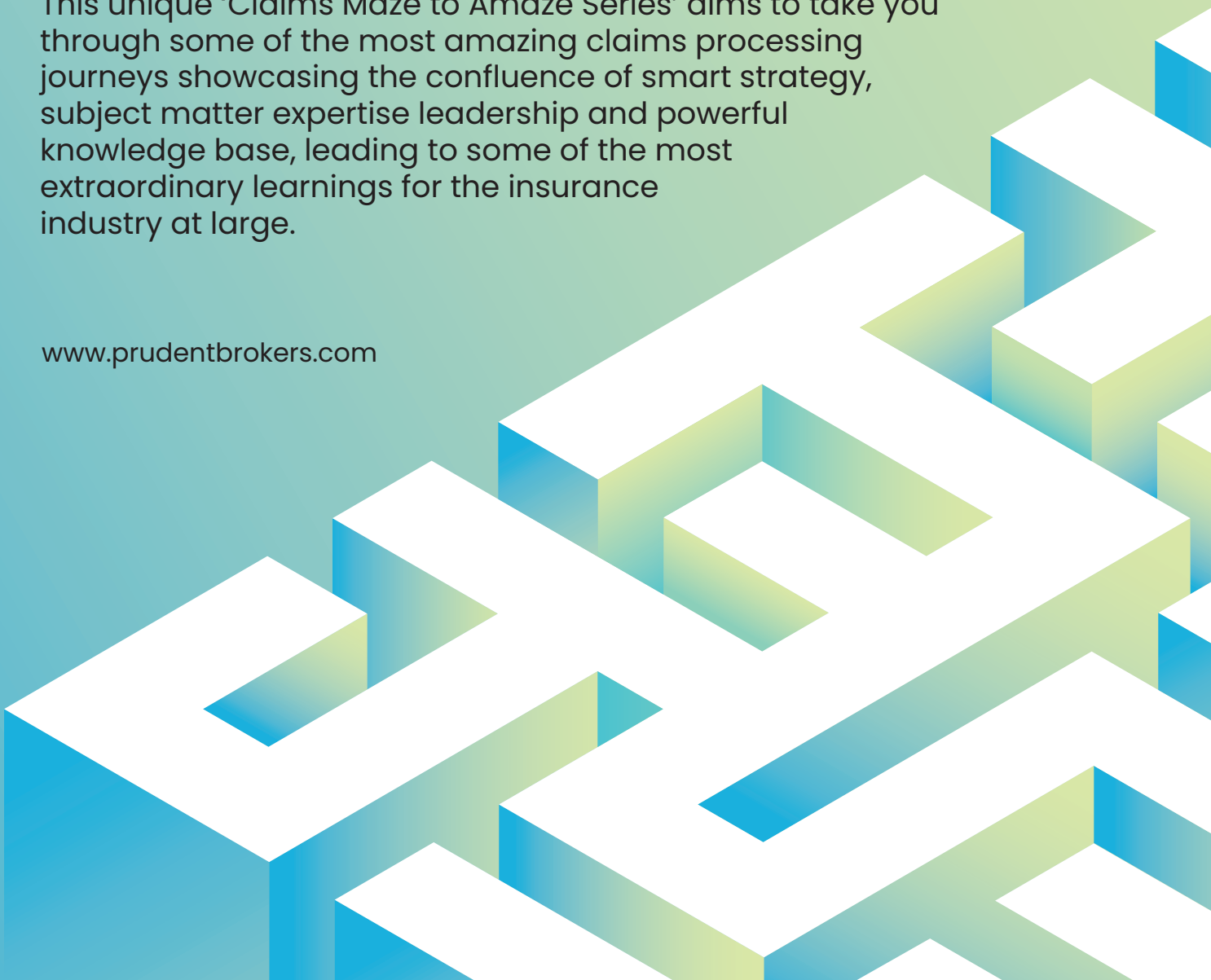


CLAIMS MAZE^{TO} AMAZE

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:

