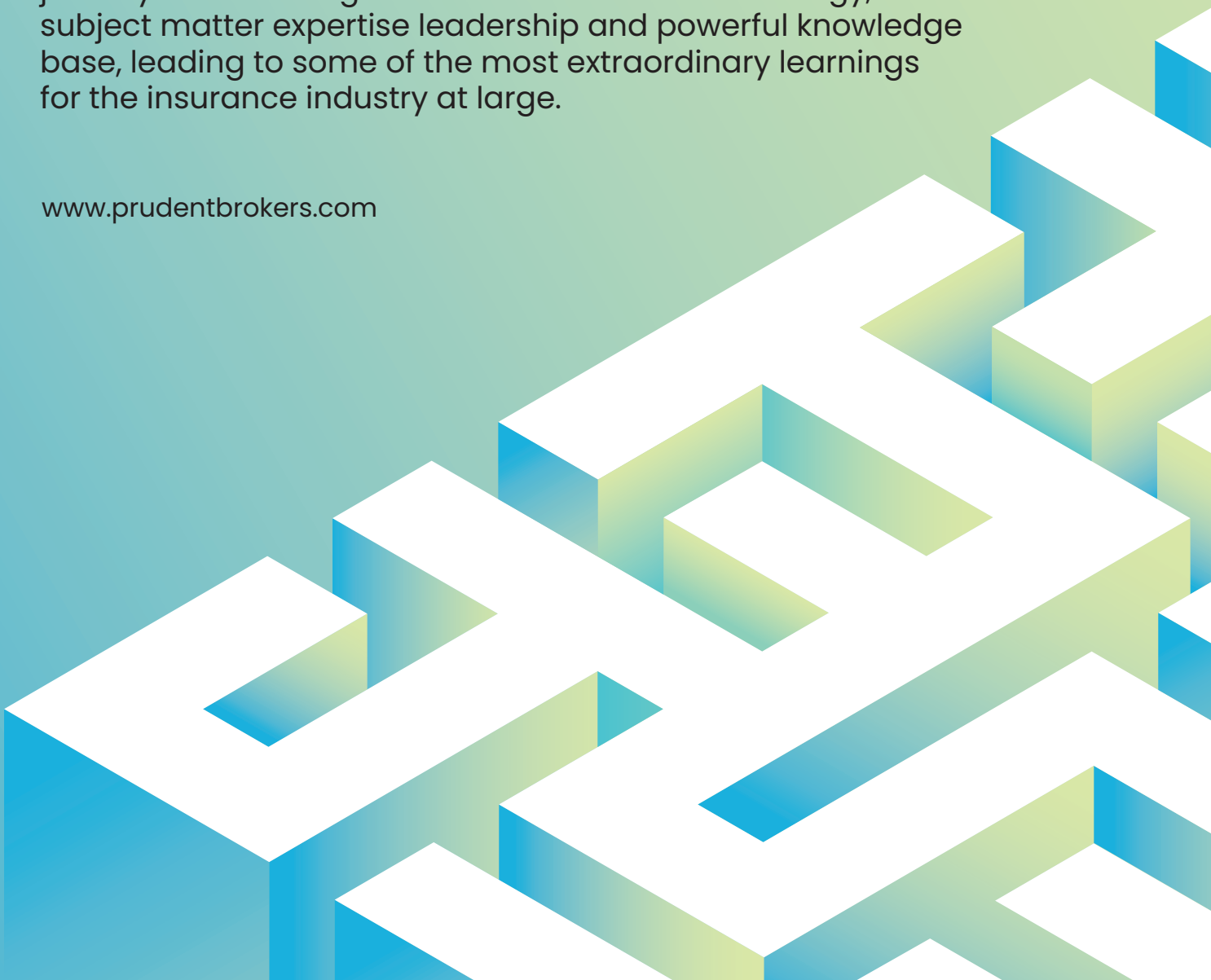


MAZE^{TO} AMAZE

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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POLICY TYPE:

Business Package Policy (SFSP)



KEY PLAYERS:

The Insured: The client is a manufacturer and supplier of various parts catering to the Automotive & Aviation industry



The Insurer: One of the country's leading players

The Starting Point

The Client had imported some critical components and, due to some exigency, had to temporarily store them at the '**Customs Bonded Warehouse***'

One ill-fated night, there was a massive fire at this Bonded Warehouse*, and the entire stock of imported goods at this warehouse got gutted. The insured sustained a loss to the tune of approx. INR 1.50 Cr and as the goods were yet to reach the specified destination, they initiated the claim under their Marine Cargo Policy.

