PRUDENT
THE FUTURE OF INSURANCE



Liability Claims

TAKEAWAYS

November, 2026

Welcome to the **70th edition** of '**Liability Claims Takeaways**' - our monthly insights from industry stalwarts.

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1 Comprehensive General Liability (CGL) Policy

Event Chronology

The insured, a manufacturer of industrial automation and safety-control equipment, identified a defect within a safety-critical control module supplied to a major customer. The issue caused abnormal system responses under specific operating conditions, prompting the customer to initiate a large-scale field rectification programme across installed units. The customer subsequently sought recovery of the associated remediation and recall costs from the manufacturer. Given the incident's potential impact, the insured promptly notified the insurer under the Comprehensive General Liability policy.



Key Intent of the Claim Case Study

This case illustrates how modern product liability exposures are increasingly complex issues which require detailed substantiation. The key question was whether that defect created an actual and imminent risk of bodily injury or property damage, thereby triggering product recall coverage. The matter demonstrates the importance of correctly identifying the root cause of the defect, which ultimately triggers coverage under the policy.

Highlight

What began as a coverage denial ended as a successful recovery. The difference lay in technical evidence, policy interpretation, and persistent claims advocacy.

Scope of the Policy

The claim was pursued under the product recall extension of a Commercial General Liability policy. Coverage depended on establishing that the defect posed an actual and imminent risk of bodily injury or property damage and that the customer's costs constituted covered product recall expenses. Identifying the actual root cause of the malfunction was a central point of contention. Furthermore, there were doubts whether the expenses associated with a large-scale recall programme qualified as recall costs when the solution involved software remediation rather than physical withdrawal or replacement of products. The insurer also raised concerns regarding the applicability of technology-related exclusions. Following a detailed review of the policy intent, recall expense provisions, and the safety implications of the defect, the loss was ultimately accepted and assessed under the policy.

Prudent: The Part Well Played

Team Prudent became involved through a claims mandate after the matter had already encountered significant coverage concerns by the insurer and was effectively operating under an insurer declinature position. Recognising that the dispute centred on policy interpretation and the root cause of the defect, the team undertook a comprehensive review of the technical evidence, customer demands, policy wordings, and recall expense provisions. Extensive submissions were developed demonstrating that the defect created a genuine safety exposure and that the rectification campaign was undertaken to mitigate a larger imminent risk. It was duly noted that the associated costs fell within the intent of the product recall extension. Through sustained advocacy, technical substantiation, and continuous engagement with the insurer and surveyor, the initial coverage objections were successfully overturned.



2 Crime Insurance Policy

Event Chronology

A multinational engineering and infrastructure services company discovered that a significant vendor payment had been diverted, following a sophisticated internal email compromise incident. Acting on what appeared to be authentic instructions from an employee, the insured processed a substantial payment which was subsequently diverted to an unauthorised account. Upon discovery, immediate steps were taken to initiate recovery efforts, engage forensic investigators, and report the matter to relevant authorities. The loss was thereafter notified to insurers under both Crime and Cyber Insurance policies.



Key Intent of the Claim Case Study

This matter demonstrates the growing convergence between cyber threats and financial crime exposures. It also reinforces the value of prompt incident response, forensic investigations, recovery efforts, and evidence preservation in establishing the cause of loss and supporting a successful insurance recovery under specialised Crime and Cyber Insurance Programmes.

Scope of the Policy

The claim was assessed under both crime and cyber insurance policies. The insurer concluded that the loss resulted from an external cyber-enabled fraud involving unauthorised access to an employee's email account, subsequent impersonation, and fraudulent instructions for fund transfers. Coverage considerations included fund transfer and impersonation fraud provisions. Post insurer review, the crime policy was determined to be the primary response policy. The final settlement included the net financial loss suffered by the insured, post recoveries from the bank, along with the costs incurred in appointing an approved forensic investigation specialist to establish the loss and cause of the incident.

Highlight

Modern fraud schemes rarely fit cleanly into one category. This case illustrates how effective claims advocacy, forensic evidence, and coordinated stakeholder management can convert a complex cybercrime incident into a successful recovery for the insured.

