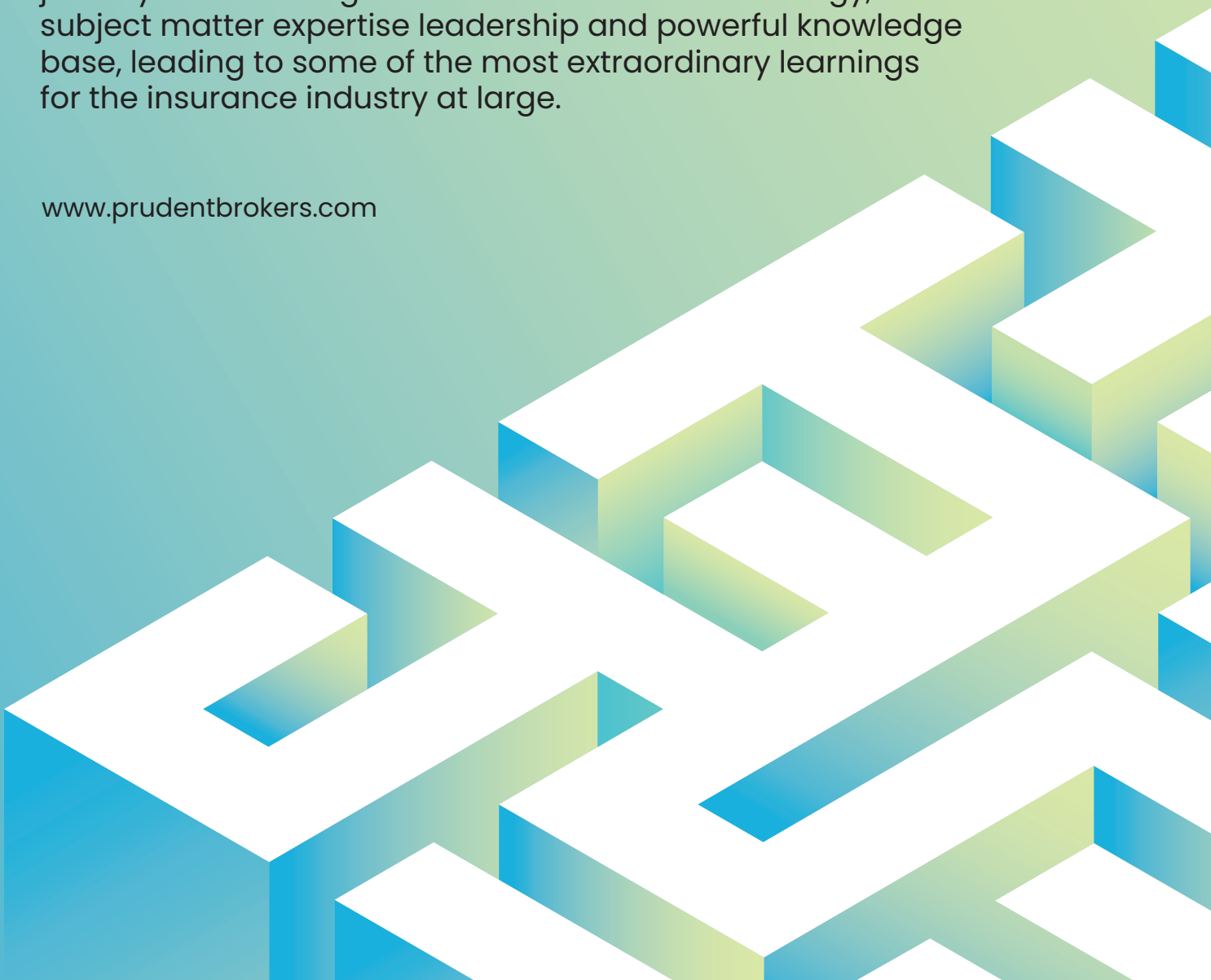


# MAZE<sup>TO</sup> AMAZE

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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# Revealing the 'Visible' in the 'Invisible'



## POLICY TYPE:

Marine Import Export Open Policy



## KEY PLAYERS:

**The Insured:** The insured is a key player in the F&B industry

**The Insurer:** One of the country's leading players

## The Starting Point

The insured was transporting 700 bags of its food premix from the west zone to their production plant in northern India. During transit, one of the second but last right side tyre caught fire. On spotting the same from the rear-view mirror, the driver pulled the vehicle near a roadside food outlet and doused the fire with buckets of water. Although the matter was reported to police, no fire brigade was called in.

On reaching the destination, the bags were destuffed in presence of the surveyor, revealing an impact on 40 bags in burnt condition with soot marks. The remaining 660 bags were noticed without any apparent physical damage.

The insured claimed total loss valuing to INR 1.30 Cr.

## The Roadblock

Though apparently simple, this claim involved a complex interplay of factors such as:

- The total truck was not engulfed in fire
- No fire brigade report was lodged
- No pre-analytical variables of the premix were available as they were not finished goods
- Surveyor restricted his findings of loss to 40 bags (where burn & soot marks were noted), whereas the insured claimed a total loss of all 700 bags
- Zero salvage value could be fetched as the commodity was premix & not the final product

## The Dead-end Impact

The theory of loss hinged on the proof that the consignment was affected due to the fire, though the physical external state of only 40 bags out of 700 bags had burn/soot marks. One of the greatest factors in the case that stood as a deadlock was the lack of pre-analytical parameters required for the analytical test to prove the deviation in the product, leading to the loss. In addition, the impending analytical test could not be conducted as the insured was barred from divulging the formulae of the premix as it was their trade secret.