**A bonded warehouse is a site where imported goods may be stored or undergo manufacturing operations before customs have processed them. When the goods have been delivered to their next destination, all applicable duties become payable.*

The Roadblock

The insured filed the claim under their Marine Cargo Policy with the understanding that as the goods had not yet been delivered to the final destination (Transit coverage ends upon delivery of goods at the location) as the transit coverage was still active. The claim intimated under the marine policy however got rejected as 'Intermediary Storage of goods whilst in transit' falls outside the scope of the Marine Policy Coverage.

The Dead-end Impact

Apart from the Marine Cargo Policy, the insured also had a Bharat Sookshma Udyam Suraksha (BSUS) Policy for stocks on floater basis of named locations, however a 'Custom Bonded Warehouse' did not fall under the coverage of the Stock Policy either. It was evident that this major fire claim could not be considered either under the Marine Cargo Policy or the existing BSUS Policy for stocks. The insurer declined the claim, and the client was intimated that the claim was not admissible under both policies.

A Twist in the Tale

Despite the circumstances, the Prudent's Claims team intended to help the client and therefore, they reviewed the client's overall insurance portfolio which was placed with us in parallel. It was then tracked that the client had taken another 'Business Package Policy' for their factory and stocks with a second insurer in which Prudent's team while getting the coverage had in an earlier instance recommended that Client should also avail few additional 'Add-on-Cover[^]' especially one for the 'Unnamed Locations'.

Navigating through the Maze to Amaze[#]

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

Maze 1: Prepared for 'No Coverage of Loss'

After reviewing both the Marine Policy and Bharat Sookshma Udyam Suraksha (BSUS) Policy, it was understood that neither of these policies would hold coverage for the claim. Team Prudent sensitized the client that a marine policy does not hold any coverage for 'Intermediary Storage of stocks whilst in ordinary Course of Transit,' and although the BSUS Policy was available on floater basis, but it extended cover for the named locations only. Hence, the insurer in most likelihood may deny the claim.

This helped in Client mind set being prepared for the denial of such a large claim and it did not come as a shocker.



Maze 2: Covered Through 'Add-ons' in Policy[#]

Prudent team suggested the client to parallelly also initiate the claim additionally to another insurer in their overall portfolio where they held policy under the 'Business Package policy for Factory' (which covered assets & stocks).

This suggestion of not holding till Marine/BSUS Policy claim was rejected turned fruitful in two ways:

1. There was no delay in intimation to insurer of the Business Package Policy
2. As this policy held Add-on[^] covers especially for 'Unnamed Locations' (availed by client on recommendation of Prudent's team) the same was invoked and loss was deemed admissible by the insurer despite the warehouse being a 'Bonded Warehouse' not owned by the insured

Even during the claim process there were few agreements and documents specific to the Bonded warehouse sought by the surveyor and same was delaying the process. Here again our team pitched in to highlight the 'Waiver of Subrogation'^{*} clause under the policy

Also, the surveyor requested certain documents from the bonded warehouse during the documentation process. Our team provided these documents, highlighting relevant policy clauses such as the 'Waiver of Subrogation'^{*}.

*A waiver of subrogation clause in a business package policy prevents an insurance company from seeking reimbursement from a third party after compensating the insured.



Results

An add-on which came with no extra premium saved the client from a significant financial loss of close to INR 1.50 Cr. Generally, an add-on of 'Unnamed location' is not availed and what is even more ironic is that this 'Add-On' comes free of cost with the policy.

During the renewals, Team Prudent not only focusses on pricing but we also lay great emphasis on detailed review of the client's operations with inter department involvement by discussions with Loss Control and Claims team members so as to ensure coverage is adequate by recommending suitable covers and appropriate add-ons thereby putting best efforts in securing them against all probable risks.

We strongly believe that when one option fails, always explore alternatives to mitigate the client's loss. In this case, maintaining the client's overall portfolio enabled us explore coverage of the loss in alternate policy thereby a solution could be worked out.