Marine Cargo Open Policy



KEY PLAYERS:

The Insured: The insured is a renowned name in the field of imported honing machines & spares

The Insurer: One of the country's leading players

The Starting Point

The insured had arranged to import machinery via air mode to supply to one of their vendors in India. The machinery weighing 5.5T had to be shifted from the airport's customs premises to their CHA's (Customs House Agent) office at a distance of 2 kms (approx) for further packing so as to sustain the domestic transit. In the process, it fell down from the vehicle and got completely damaged. The insured sustained a of approximately INR 3 Cr, and a claim under their Marine Cargo Open Policy was initiated.



The Roadblock

The most critical challenge in the entire claims process resulted from the clear lack of supporting evidence towards the root cause of the fall of the machinery from the carrying vehicle. The damaged machine was brought to the CHA's (Customs House Agent) premises & the insurer survey arranged.

Key challenges that were encountered in the claim.



There was a glaring lack of evidence on whether the machine was adequately lashed during the transit since the packing & lashing was already disposed.



The dimensions & the weight of the machine, along with the accessories were presumed to be more than the carrying weight of the vehicle. To add to it, the vehicle documents to substantiate the laden & unladen weight were not available with the insured.

Given the said challenges and the non-availability of supporting evidence, the surveyor's decision was inclined toward rejection.

The Dead-end Impact

Unsuitability or insufficiency of Packing/Stowage- Reference was made to the specific exclusion 2.3 of ITC 'A' (Inland Transit Clause-A) quoted by the surveyor that states that 'loss damage or expense caused by insufficiency or unsuitability of packing or preparation of the subject-matter insured to withstand the ordinary incidents of the insured transit where such packing or preparation is carried out by the Assured or their employees or prior to the attachment of this insurance (for the purpose of these clauses "packing" shall be deemed to include stowage in container, land conveyance or railway wagon and 'employees' shall not include independent contractors)

With this clause as the foundational argument, the surveyor presumed that there was no lashing to the shipment, and that the shipment also fell within the definition of ODC (Over Dimensional Cargo), clearly intending to reject the claim.

Navigating through the Maze to Amaze

The moment the challenges in the claim were noted, the Prudent team promptly sorted and sequenced the issues to address each problem at hand:

Maze 1: Determining the Category of Consignment Overloaded/ODC

At first, the ODC matter was addressed. In the absence of the vehicle registration certificate detailing the standard specification of the load body of the carrying vehicle, as an alternate Prudent team undertook the detailed study of the load specifications from the OEM website was presented to the surveyor who accepted the representation and agreed to condone the ODC aspect.



Maze 2: Addressing Exclusion 2.3 of ITC 'A' (Inland Transit Clause-A)

It was a difficult fact to accept that a machine with such large dimensions was put to air transit in a 'bare' form with only plastic cover and no lashing. Hence, the overall history of past transits, undertaken while importing similar machines, was reviewed.

After several rounds of discussion with the insured's team, it was brought to light that there was an imminent difference in approach when machines were dispatched via sea and air route. The machinery imported via sea route came well packed, secured in

wooden crates. On the contrary, in case of air route, no such packing was involved. Hence, upon landing, the CHA would arrange to move the machinery to their warehouse (2 kms from airport) for wooden packing to sustain the onward road journey.

Understanding this aspect of packaging gave us a better perspective to put forward to the surveyor/insurer. The section where the exclusion clause did have a mention of insufficiency of packing/stowage was not read in totality. This was because the subsequent lines of the exclusion specified that it held true only where such packing/stowage or preparation was carried out by the insured or his employees or prior to attachment of insurance.

In the given case, the packing exercise was done by the CHA with no involvement of insured or their representative. Hence, the quoted exclusion clause did not hold good making it incorrect to hold the insured liable or trigger this exclusion. Also, the stowage was carried out during trans-shipment and not before the commencement of transit.



