



Liability Claims

TAKEAWAYS

February, 2026

Welcome to the 61st edition of 'Liability Claims Takeaways' - our monthly insights from industry stalwarts.

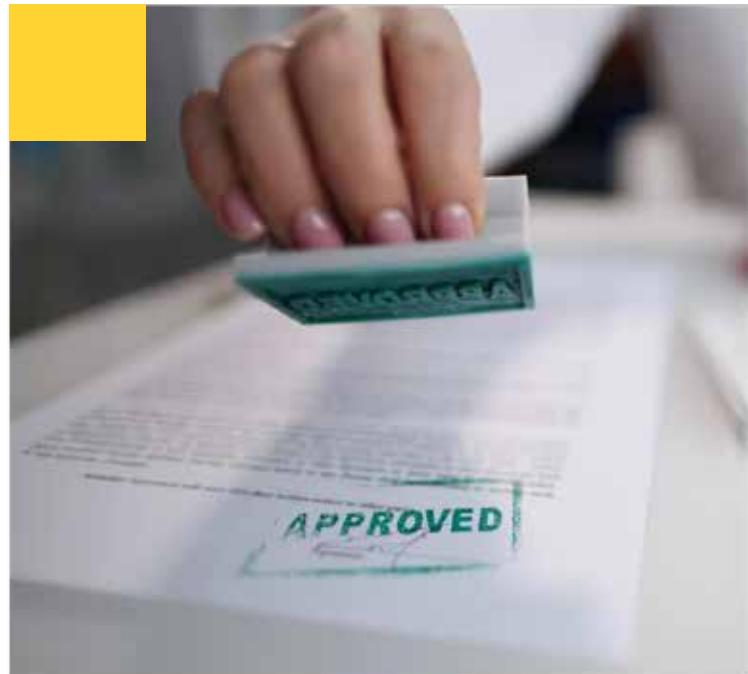
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1 Professional Indemnity (PI) Insurance

Event Chronology

The customer engaged the insured for licensing, implementation, and maintenance of an enterprise software solution, with the project to be completed within a defined timeline. Before the scheduled completion, the customer alleged service deficiencies and delays, and indicated that they may appoint an alternate vendor at the insured's cost. The customer subsequently terminated the contract and reserved their rights to claim damages. The dispute escalated when the insured received formal intimation of arbitration proceedings, following which external counsel was engaged, and the matter remains ongoing.



Key Intent of the Claim

Case Study

The matter was notified under the insured's Professional Indemnity policy to seek protection against potential legal liability arising from alleged wrongful acts in the rendering of professional services. The case also highlights the importance of ensuring timely notification of not only claims but also claim like situations to the insurer.

Scope of the Policy

PI Insurance responds to damages that an insured becomes legally liable to pay pursuant to an award or a settlement consented to by the insurer, along with reasonable defence costs incurred by the insured, subject to the insurer's prior consent and the policy terms and conditions.

Prudent: The Part Well Played

The insured informed us of the matter upon receipt of the arbitration notice. We reviewed the chronology of events, which indicated multiple instances of correspondence prior to the commencement of the arbitration, through which the insured had been made aware of alleged deficiencies in their services. Moreover, such correspondence, together with the customer's termination of the contract, pre dated the policy period in which this matter was notified.

Highlight

This case is a classic example of how under claims-made liability policies, prior communications between an insured and its customers play a crucial role for the insurer to confirm coverage. Any correspondence by the customer relating to a deficiency in service or termination notices may constitute a "claim" for insurance purposes, even if a monetary demand is raised much later. Insureds must therefore exercise caution and agree upon periodic circumstance notification protocols with their brokers and insurers, to tread on the side of caution in meeting notification requirements under the policy.

We considered this information in the context of when the insured's control group first became aware of the matter and accordingly asserted to the insurer that the "claims made" requirement under the policy was triggered only when the insured's control group, i.e. the C suite, became aware of the matter, which occurred upon initiation of the arbitration by the customer. This was also the point at which the matter was duly notified to the insurer.

We further advised the insured to refrain from incurring defence costs, admitting liability, or entering into any settlement discussions without the insurer's prior consent.



2 Commercial General Liability (CGL) Insurance

Event Chronology

The insured, a chemical manufacturer, engaged a third party transporter for the delivery of hazardous material to one of their plants. During unloading operations of said material at the insured's premises, an employee responsible for the unloading process failed to open the tanker's valve in accordance with the prescribed operating procedure, resulting in internal pressure build up. The tanker, owned and operated by the transporter, suffered structural damage and was subsequently replaced.



Key Intent of the Claim

Case Study

This case study demonstrates how routine operational mistakes can result in a third party property damage claim under a Commercial General Liability policy. It provides readers with a practical understanding of how such losses occur, what insurers typically expect during claims handling, and why proper documentation and timely notification to the broker and insurer are important for achieving timely claim resolution.

Scope of the Policy

The Commercial General Liability policy provides coverage towards damages for which the insured is legally liable to pay in respect of third - party property damage caused by an occurrence, subject to policy conditions.

Prudent: The Part Well Played

Following notification of the matter to the insurer, we reviewed the contractual arrangements between the insured and the transporter, as well as the insured's standard operating procedures governing the unloading of tankers carrying hazardous materials. This helped us to establish that the responsibility for safe unloading of the material rested with the insured. We further coordinated with the transporter to ensure that the damaged tanker was made available for inspection by the surveyor to reach an agreement with the surveyor that the tanker was not repairable but had to be replaced. In addition, we ensured that prior to the assessment of loss by the surveyor, the salvage proceeds were duly received by the transporter.

Highlight

A minor operational error can lead to third party property damage and trigger claims under a Commercial General Liability policy. Clear and documented operating procedures, and records like gate pass, CCTV footage, attendance registers, and others reduce disputes regarding how the incident occurred.

3 Commercial General Liability (CGL) Insurance

Event Chronology

The insured, a Food & Beverage company, occupied the claimant's premises under a lease arrangement for the operation of one of its kitchens. A fire that originated from the insured's delivery vehicles caused damage to the lessor's property, as well as to the premises of neighbouring tenants. The matter was notified under the insured's CGL policy, following which a surveyor was appointed to assess the cause of loss and extent of third-party property damage.



Key Intent of the Claim

Case Study

This case study illustrates the practical challenges involved in third-party property damage claims arising at leased premises, particularly where the landlord, multiple tenants, and personal assets of a third party are affected.

Scope of the Policy

A CGL policy is a risk transfer solution that is intended to protect the insured against a broad spectrum of risks, primarily third-party bodily injury and property damage claims arising from activities carried out in their normal course of business.

Prudent: The Part Well Played

During the claims process, repair quotations, purchase invoices, site measurement details, and proof of payments were collated and submitted to demonstrate the quantum of loss incurred by the landlord, tenants, and other affected third parties. We also supported the repair documents with a declaration confirming that no claim had been made under any other insurance by the claimants. We hand held the insured to ensure that the damages they agreed to pay to the claimants were adequately substantiated with supporting evidence, thereby establishing the reasonableness of the settlement and enabling insurer consent to be sought for the same.

Highlight

In third-party property damage losses, it may not always be possible for an insured to control how third parties repair or reinstate their damaged property. However, as far as practicable, repairs or replacements should be carried out in consultation with the surveyor and insurer, so that they are satisfied that the costs incurred are directly related to the incident and are commensurate with the damage caused.

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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