fell within the scope of the policy. The insurer also noted that the exposed information related to a database that pre-dated the policy period and, on that basis, initially disputed the recovery of the forensic investigation costs.

Prudent: The Part Well Played

We reviewed the forensic findings alongside the policy wording and the circumstances surrounding the incident. We explained the insurer that the absence of a security breach did not prevent the claim from falling within the policy. The key issue was the unauthorised disclosure of confidential customer information that constituted a privacy breach under the policy. We also highlighted that the forensic investigation was essential to determine the source and extent of the data exposure, assess the potential impact of the incident and enable the insured to respond appropriately.

By presenting the loss in the context of the policy cover, we addressed the insurer's concerns and clarified the intention of the relevant policy provisions. Following our representations, the insurer accepted that the forensic investigation costs were covered under the policy.

2 Crime Policy

Event Chronology

The insured received a communication from an existing vendor claiming that the Chief Executive Officer has approved certain urgent expenses related to engaging a sub-contractor for a correction work required in insured's product. To support the request, the vendor shared an engagement letter that appeared to have been signed by the CEO. The letter also identified the sub-contractor and included their contact details. Before processing the payment, the finance team contacted the sub-contractor using the details provided in the engagement letter. The individual confirmed the payment instructions and reiterated the urgency of the transaction. As the CEO was in a meeting and unavailable to verify the request, the finance team processed the payment in good faith and in line with their usual business practice. The fraud came to light only after the transaction was discussed with the CEO, who confirmed that he had not authorised the payment or engagement. The insured promptly notified the loss under its Commercial Crime Cover Insurance Policy.

Key Intent of the Claim Case Study

Fraud involving the impersonation of senior executives and vendors has become increasingly sophisticated. Rather than exploiting weaknesses in technology, fraudsters often exploit trust, convincing documentation and the pressure to act quickly.

Highlight

The claim demonstrates the value of clear claims advocacy. By assisting the insured in presenting the facts in proper context and engaging with the insurer throughout the process, we were able to achieve a successful outcome after the claim had initially been declined.

Scope of the Policy

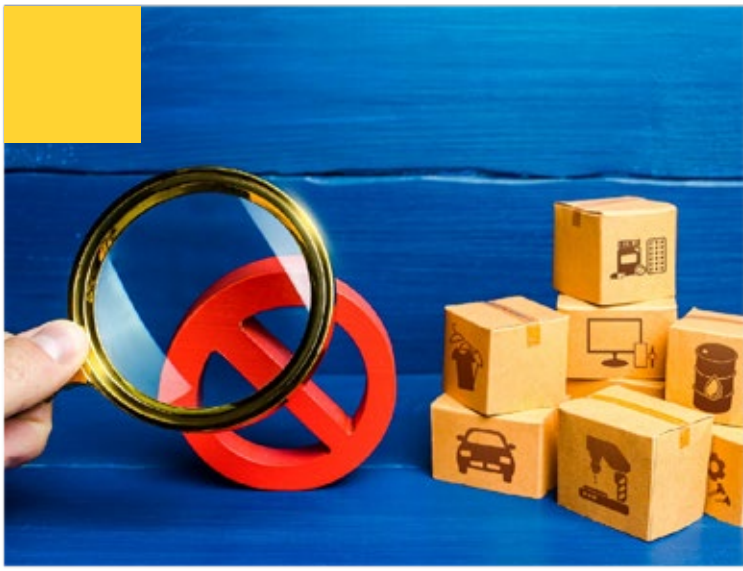
The Commercial Crime Cover Insurance Policy includes cover for losses arising from social engineering fraud, subject to the insured complying with the agreed payment verification procedures. While reviewing the claim, the insurer argued that the policy requirements had not been fully met. Although the finance team had verified the payment instructions at their end, the insurer initially took the view that the verification process did not satisfy the policy conditions and declined the claim.

Prudent: The Part Well Played

Following the insurer's decision, we worked closely with the insured to revisit the circumstances leading to the payment. We reviewed the communication and documents received by the finance team, the sequence of events and the verification process that was followed at the time. Based on this review, we presented the insurer with a detailed account of how the fraud had been carried out and that the process followed by the insured was in line with their internal protocol. The insured also verified the communication at their end. These discussions enabled the insurer to consider the claim in light of the actual circumstances. Following this, the insurer agreed to reconsider its earlier decision and covered the loss.

3 Commercial General Liability Policy

Event Chronology



The insured was a manufacturer that supplied custom-designed product components to a commercial customer. Unlike standard components available in the market, the said components cannot be readily sourced from another supplier. As the customer depended on a continuous supply of these components for its manufacturing operations, they were manufactured and supplied in batches. After receiving the initial batches, the customer in the United Kingdom reported visual defects in the product components. The insured immediately conducted a Root Cause Analysis (RCA) to identify the cause of the issue. While the RCA was still underway, the final batch was ready for dispatch. As the complaint related only to visual defects, the insured carried out a 100% visual inspection of the entire batch before shipment. No visual defects were identified during the inspection. Based on the information available at the time, the insured proceeded with the shipment.

The customer subsequently reported that similar defects were present in the final batch and claimed for costs which were incurred due to the defective product components. As a result, the insured recalled the affected product components. The claim was notified under the product guarantee and product recall extensions of the Commercial General Liability (CGL) Policy.

Key Intent of the Claim Case Study

The purpose of this case study is to show how the correct assessment of a claim may require insurer to understand of the insured's business operations in relation to the market standards and practices.