Result

To further support our stand, statements from the CHA along with further photos of the machine helped putting surveyor's presumption to rest. All our submissions to the surveyor and the insurer were gracefully accepted by both. Furthermore, the claim was admitted in the policy. This was only possible after an in depth study of insured's operations, co-relating it to policy T&C. It helped Team Prudent connect the dots and logically represent & get an agreement both from surveyor & insurer.

Key Learnings

1

We must aim to have a complete understanding of the insured's processes and reasonings so that the case can be represented with absolute clarity. This involves handholding the insured to recognise the blind spots inherent in their own processes

2

A thorough, in-depth interpretation of the policy wordings and exclusions must be done and not just a reference to part of the wordings/exclusions favouring a single party. The entire approach seals the fate of the claim

Crux

In any scenario involving large value/critical machinery or goods, dealt by any party other than the client, it is always advisable to educate the insured to arrange photography & videography at all stages where insured's representative is unavailable. This acts as a saviour in any future claim event.



The Recommendation Roadblock



POLICY TYPE:

Udyam Suraksha Policy (SFSP)



KEY PLAYERS:

The Insured: The insured is a key player in the seafood processing market

The Insurer: One of the country's leading players

The Starting Point

As part of their operations, the insured stored stocks of seafood, meat, and other consumables in a temperature-controlled environment. Torrential rains and flood waters submerged the premises up to 4.5 feet, burying the stocks under the slurry for almost 3-4 days.

The insured's loss amounted to a staggering INR 6.50 Cr, and the claim was initiated under their Udyam Suraksha Policy (SFSP). While the water receded, the cold storage machinery broke down, and the entire material lying in cold storage was damaged due to the non-functioning cold storage systems.

The Roadblock

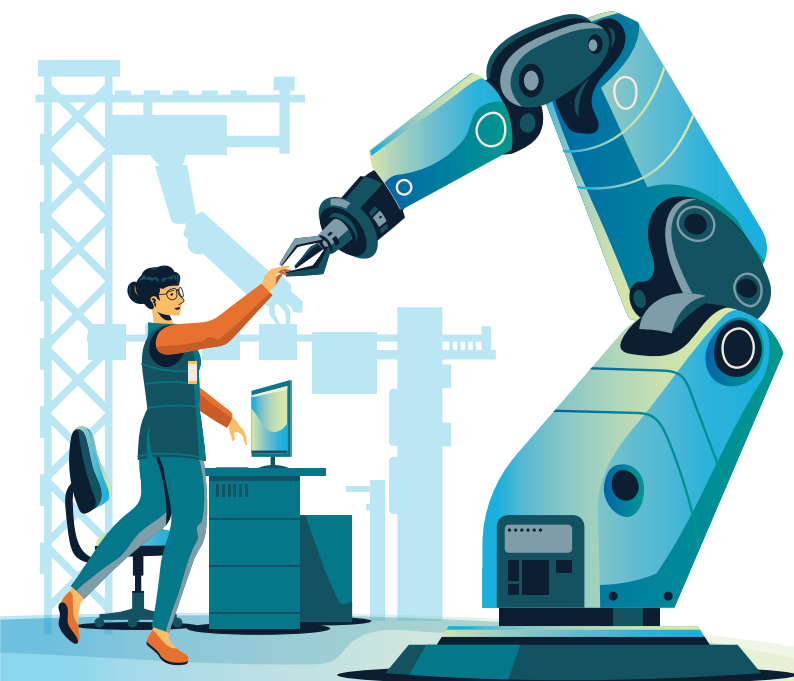
1. Identifying the quantity of material damaged due to the breakdown of cold storage/chiller machinery. Unfortunately, here the insured had not opted for Deterioration of stocks (DOS) cover despite our recommendations at the time of placement of the policy.
2. To add to the woes, goods were improperly classified in insured's books of accounts. The resultant initial loss was also assessed lower than actual suffered loss in the surveyor's initial report.