Key Learnings

- 1 If one door is closed, instead of giving up we need to explore other avenues and put in best efforts to make good a loss for the client
- 2 Wherever clients have transit policies and have a usual practice of intermediary storage, we must always recommend this coverage to be taken under the SFSP policy covering storage in customs bonded warehouse, container freight stations, if any
- 3 As a best practise, we need to redefine an Insurance Brokers role on just arranging policies on competitive rates but also recommend the best suitable covers and add-ons to secure any unforeseen events safely



Crux

As insurance brokers, we must not only have an in-depth understanding of policy conditions and warranties but also focus on maintaining close communication with our clients. This knowledge allows us to identify and recommend parallel policies that can provide additional protection. By being aware of all available options, we can help clients avoid unforeseen risks and ensure comprehensive coverage.



**POLICY TYPE:**

Comprehensive Motor Fleet Insurance Policy

**KEY PLAYERS:**

The Insured: The client is a key player in transportation with a fleet of different high-end trucks



The Insurer: One of the country's leading players

The Starting Point

There were two separate major accidents involving two trucks from insured's fleet at two different geographical locations (City 1 & City 2). The Insured Declared Value (IDV) of both these high-end trucks were INR 75 lacs each. Both the trucks had considerable damages and the repair cost for Truck 1 was estimated to INR 1.50 Cr and Truck 2 was estimated at INR 75 lac+. This led to the insurer declaring both the losses as 'Total Loss'.

The Roadblock

The damage of the two high-end vehicles had a considerable impact for the insured in more than one way:

- First, they had to suffer considerable loss as they had to claim for a 'Total Loss' and as per the standard norms, get a lesser value for the vehicles
- It had major impact on the business costs with two high-end trucks going out of circulation
- Motor fleet business is usually loss prone, and if the same is topped up with insured's two high-end vehicles having declared as Total Loss, it would have a strong impact on the Claim Ratio for the upcoming years renewal

The Dead-end Impact

In a usual scenario, the claim would be taken forward by the insurer by taking a basic scrap price deducting the same from the Insured Declared Value (IDV) and settling the claim on Constructive Total Loss basis. As a result, the insured would incur additional costs of daily parking charges at workshop (since vehicle was Total Loss and not getting repaired) along with additional charges on foreclosure of loan and RC cancellation etc.

[#]Disclaimer Apply



Navigating through the Maze to Amaze[#]

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

Maze 1: The PART Reconciliation

Team Prudent decided to not treat both the claims in silos and accordingly presented our suggestion to the insurer to try finding an amicable solution for both the claims with least burden on all involved parties.

We explained the insurer that both the trucks were of same make and model and therefore, it would be a beneficial equation if would be able to cross utilize the parts not impacted and try to salvage at least one vehicle.

Accordingly, cabin from Truck1 (which was majorly impacted) was removed and dispatched to City 2 workshop where Truck2 was reported post-accident.

The Claim for Truck 2 which was drifting towards Total Loss and fetching a nominal

scrap value was now re-calculated on repair basis and loss was finalised at INR 25 lac.

As a result of this decision, the insured could get the 2nd vehicle back in business within a very short span of time.

For the Truck 1 which had major damages, the balance parts were sold as scrap and claim was concluded in most cost-efficient way.

Even the repairer who normally in 'Total Loss' cases earn no revenue had a good revenue with the Truck 2 getting repaired. We received full co-operation from the insurer & our suggestions during the entire process were taken as a welcome proposal by all parties.



Result

The suggestion of not treating both claims in silos helped all parties and it turned to be a unique solution leading to a win-win situation for all. Here's why:

- The insured got back his vehicle and saved on his business loss, foreclosure charges, RTO & insurance expenses, and delay in settlement
- Impact on claim ratio was minimised
- The insurer was also able to save more than INR 50 lacs
- The dealer received his share of the revenue from repair work

Key Learnings

We must never seek closure just by getting the claim settled for the client. As representatives of the client, we

must nurture technical skills so that the claim is assessed in all possible dimensions. We must think out-of-the-box to help the client with cost savings.

Crux

Directing a claim towards Total Loss may be the easiest solution to get a claim concluded but it may not always be the most viable option. We should also be mindful of the fact that at times even if a claim is settled, there are multi-dimensions to a loss in which all involved parties still incur high costs and suffer losses. This claim brought out a totally different avenue and was a complete win-win situation for all involved parties: insured, insurer and even the repairer



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For more details, connect with

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