Scope of the Policy

The policy included product guarantee, product recall & financial loss extensions, providing cover for the costs associated with defective products, product recalls and the insured's legal liability for financial loss arising from those defects.

Highlight

It is crucial for insurance companies to understand the insured's business alongside the policy wording. By explaining the manufacturing process, the additional quality checks carried out (before shipment) and the practical challenges of suspending supplies, we were able to establish that the insured had acted reasonably, resulting in a successful outcome for the insured.

The insurer accepted the claim in principle but disputed the portion relating to the final batch. Insurer took the view that, after receiving the customer's complaint, the insured should have suspended further shipments until the RCA was completed. Since the final batch had been dispatched while the investigation was still ongoing, the insurer concluded that the insured had knowingly supplied defective product components and rejected that part of the claim by applying the "Expected and Intended Injury" exclusion.

Prudent: The Part Well Played

We explained to the insurer that the insured had responded immediately to the customer's complaint by commencing an RCA. As an additional precaution, and because the complaint related only to visual defects, the insured carried out a 100% visual inspection of the final batch before shipment. The inspection did not reveal any visual defects, and at that stage, there was no evidence to indicate that the final batch was affected. Additionally, the cracks developed only when the part was subjected to load. Therefore, despite conducting visual inspections, the insured could not reasonably have detected the cracks at the time of supply.

We also explained that the product components were manufactured exclusively for the customer's requirements and could not readily be sourced from another supplier. Suspending supplies before identifying the root cause would have disrupted the customer's manufacturing operations and caused line stoppage without any confirmed basis for concluding that the final batch was defective.

We were able to demonstrate that the insured had acted reasonably and had not knowingly supplied defective product components. Subsequently, the insurer confirmed the complete coverage of the loss.

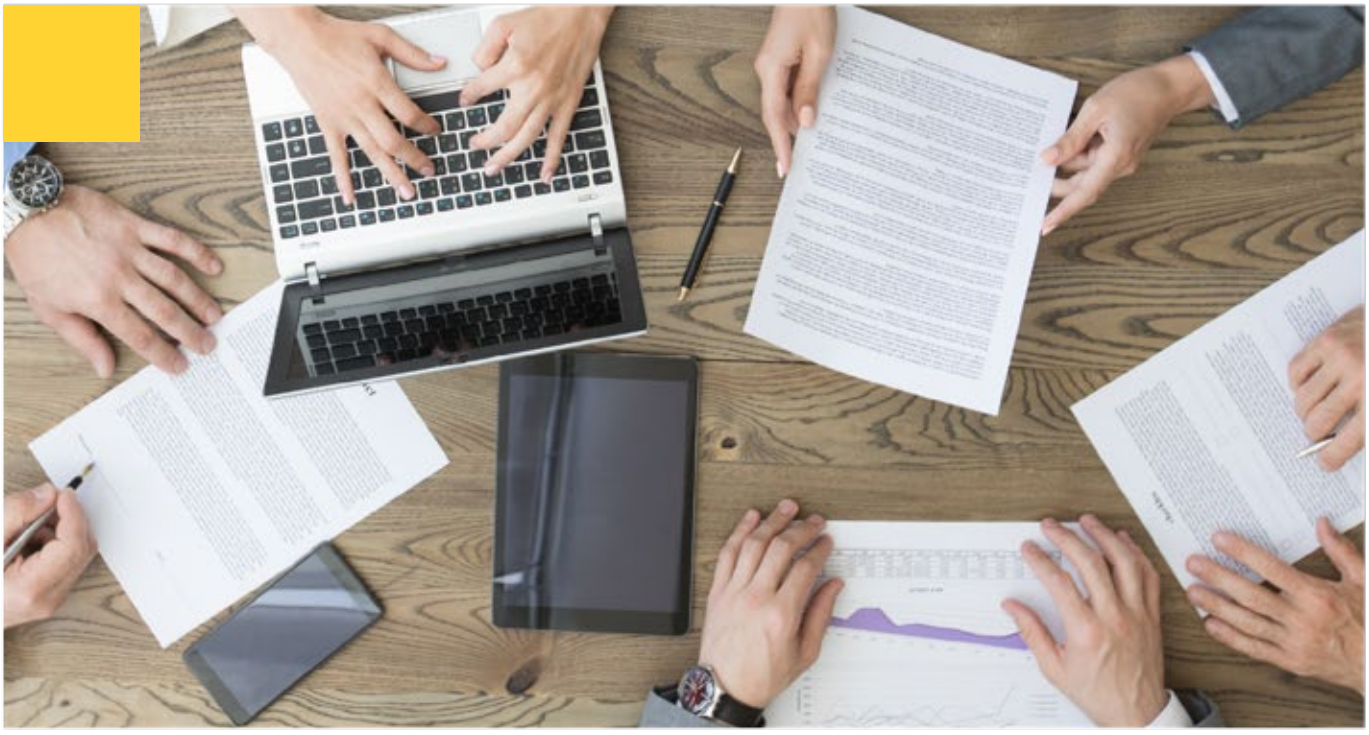
We are sure you found the anecdotes interesting and got some key points to take away.

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
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PRUDENT INSURANCE BROKERS PVT. LTD. (Composite Broker)

Certificate of Registration IRDAI No. 291 & IFSCA No. 017 (Validity: 18th February 2026 to 17th February 2029)

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