PRUDENT
THE FUTURE OF INSURANCE

Liability Claims

TAKEAWAYS

June, 2026

Welcome to the 65th edition of 'Liability Claims Takeaways' - our monthly insights from industry stalwarts.

CONTENT:

1 Cyber/Crime Policy

Event Chronology

The insured, an FMCG manufacturer, had placed an order for certain raw material from one of its common vendors based in Australia. Considering the relationship, the insured had designated a company employee as the point of contact for the vendor. Upon supply of the product, the company employee informed the team that she had confirmed with the supplier their new account details over a call and shared the same with the team for initiating the payment. The insured processed the payment and was later informed that the money never reached the supplier. The supplier also informed the insured's team that they had never shared any communication updating their account information. This incident was reported in the Cyber and Crime policy of the insured.

Key Intent of the Claim

Case Study

Incidents which may prima facie appear to be cyber-related and covered under a typical Cyber policy may also find coverage under a Crime policy. In such cases, the "Other Insurance" or "Primary and Non-contributory" clause must be reviewed.

Scope of the Policy

Cyber policy is a risk management strategy which covers expenses related to system breaches, privacy breaches, IT theft, etc. Along with coverage for third-party losses, it also covers insured for third-party liability and regulatory fines and penalties. Crime policy generally provides coverage for direct financial losses due to acts by employees and, in certain circumstances, fraudulent acts by third parties.

Highlight

The case highlights the importance of support and guidance to insureds at the time of a claim to ensure that all rights of the insured are protected. By effectively understanding coverages and the interplay of coverages across different policies, the optimal outcome can be brought for the insured.

Prudent: The Part Well Played

The insured reached out to Prudent upon discovery of the loss. However, the insured was still investigating the incident to ascertain the root cause of the incident. We advised the insured to proceed with notification under Cyber policy as well as Crime policy since based on preliminary review of the documents, there was coverage available under both policies. We assisted the insured by guiding them for a detailed forensic investigation and ensured timely consent for the same from the insurer. The forensic investigation assisted in establishing the root cause of the loss, and while both policies covered the loss, the Crime policy was the primary policy, and the entire loss amount was paid under the policy.

2 Directors & Officers (D&O) Policy

Event Chronology

An energy company having offices across the Middle East had terminated the services of one of its contractual employees. The employee had a three-year contract and had moved across countries. While the company terminated the services in accordance with the contractually agreed terms, the employee challenged the termination. The claim was notified in the D&O policy of the insured, which had an Employment Practices Liability endorsement.

Key Intent of the Claim

Case Study

The case study highlights the importance of keeping the insurer updated with the progress of the matter. This ensures that timely and informed consent can be shared by the insurer, which assists in resolving disputes against the insured.

Scope of the Policy

A D&O policy with a cover for Employment Practices Liability provides financial protection to companies in case of claims arising on account of actual or alleged wrongful acts such as unfair or wrongful dismissal, discrimination, wrongful deprivation of career opportunity, etc. The policy covers reasonable legal expenses and costs incurred by the insured to defend against such claims.

Highlight

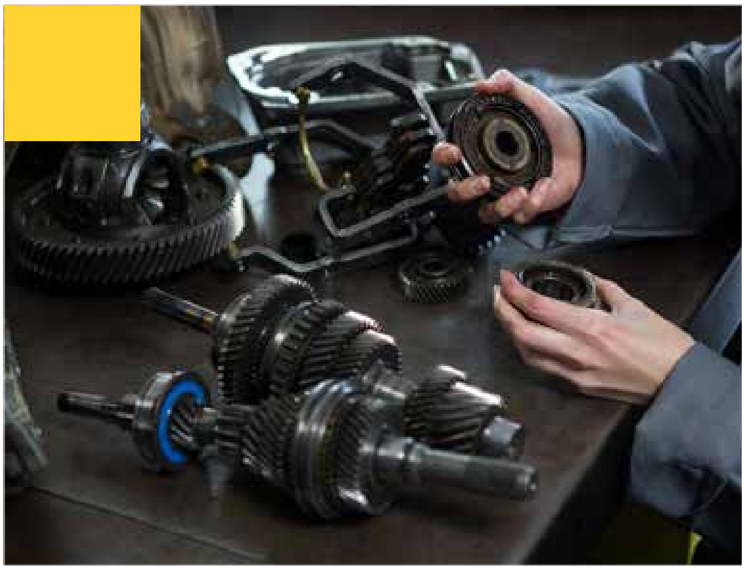
While the insured may have merit in their case, it is important to evaluate the costs involved in litigation, court appearances, internal process, etc., against a settlement offer which would be financially reasonable for the insured as well as the insurer.

Prudent: The Part Well Played

Upon intimation of the matter by the insured, we requested the local team to share details at priority so that necessary consent can be taken from the insurer for the appointment of defence counsel. In order to streamline the process, we briefed the concerned local team about the insurance policy and the policy terms and conditions. During the hearing, the court allowed the parties to settle the matter at a nominal amount. While prior consent could not be taken for this settlement since the decision had to be made during the hearing, we informed the insurer about the general process followed in the concerned jurisdiction and established the reasonability of the decision.

3 Commercial General Liability (CGL) Policy

Event Chronology



The insured is an auto-component manufacturing company which supplies to various companies across India. One of the insured's client received a customer complaint and raised the issue with the plant team. The plant team discussed the matter and the possible reason for the defect in the particular part, but considering only one complaint, no escalation took place. After a substantive period of time, multiple complaints were received regarding the same component and were informed to the senior management. The client had to recall the product and undertake replacement. The client debited the insured for all the expenses related to the incident. The matter was notified under the CGL policy.

Key Intent of the Claim

Case Study

There was a substantial delay in intimation to the insurer since the risk manager of the insured gained knowledge of the incident at a later date. In such cases, endorsements such as Control Group assist the insured.

Highlight

For claims-made policies, a claim has to be notified as soon as the insured has knowledge of the claim and during the policy period.

Scope of the Policy

A CGL policy provides coverage for property damage or bodily injury on account of the insured's product or at the insured's premises. The policy may also have coverage for product guarantee and financial loss which covers expenses and costs on account of the insured's product failing to fulfil the function for which it was manufactured or sold. Product recall covers costs incurred in relation to recall expenses due to the insured's product which caused or can potentially cause bodily injury or property damage.

Prudent: The Part Well Played

Considering the delay in notification, the insurer has raised a coverage issue. However, we were able to establish that the senior management of the insured, which forms part of the control group as defined under the policy, only became aware of the incident on a later date. This was established through email communication and minutes of meeting between the client and the insured's team. This showed that the claim was notified in a timely manner in accordance with the policy conditions.

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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