

MAZE TO AMAZE

S E R I E S

This unique 'Claims Maze to Amaze Series' aims to take you through some of the most amazing claims processing journeys showcasing the confluence of smart strategy, subject matter expertise leadership and powerful knowledge base, leading to some of the most extraordinary learnings for the insurance industry at large.

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Decoding the Changing Dynamics



POLICY TYPE:

Comprehensive Mega Risk



KEY PLAYERS:

The Insured: The insured is a key player in the chemical industry with their plant located in Maharashtra



The Insurer: One of the country's leading players

The Starting Point

Due to heavy rainfall during the monsoon season, the pumps & motors at the insured's ammonia manufacturing plant became submerged, leading to the tripping of the Steam Turbine Generator (STG). This further resulted in the power outage, and the production plant was shut down as a precautionary measure to avoid subsequent loss/damage. The policy carried a deductible of INR 1.5 Cr, but the repair cost of the pumps/motor was a meagre amount of INR 7K. The client was under the impression that the claim would fall within policy's deductible. Based on the discussion with the insured, Team Prudent realised that the actual loss to incurred resulted from the shutdown, and subsequent restart of the plant.

The Roadblock

The key challenge in representing the insured's case was to understand the entire production process which was complex and hazardous as well. Ideally, Ammonia production cannot be stopped by a simple switch on/off. Shutting down an ammonia plant involves a controlled, multi-step process to safely reduce load, stop compressors, depressurize, and cooling down the equipment. Key actions include lowering compressor speeds, tripping turbines, venting high-pressure systems, and for long-term shutdowns, passivating the synthesis catalyst with nitrogen to prevent damage. To restart the production again, the reformer of the Steam Turbine Generator (STG) must be re-heated to 650°C.

Basis detailed analysis of the entire production process, we could establish the following arguments:

- The startup/shutdown was a huge loss in comparison to the pump repair cost
- The insured was made aware that startup/shutdown expenses were covered in the policy, and accordingly guided the insured to lodge the claim

The Dead-end Impact

The claim was majorly delayed in the process of finalising the loss & its proof. We had multiple meetings with the insured's site team just to understand the process and accordingly arrange the DCS data with supporting system screenshots and standard process documents/SOP to present the claim with full evidence and basis of our calculations.

A Twist in the Tale

While Team Prudent was busy understanding the production process, the plant experienced another shutdown due to malfunctioning of the switch leading to further complexity in determining the actual loss period and associated costs. Post the first shutdown, it took 13 hrs to start the STG reformer at a temperature of 650°C where per hour heating temperature increased by 50°C. After second shutdown, it took only 6 hrs to reach 650°C. Hence, the surveyor only considered the lower value, and as a result the insured was losing INR 12 lac.

Navigating through the Maze to Amaze

The moment the incident was reported to Prudent, our team promptly carried out the following actions:

Maze 1: Decoding the difference in restart timings

Team Prudent meticulously tracked on how the second system restart took 6 hrs in comparison to first one which had taken 13 hrs. The team tracked the reformer temperature log to discover that during the second restart, the reformer temperature was at 350°C. Hence, it took lesser time to reach 650°C in comparison to 1st instance when the reformer temperature was at just 20°C. This successfully justified the 13 hours of heating time to surveyor for consideration of the loss.



Maze 2: Arriving at the claimable loss value

Since the second shutdown was due to switch malfunction, the surveyor denied the claim and the same was convinced to the insured. With regards to the first shutdown, the insured was not aware as to how to arrive at the loss. Team Prudent undertook detailed study of the plant diagram and understood that there was a Distributed Control System (DCS) at the plant, recording how number of natural gas units were consumed to support steam turbine function. With thorough review of this data, the drop in production of all these units during the rainfall and subsequent shutdown was arrived at. The surveyor was presented with the loss value, backed by documents and hourly consumption data as the basis of calculating the claim.



Results

Arriving at the loss value itself was a challenge but with thorough study of data, the scientific justification was arrived at. This not only helped the team define the claim amount but also successfully change the evaluation parameters from just 6 hours to 13 hours.

Key Learnings

This case helped us understand the significance of leveraging system data and process knowledge during claim submission. Furthermore, the team's proactive approach from policy review to technical advocacy played an important role in maximising amount under the start-up and shut-down expenses add-on.

Crux

It is imperative that we understand the insured's business along with their systems and processes. This helps in backing up the claim with system data and technical knowledge before the insurer/surveyor.

#Disclaimer Apply





Unearthing 'What's Not Damaged'



POLICY TYPE:

Industrial All Risk



KEY PLAYERS:

The Insured: A leading independent sustainable energy solutions provider



The Insurer: One of the country's leading players

The Starting Point

Due to unprecedented heavy rainfall at the insured's Rajasthan plant, the entire site was inundated, resulting in extensive damage to operational resources and assets.

The business was impacted in multiple ways such as:

- The complete plant was forced to shut down
- Hundreds of inverters, tracker motors, gearboxes, and structural components were affected
- Thousands of meters of AC/DC cables were damaged
- The boundary wall, spanning nearly 1,000 meters, was compromised

In addition to these damages, plant operations and power generation came to a complete standstill.

