



Liability Claims

TAKEAWAYS

January, 2026

Welcome to the 60th edition of 'Liability Claims Takeaways' - our monthly insights from industry stalwarts.

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1. Professional Indemnity Insurance (PI Policy)
2. Commercial General Liability Insurance (CGL Policy)
3. Cyber Insurance

1 Professional Indemnity Insurance (PI Policy)

Event Chronology

Insured is in the business of providing software solution services to the BFSI sector. One of their clients is a leading bank in India. During the weekly reconciliation process, the client of the insured realised that certain transactions which should have been marked as failed are appearing as successful and the settlement for such transactions has happened without any corresponding recovery. Upon investigation, it was found that there was a glitch in the software that was provided by the insured to the customer, which led to the loss. The bank made a claim on the insured for upwards of INR 8 crore, which was notified by the insured under the PI policy.



Key Intent of the Claim

Case Study

This case elaborates upon the relevance of having a deep understanding of how a PI policy operates, what losses are paid under the said policy, and how an out-of-court settlement functions within the four corners of the PI policy.

Scope of the Policy

PI policy covers losses to the insured that arise from third-party claims relating to their error, omission, or negligence in provision of the professional services. It is essentially a cover for third-party claims and not first-party losses except in limited circumstances identified in the policy.

Prudent: The Part Well Played

This claim was initially notified under the policy of the insured that was not placed by us. Once we were appointed as the insurance brokers, we procured a claims consultancy mandate and liaised with the insurer. Right from the submission of root cause analysis till proof of recovery and loss, we hand-held the insured in navigating the claim process and advocated for their interest before the insurance company.

Highlight

This was one of the limited cases where, under an out-of-court settlement liability claim, admission of liability was confirmed within 90 days, an interim payment was made and the overall matter was concluded not just from a claims standpoint but also from the perspective of the overall liability of the insured vis-à-vis the underlying matter was settled in less than a year.

2 Commercial General Liability Insurance (CGL Policy)

Event Chronology

The insured is in the business of manufacturing packaging material. They have supplied material across the globe to various countries. In one of the consignments, their customer identified certain organisms which were otherwise not visible to eye except when viewed under a specific tool. Given the intended use of the material in food packaging, the customer rejected the consignment. This resulted in a claim being made on the insured for replacement of the material along with damages that customer suffered on this account. This matter was notified under the CGL policy.



Key Intent of the Claim

Case Study

The case is a reminder of how a well-placed policy with adequate coverage and wide language can truly assist an insured in the time of need. The claim consisted of various facets like replacement cost, recall cost, financial loss, and property damage. All of these were covered under the policy due to the sufficient limits obtained for coverage and well-worded policy wordings.

Scope of the Policy

A CGL policy aims to cover legal liability of an insured for damages arising from their business due to bodily injury and property damage. It also provides additional covers like product guarantee, product recall, and financial loss, which further cover costs related to defects in supplied products.

Prudent: The Part Well Played

As the mandated insurance brokers, we helped the insured in identifying the exact loss arising from the incident, identifying the coverages that apply, collating documents to substantiate the claim, negotiating with the customer such that any settlement aligns with the intent of the CGL policy and policy terms and conditions are complied with along the way.

Highlight

The highlight of the claim was that the insured's first experience of a liability claim was smooth and their faith in insurance was strengthened. The claim was paid in full without any deductions except the policy deductible.

3 Cyber Insurance

Event Chronology

The insured is a company based in India with subsidiaries across the globe. They experienced an incident wherein threat actors gained access to their email systems by bypassing their security and multi-factor authentication system. Due to such intrusion and control on specific employee emails, emails exchanged with vendors were compromised, and bank account instructions were exchanged such that payments intended for genuine vendors were sent to the bank accounts of threat actors. This resulted in a multi-million-dollar loss to the insured. A claim was notified under the Cyber Policy.



Key Intent of the Claim Case Study

This claim emphasises the importance of having robust cybersecurity and also to create control processes around vendor communication and bank account information management within the masters maintained by an organisation.

Scope of the Policy

Cyber Insurance aims to protect an organisation against monetary losses that it might suffer on account of a cyber event.

Prudent: The Part Well Played

We took this claim over under a consultancy mechanism and helped the client in responding to the queries raised by the loss adjuster and insurer. We also helped the insured in identifying the cover that might trigger and provide representation on their behalf on how the policy might cover this incident, and what loss is payable. We also addressed any queries raised with respect to potential security lapses and if the same could have impacted the claim or loss. The loss was accordingly deemed admitted and covered under the policy.

Highlight

This claim reaffirms the practice of claims advocacy and demonstrates that knowledge of the policy, understanding and experience of handling claims, and the ability to advocate on behalf of an insured are the true essence of being an insurance partner and consultant.

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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