Prudent: The Part Well Played

Team Prudent managed the claim from the stages of notification to ultimate recovery and payment under the insurance policy. The matter involved multiple stakeholders across jurisdictions (including the insured, its overseas subsidiary, forensic investigators, banking institutions, and the insurer). Team Prudent coordinated the appointment of forensic specialists, assisted in assembling comprehensive evidentiary records, addressed multiple rounds of insurer queries, facilitated the submission of technical and procedural documentation, and actively followed the coverage assessment process through to conclusion. Through sustained engagement and strategic claims management, we successfully secured reimbursement for the insured's loss and investigation costs.



3 Directors & Officers Liability (D&O) Policy

Event Chronology

A speciality materials manufacturer became the subject of regulatory enforcement proceedings following an inspection by a statutory authority concerning alleged non-compliance with prescribed certification requirements. Subsequent investigations led to search-and-seizure actions, followed by criminal proceedings against both the company and one of its senior executives. Faced with parallel proceedings before the judicial forums, the insured engaged legal counsel to challenge the action and protect the interests of the company and its executive, ultimately giving rise to a claim under the D&O policy.



Key Intent of the Claim

Case Study

This matter highlights a recurring D&O challenge, distinguishing between claims against an organisation and claims against individuals serving in leadership positions. Regulatory and criminal proceedings frequently name directors or officers alongside the company, exposing them to personal legal risk even if the underlying allegations arise from corporate operations. This case also underscores the value of proactive claims advocacy, wherein the directors require legal representation to defend their individual interests despite the insurer's concerns about the attribution of defence costs.

Scope of the Policy

The insured raised the claim for coverage under the Directors & Officers Liability policy for claims made against insured persons named in the legal proceedings. The key coverage issue raised was the lack of coverage for the director's defence costs, incurred in connection with criminal proceedings since there were no allegations against the director.

Highlight

Directors need protection not only when allegations are made directly against them, but also when they are drawn into regulatory or criminal proceedings by virtue of their position.

Prudent: The Part Well Played

The insurer initially questioned whether defence costs could properly be attributed to the director, noting that the proceedings largely concerned the company's activities. Working closely with the insured, we developed detailed representations demonstrating that the director had been individually named in criminal proceedings and therefore faced a distinct legal exposure requiring independent defence. Team Prudent highlighted the policy definitions of Insured Person, D&O Claim, and Wrongful Act, emphasising that coverage applies to claims made against an insured person solely in their capacity as an insured under the policy. It was further argued that the director's inclusion in the proceedings triggered a distinct defence cost exposure warranting coverage under the policy.

Following sustained engagement and coverage discussions, the insurer confirmed that coverage and reimbursement for the insured's defence costs were processed.



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.

For More Queries, Please Reach Out To:

Aditi Singh
aditi.singh@prudentbrokers.com

Arpita Cuddapah
arpita.cuddapah@prudentbrokers.com

Pallavi Rajpal
pallavi.rajpal@prudentbrokers.com

Rakshita N
rakshita.n@prudentbrokers.com

Sonali Gosain
sonali.gosain@prudentbrokers.com

Sugandha Rohatgi
sugandha.rohatgi@prudentbrokers.com

Spriha Lohani
spriha.lohani@prudentbrokers.com

Diwakar Sheoran
diwakar.sheoran@prudentbrokers.com

Nishant Kashyap
nishant.kashyap@prudentbrokers.com

Richa Dhasmana
richa.dhasmana@prudentbrokers.com

Sahil Dua
sahil.dua@prudentbrokers.com

Shashwat Agarwal
shashwat.agarwal@prudentbrokers.com

Tanuj Gulani
tanuj.gulani@prudentbrokers.com

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PRUDENT INSURANCE BROKERS PVT. LTD. (Composite Broker)

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Registered office at 1st Floor, Tower B, Peninsula Business park, G.K. Marg, Lower Parel, Mumbai – 400013, Maharashtra,
Tel : +91 22 3306 6000 I CIN No.: U70100MH1982PTC027681

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