The Roadblock

The key challenge in representing the insured's case was to first consolidate identify the various areas of business that took the hit. Since the business was spread across an abysmally large area, the nature of losses also varied. The greatest challenge for the Prudent team was to:

- Manage the onsite survey of the farm despite the waterlogging & inaccessibility of the damaged arrays
- Kickstart the operations post the elaborate restoration process
- Minimise risk exposure to investors by ensuring a continuous drying & testing procedures to restore partially damaged inverters
- Verify the extent of damage to the widespread underground cable network
- Re-prepare the claim based on inverter-wise generation loss

The Dead-end Impact

The restoration process in this case was a complex one as it entailed identifying the extent of damage across multiple areas of business and reinstating the operations at earliest. Once the restoration process was initiated, there was considerable delay in issuance of purchase order for procurement of inverters and cables which delayed the restoration further.

Navigating through the Maze to Amaze

The moment the incident was reported to Prudent, our team promptly carried out the following actions:

Maze 1: Consolidating the damage

Due to continuous heavy rains and subsequent waterlogging, it was very difficult to even approach the affected site. Moreover, the damages were spread across a large area, involving multiple components.

Prudent team remained in constant contact with the site incharge and surveyor, managing the onsite survey.



Maze 2: Reinstating the plant function

With every day passing, the insured was incurring large losses as the power generation was brought to complete standstill. To reinstate the plant operations in a shorter span of time, Team Prudent conducted several rounds of meetings with the client and recommended to kickstart the restoration process in a phased manner to support critical functionalities, imperative to the plant operations.

Maze 3: Minimising the quantum of loss

Prudent team remained in constant touch with the insured's technical team to ensure that the regular drying & testing process was carried out. This helped minimise the risk exposure to 300+ inverters. Finally, only 75 inverters were found to be faulty or 'not functioning'.

Maze 4: Applying 'Obsolete Clause, Advancement Clause'

Insured's management, while replacing the damaged inverters (200KTL), decided to procure the advanced version inverter (330KTL) with higher capacity. This replacement invited higher costs. The surveyor agreed to permit the same but with a 33% deduction on grounds of upgradation. This involved many rounds of negotiations with the surveyor. It was only by bringing surveyor's attention to the policy coverage of 'Obsolete Clause, Advancement Clause', a deduction of 15% was mutually agreed upon. This resulted in a financial benefit of approximately INR 50 lac for the insured.

Maze 5: Equating the claimable loss value

Another complexity in the claim was to verify the claim for the damaged cables. Team Prudent addressed this by breaking the problem equation to parts. A solar plant has complex widespread cable network out of which 400 square milli meter cables were above ground. It was far easier to

check these cables and rule out damages, if any. The bigger challenge revolved around the verification of underground 2.5 square milli meter cables which accounted for the claim of 30,000 mts. There was no other method other than digging up to verify the damages.

Team Prudent came up with an alternate to verify the damages to underground cable network.

All solar panels are installed in lined sequence called as *Solar Array.

Each array has underground cable network which is connected to an Inverter Control Room (ICR) to monitor the generation. Instead of digging to carry out the testing of cables, the generation recorded on the ICR was observed. Consequently, the loss was tracked and finalised for 20,000 mts. Backed by solid data, this was accepted by the surveyor.

**A solar array is a group of connected photovoltaic (PV) or solar panels that are used to collect sunlight and generate electricity.*

Maze 6: Covering BI through 'Departmental Clause'

While calculating the Business Interruption (BI) section of loss, the initial data was prepared basis the total plant generation units. As a result, the claim was assessed to be within the policy deductible. For an efficient risk transfer, Team Prudent brought to light the coverages in policy that confirmed coverage under the *Departmental Clause.

Basis this coverage, Prudent team assisted the insured in reparing the claim based on inverter-wise generation loss, procuring an assessment of INR 2 Cr for a Business Interruption claim. The insured greatly appreciated our proactive support and guidance.

**The Departmental Clause in insurance allows businesses operating in multiple departments to have their claims assessed separately for each department, based on independent trading results.*



Result

As a risk transfer partner, Prudent team insisted and convinced the insured to carry out testing & verification of loss claimed, thereby reducing the loss from 300 inverters to 75 inverters and cables from 30,000 metres to 20,000 metres.

The power generation loss was verified with insured's representative and on verification, it considerably reduced from what was being claimed. Furthermore, the restoration activity was regularly monitored resulting in the reduction of the loss under BI section.

Backed with data findings and experience, Team Prudent constantly guided the insured, facilitated the documentation process, and ensured a clear understanding between the insured, insurer, and the surveyor.

Key Learnings

The claim was large not just in quantum but also in terms of the widespread area it affected. It appeared to be a herculean task to take the matters forward and arrive at a resolution with so many dynamics running in parallel. To bring about a speedy resolution, it was critical to break down the problem statement into parts, be it the inverter damage/plant restoration/cablings work.

Crux

Deep diving into a complex problem and understanding its critical aspects can help break it down into parts that can be addressed with precision. This not only helps bring about a speedy resolution but also leads to considerable cost savings and the timely restoration of plant activities.





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