PRUDENT
THE FUTURE OF INSURANCE

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MAZE TO AMAZE

SERIES

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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MAZE ONE

Turning the Tide: From Chaos to Claim Comeback



POLICY TYPE:
Marine Cargo Open Policy

KEY PLAYERS:

The Insured: The insured is a key player into the business of nonwoven fabrics and laminated nonwoven fabrics production

The Insurer: One of the country's leading public sector insurers

The Starting Point

The insured had imported second-hand machinery and accessories in six containers on Incoterms CIF (Cost Insurance Freight). The containers arrived safely till India. During the inland transit to the insured's factory, one of the containers slipped from the trailer body due to the breakage of the trailer lock securing the container.



The Roadblock

The import was executed on a CIF (Cost, Insurance, and Freight) basis. As per its terms and conditions, once the cargo reaches the destination country, the insurance coverage for the inland transit (tail-end transit) is limited to ITC–B (Basic Risk) conditions. Consequently, the compensation for the incurred damage is admissible only in cases involving specified incidents such as an accident or overturning of the carrying vehicle, or where a Pre-Dispatch Inspection (PDI) was conducted prior to commencement of the inland leg of the journey.

In this instance, neither was a Pre-Dispatch Inspection (PDI) carried out at the port nor did any accident or overturning of the vehicle occur during transit. Accordingly, the surveyor/insurer classified the case as a 'No Claim'.

The Dead-end Impact

The claim was majorly delayed in the process of finding a headway to prove the admissibility of the claim. Furthermore, the process of organising the documentation from various authorities impacted the claim resolution timelines.

A Twist in the Tale

Imports of used consignments during the tail-end transit are covered only under basic risk conditions unless a Pre-Dispatch Survey is conducted, prior to clearance or at the time of dispatch, extending the coverage to an 'All Risks' basis. In this case, no Pre-Dispatch Survey was conducted. Additionally, there was no accident involving the carrying motor lorry, nor was there any overturning of the conveyance during the tail-end transit.

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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 'accident' to establish All-Risk Coverage

It was a tricky situation since both the insurer and the surveyor continued on their stand with the literal meaning of the word 'accident'. Despite all odds, Team Prudent decided to establish that the breakage of the trailer lock was accidental in nature. In parallel, the team conducted multiple rounds of discussion with the insured and reviewed the transit documents.

During the course of our review, we identified that the imported machinery was second-hand. As per the customs regulations, any second-hand machinery is subject to mandatory examination for two reasons:

1. First, to verify the accuracy of the import declaration
2. Second, to rule out any misstatement aimed at undervaluation and consequent duty savings

Following this inspection, as per the norms for cargo clearance, a Chartered Engineer's Certificate is issued.

This was a turning point in the entire investigation process, and Team Prudent asked the insured to check if any inspection of the consignment post arrival in India was carried & if any Chartered Engineer Certificate was issued.

The insured shared with us the Chartered Engineers Inspection/Appraisement Report, confirming the state of the consignment duly supported with photos taken post unloading & opening of the container from the vessel. Moreso, this inspection was conducted a day prior to the commencement of the inland transit , and it helped us to validate our argument with the insurer.

Our arguments gained ground and in lieu of the Pre-Dispatch Inspection (PDI), we presented the Chartered Engineers Inspection/ Appraisement Report as a proof of the condition of the cargo, and the nature of packing before being despatch. This eventually made the consignment eligible to be considered under All risk – ICC A coverage.

We successfully convinced the surveyor/insurer that the requirements of the pre-despatch report were fulfilled in the shared report. Therefore, it had be considered in lieu of the requirements of the pre- despatch survey.

To add to it, even the breakage of trailer lock was also agreed to be accidental and taken into consideration, making the claim from a 'No Claim' to a payable claim for INR 55 lac, post salvaging.

Maze 2: Maximising assessment from surveyor

The surveyor had initially assessed the claim by considering only the OEM invoice value. However, our team suggested the surveyor that in line with the provisions of the Institute Replacement Clause, the claim should also include applicable duties and other associated charges, thereby warranting an enhanced assessment. It was further emphasised that customs duty was non-refundable in nature. While the surveyor had initially restricted the claim assessment to the invoice value, Team Prudent's representations resulted in the inclusion of even the duty & other components, thereby significantly enhancing the claim value.

Results

Getting the claim towards admissibility itself was a challenge but with the in-depth discussions & thorough study of documents, a logically agreeable justification was arrived at.

Key Learnings

It is very important to always focus on the critical aspects of the case that influences the tenability of the claim. Although it's easier way to term the claim as 'No Claim', but it's our responsibility as a broker partner to provide guidance to the insured. It's significant to conduct multiple rounds of discussion with the insured, understand their processes, leverage industry knowledge, and discuss with experts to find a solution.

Crux

In case of import of high-end second-hand cargo done on CIF (Cost, Insurance, and Freight) basis, it is critical to guide the clients to carry out a Pre-Dispatch Inspection (PDI) to safeguard their interest.

It is critical to deep dive into the case, sharply examine the weak links, harp on the strong aspects on file, and probe on the warranties and the intent of the underwriter.