The Dead-end Impact

The surveyor, in his initial findings bifurcated stocks into two parts viz, raw material & finished goods, and accordingly applied unit rates to assess the loss.

The surveyor further distinguished on the quantities affected due to entry of flood water as well as due to stoppage of chiller in his JIR* (Joint Inspection Report).

*JIR is a document prepared by surveyor at the time of survey recording the facts of damages.



Navigating through the Maze to Amaze

Maze 1: Preparing for Partial Denial

After reviewing the Udyam Suraksha Policy (SFSP), it was understood that in spite of persuasion by Prudent Team, the insured had voluntarily opted not to take coverage under "Add-On : Deterioration of Stock (DOS)" for the stocks affected by temperature variation.

Team Prudent sensitised the insured that in absence of DOS cover, SFSP policy would not hold any coverage for damages on account of change in temperature. Hence, the insurer in most likelihood would deny considering the stocks that were affected by the change in temperature.

This helped the insured understand the facts regarding the denial of a portion of such a large claim, and remain mentally prepared at the time of F&F settlement.

Maze 2: Revision of Claim Assessment

Despite the circumstances where it appeared to be a straightforward case, Prudent's Claims team intended to extend full support to the insured by reviewing their business model in detail. The key was to understand that in their books of accounts, they termed semi-finished goods also as raw material and this when taken into calculation was reducing the loss quantum.

We had to convince the surveyor & the insurer w.r.t the method of arriving at the assessed loss under three heads depending on the state of stock i.e raw material, semi-finished & finished goods, and getting revised calculation thereof.

Accordingly, our team did the back calculations to arrive at unit rates for semi-finished goods considering the stage in between goods being raw material to semi-finished and finished goods state.

Our team convinced the surveyor to assess the loss by considering the derived unit rate of semi-finished goods which led to enhancement in the loss assessment to the tune of INR 60 lac.

Maze 3: Coverage Discussion While Availing Policy

It is always advisable to guide the insured to avail maximum eligible coverage available in the policy. Although we could not get the insured to avail the "Deterioration of stocks (DOS) Add-On cover and it did have a considerable impact on the final loss.

While taking the policy, Prudent team had also suggested to avail "Floater Coverage" for the stocks stored across the country, which helped the client to avoid the underinsurance factor and enhancing assessment.

#DOS - It covers the damage to or loss of stored goods, that are normally housed in a controlled environment, e.g. temperature, humidity or air quality controlled.

Result



During the renewals, Team Prudent not just focused on pricing but also laid great emphasis on a detailed review of the client's

operations with inter-department involvement through discussions with Loss Control and Claims team members. This was to ensure that the coverage was adequate by recommending suitable policies and appropriate add-ons, thereby putting the best efforts in securing them against all probable risks.

Generally, a floater cover is not availed by insureds unless they understand its implications in detail. In the said case, we had various meetings where this was discussed & the implications explained. Hence, at the time of claim with the "Floater Cover" available, it saved the insured from a significant financial loss of INR 1.30 Cr.

It was also well noted by the insured that in case of food industry involving process/storage in a controlled environment, adequate coverage must be recommended at the inception of policy. Not opting for mandatory add-ons to save on the premium could result in a huge financial loss at the time of any eventuality.

Key Learnings

1

We should handhold our clients during all stages of claim. Merely because there is some mechanism not devised/available at client end (in this case the pricing of semi-finished goods), we should not accept the loss valuation but find alternate means to help best minimise the impact of loss to the client. If logically presented to surveyors, reasonable acceptance is also received from their end.

2

As insurance brokers, we must thoroughly understand policy conditions and warranties and 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.

Crux

When businesses face losses, they often discover their insurance coverage falls short of the actual costs. Most businesses are critically underinsured* as they often attempt to reduce their premium costs, and it is crucial to help your clients understand about the pitfalls of being underinsured and the severe consequences thereof.

*Underinsurance refers to a situation when your stocks are insured for a lower value than their current price.



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