



# Liability Claims

**T A K E A W A Y S**

May, 2026

Welcome to the 64<sup>th</sup> edition of 'Liability Claims Takeaways' - our monthly insights from industry stalwarts.

## CONTENT:

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

# 1 Professional Indemnity (PI) Insurance

## Event Chronology

An engineering and manufacturing company received a claim from its customer for alleged errors and omissions in the design of an engineered product, falling under Manufacturing Errors & Omissions coverage. The insured held two PI policies available to them (one held by parent entity and one by their subsidiary), both applicable to the loss. Each policy contained a 'secondary or excess' clause stipulating that it would respond only in excess of any other applicable insurance. Neither policy addressed how coverage would operate where both were simultaneously subject to the same condition. Both insurers denied primary liability, directing the insured to the other policy, leaving claim with no responding insurer.



## Key Intent of the Claim

### Case Study

To illustrate the practical consequences of competing excess clauses across co-applicable PI policies, and how established legal precedents and contribution principles can resolve an insurer deadlock in favour of the insured.

### Scope of the Policy

Manufacturing PI covers claims arising from errors, omissions, or negligent acts in the design, manufacture, or professional services related to a product. It responds to third-party financial losses, court-awarded damages, agreed settlements, and defence costs.

## Prudent: The Part Well Played

We identified the issue with the excess clauses and the same was highlighted to the insured promptly. Both insurers were engaged concurrently and brought to a joint forum. Drawing on legally established contribution principles and rateable proportion models recognised across insurance markets and court precedents, both insurers agreed to share the loss resulting in full settlement of the claim. We also ensured that upon renewal, the local PI policy operated as a primary policy.

Note: This claim was referred to the Claims Consultancy Practice as an independent engagement; the underlying policies were not placed by us.

## Highlight

Prudent's independent claims consultancy engagement secured full indemnification of loss by breaking a dual-insurer excess clause impasse - on policies not placed by us.

# 2 Cyber Insurance

## Event Chronology

A subsidiary of multinational organisation operating in the United States experienced a cyber incident involving unauthorised access to their employees' email accounts. Threat actors deployed phishing techniques, deceptive domains, and manipulated communications to impersonate internal stakeholders resulting in fraudulent fund transfers from the Indian parent entity to an unauthorised account. The compromise involved multiple user accounts across geographies with mailbox rule manipulations.

## Key Intent of the Claim

### Case Study

This case study examines the relationship between cybersecurity controls, internal governance mechanisms, and insurance disclosures. It points out the ways in which business email compromise and social engineering attacks can circumvent established safeguards. Furthermore, it highlighted the importance of ensuring that representations made during the procurement of insurance policies are consistent with the operational practices actually in place.

### Scope of the Policy

The incident was covered under the company's Cyber Insurance policy, where an unauthorised access event resulted in a fraudulent financial transfer. Coverage was triggered under the Financial Transfer Indemnification section for the unrecovered payment, along with forensic investigation costs incurred to assess and respond to the event.

### Prudent: The Part Well Played

A clear and well structured case was presented in support of the insured by aligning the facts of the matter with the applicable policy terms and proposal form disclosures. Clarifications were provided on the scope and intent of the declarations, demonstrating that no breach of representation had occurred. This approach strengthened the insured's position and facilitated effective claim support.



## Highlight

Cyber claims are scrutinised beyond the incident itself. Focus is on underwriting disclosures, clear documentation of internal processes, consistent proposal form responses, and forensic evidence linking the loss to a covered cyber event.

# 3 Commercial General Liability (CGL) Insurance

## Event Chronology

A packaging company supplied material to a customer that subsequently exhibited delamination and bubbling, thereby exposing the contents to the external environment. The insured's customer was consequently required to recall and destroy all quantities of finished product produced using the defective material. The customer debited the loss on account of their defective finished product from the payment due to the insured providing only a broad breakup of costs. This was notified under the CGL policy. However, in the meanwhile, the customer had to wind up their business and could not share details and supporting invoices, creating a documentation roadblock. Without these, while the insured suffered loss, neither the insurer nor the surveyor could complete their assessment.



## Key Intent of the Claim

### Case Study

Every loss, first party costs as well as legal liability saddled upon an insured by a third party, claimed under any insurance policy requires to be duly substantiated through rationale for incurring such costs as well as reasonability of the same.

### Scope of the Policy

Commercial General Liability insurance covers the insured's legal liability for property damage or loss of use of tangible property on account of insured's product or work. It responds to third-party claims for direct physical damage and resulting losses, including costs reasonably and necessarily incurred as a result of such damage.

### Prudent: The Part Well Played

Prudent assisted the insured in substantiating the loss incurred by the customer, following which the customer immediately debited the amount from the insured's outstanding payments. From a documentation standpoint, Prudent submitted that the relevant records were in the sole possession of the insured's customer and could not be obtained as the customer's business had ceased operations. As a practical alternative, Prudent advised the insured to obtain three independent market quotations for equivalent products and materials from alternate vendors. This benchmarking exercise was used to derive a reasonable and well-supported valuation of the loss. The insurer accepted this approach on an exceptional basis, considering the customer's circumstances.

## Highlight

Considering the unforeseen situation of the customer, Prudent was able to convince the insurer to consider alternative costs assessment method.

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

Stay tuned for the next edition!

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## 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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