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MAZE

Spinning to Speedy Uptime



POLICY TYPE:
Industrial All Risk (IAR) – BI Claim (FLOP)

KEY PLAYERS:

The Insured: The insured is a key player into business of power generation through renewable sources

The Insurer: One of the country's leading players

The Starting Point

A catastrophic fire in one of the insured's wind farms caused a major damage to one of the turbine's nacelle* components, electrical systems, and rendered the turbine completely non operational.

*A nacelle is a cover housing that houses all of the generating components in a wind turbine, including the generator, gearbox, drive train, and brake assembly.

The Roadblock

As per the insured's standard operating procedures for damage restoration, the process involves several structured steps:

- Conducting a *Root Cause Analysis (RCA) by the Original Equipment Manufacturer (OEM)
- Obtaining repair quotations followed by vendor negotiations
- Performing an on-site feasibility assessment to determine whether replacement with a new or a refurbished unit is appropriate
- Coordinating logistics, including arranging cranes for dismantling and installation, along with transportation for movement of parts
- Executing the required repairs, followed by unit mobilisation and recommissioning

Overall, this comprehensive process typically extends beyond one year for completion.

*As per the standard process, post the completion of the OEM Root Cause Analysis (RCA), the insured's on-site team initiated the contractual descoping and vendor finalisation extending over three months. Upon vendor finalisation, a key operational challenge arose due to the lack of a viable access route for crane mobilisation to the windmill site. Concurrently, the extended outage period required extensive engagement with the insurer, particularly due to heightened scrutiny of the Business Interruption (BI) claim. Hence, upon intimation of the loss, Team Prudent promptly engaged with the insured's management and, through a series of discussions, successfully encouraged the adoption of parallel processes to minimise downtime.

The Dead-end Impact

For similar incidents in the past, the insured had recorded a total downtime of approximately a year & above, resulting in significant business interruption impacting their business. As a result of our long-standing association with the client, Team Prudent had a fair idea of their established procedures and operational frameworks, while remaining cognizant of the client's strategic priority to minimise operational disruptions. The BI loss brought its own set of unique challenges on the part of the insured, mainly being:

- Addressing the concerns regarding the infrastructure readiness of the business
- Addressing delays on the part of the insured's management

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Navigating through the Maze to Amaze

Each day a wind turbine remains non-functional, the business experiences reduced energy production leading to revenue loss. Estimating the financial impact involves multiple variables and is complex with time-element directly linked to the duration required to assess and repair the underlying physical damage. The longer the repair or replacement process, the greater is the resulting downtime.

Given our exposure in handling various similar claims of the insured, we were convinced that the stage-wise approach though correct, considerably delayed the overall restoration process. Our long-standing relationship with the insured as growth and risk advisors prompted us to bring about a strategic shift in the way risks were interpreted and solutions were tailored.

Maze 1: Enabling early logistics activation

For the mobilisation of cranes and equipment, the insured's team was guided to initiate the preparatory work while the OEM investigation and RCA were still in progress. This included developing access pathways required for the movement of cranes and trucks.

Result: Time saving of approximately three weeks



Maze 2: Conducting concurrent negotiations & surveying

While the insured's team engaged in contractual descoping and vendor finalisation, the access pathway development had already been completed. This enabled our team to initiate the road survey and finalise the selection of a crane with an appropriate capacity.

Result: Time saving of approximately two months

Maze 3: Enabling simultaneous mechanical installations & electrical cabling

During the later stages of decommissioning the windmill, Team Prudent facilitated the electrical cabling activities within the lower tower sections along with the ongoing mechanical erection of the upper components.

Result: Time saving of approximately two weeks

By identifying and executing parallel workstreams and minimising avoidable idle periods, Team Prudent enabled the insured to achieve a time saving of approximately 3–5 months. This structured intervention not only streamlined the restoration process but also facilitated the early reinstatement of the windmill leading to the resumption of power generation well ahead of the originally anticipated schedule.

Result

Through a structured mapping of the timeline, it was effectively demonstrated that:

- The delays were procedural and process-driven, rather than a result of deliberate negligence
- Dependencies on the OEM and the intricacies of compliance statutory requirements were integral and unavoidable components of the restoration process

Team Prudent maximised the assessment for the surveyor by:

- Providing clear event to generation loss linkage
- Submitting detailed downtime calculation (days & hours)
- Offering parallel execution impact analysis
- Sharing OEM correspondence and commissioning certificates
- Ensuring the acceptance of the BI period from date of loss to actual generation start, including troubleshooting delays (DC link faults)



Key Learnings

In cases like this where the business interruption loss is higher than the claim amount, we need to:

- Help the insured prepare & maintain a pre - approved emergency restoration playbooks
- Keep critical electrical diagnostic spares onsite
- Adopt parallel execution as standard SOP for major losses
- Facilitate a strong coordination between operations team of the insured, OEM, and insurer

Crux

Our role as a broker partner should extend beyond protection and recovery to include dialogues about prediction, prevention, and readiness. We have to understand that businesses are typically more focused on expediting the restoration of their operations than on pursuing claims. Therefore, we have to shift from suggesting anecdotal/incident-based risk management strategy to actionable insights on emerging vulnerabilities and shifting priorities.



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Prudent Insurance Brokers Pvt. Ltd.

PRUDENT INSURANCE BROKERS PVT. LTD.
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