## Navigating through the Maze to Amaze

In this scenario with no party ready to accommodate, the claim was held up for three to four months.

The Prudent team then decided to break the ice and adopted an innovative approach, by ditching the traditional parameters of proving a loss to the consignment.

### Maze 1: Orchestrating a multi-disciplinary approach to reveal the concealed

1. Team Prudent leveraged the physics principle of thermal conductivity to explain both the insurer and the surveyor that the metal body of the container can absorb and transfer heat as it is a thermal conductor.
2. Based on discussions with the insured on the components of the premix, it was found that emulsifier was one of the critical and sensitive ingredients in almost all premix products.
3. Our team approached various emulsifier suppliers and gathered the feedback that exposure to high temperature affects the quality and functionality of emulsifiers. The same was reflected in the evaluation sample that was tested in an R&D pilot plant.
4. During this process, the team also met the quality personnel at the insured's plant and understood the standard rejection process that involves a unique sensory test known as Organoleptic Test \*\*
5. After understanding the entire background, our team represented the case to the insurer and requested for a resurvey by the surveyor, in presence of the quality personnel. On the basis of the Organoleptic Test report, the surveyor was convinced to consider the entire loss, post five months of the incident.
6. Team Prudent also arranged for product artwork of the finished products for which the premix was used. This further confirmed that the emulsifier was the key ingredient in the premix and exposure to heat can impact its quality and functionality. Since it had to be used for creating a finished edible product, the insured completely denied utilising it considering the health hazard it posed along with the possibility of a large liability that would have tainted the insured's brand.

\*\*In organoleptic test, a team of eleven people smell the product for any deviation and evaluate with points individually.

### Maze 2: Maximising the surveyor assessment

The surveyor was initially adamant for considering the loss to only 40 bags out of the 700 bags. As a result of our logical & theoretical representation of facts in addition to the detailed testing, in their presence, they were convinced to consider the entire loss. This led to enhancement of the loss from mere INR 6 lacs to almost INR 1 Cr. Moreover, we also convinced the insured to remove the two categories of premixes from the claim which cleared the sensory tests along with a marginal salvage of 5% since the commodity/premix could not be salvaged to outside party. This led to a saving of approx. INR 30 lacs for the insurer.



### Results

Based on the surveyor findings, the initial loss was finalised to the tune of INR 6 lacs. As a result of our detailed analysis and unique representation, the loss was concluded at INR 1 Cr. Furthermore, there was point in time when the insured was adamant on no salvage for the affected consignment. Owing to our logical persuasion, the insured agreed for a marginal salvage deduction of 5%, considering that there were two categories of premix which had cleared the QC test and could be removed from the final claim. This helped in bringing down the loss amount & a substantial saving close to INR 30 lacs in favour of the insurer. In a claim, it is always vital to ensure that the resolution brings in a win-win situation for all the stakeholders involved.

Prudent's claims team ensured that the final resolution was amicable and in favour of all with not just the loss getting covered, but also creating an opportunity for a major saving to the insurer as well.

## Key Learnings

After initial survey in the month of August, the claim was delayed majorly to establish that not just 40 bags but the entire consignment comprising of 700 bags was impacted because of the fire. It was only when a scientific explanation was discovered outside the scope of insurance, that the loose ends could be tied to form the reasoning behind the quantum being sought by the insured.

Sometimes a loss scenario might appear as a totally open & shut case. Understanding the product, client's operations, and thinking outside the box, when traditional methods fail, can be very useful. This case was a clear demonstration where a multi-disciplinary approach, clearly outside scope of insurance & policy coverages, was adopted. Not only the chemical composition of the product in question was studied, but the principle of thermal conductivity was applied to reach a logical reasoning.

As an insurance broker, it is important to buckle down to evaluating claim parameters to the micro level to understand the product affected and to establish the foundation required to prove the same.

## Crux

For clients dealing in specialised commodities/product, it is important for the underwriter to pay significant attention to unique trade practices whilst designing the cover. The specific clauses, favouring the handling of the case in a claim scenario, needs to be predefined to provide cushioning to both the client and the insurer.



# Deconstructing the Debris



## POLICY TYPE:

Erection All Risk



## KEY PLAYERS:

**The Insured:** The insured is a key player in the renewable energy sector

**The Insurer:** One of the country's leading players

## The Starting Point

The insured owns solar farm sites in different blocks where solar power plant erections are carried out along with shifting of their packing material/solar module scrap (by the third-party agency) as a part of their routine operations.

On the ill-fated day, during the usual activity of loading of the packing material/scraps, one of the trucks suddenly caught fire. In a state of hurry and with the intent of preventing further spread of fire, the driver of the truck immediately drove the truck towards the entry/exit gate of the site. In spite of the thoughtful action, some of the packing material/scrap (that had already caught fire) fell from the truck and damaged the surrounding solar modules along with the other project material in two blocks at the project site. This damaged almost 600-700 modules which were already erected along with 3500+ modules which were on pallets, scheduled to be erected, causing a major loss to the tune of approximately INR 6 Cr.

## The Roadblock

The biggest challenge in the claim was the 'quantification of loss' as everything was gutted in fire. Moreover, during the firefighting exercise, a considerable amount of sand was sprinkled on the modules, making it difficult to quantify the affected modules. Post the loss, even the surveyor had to carry out multiple visits to quantify the modules damaged and various methods were used to quantify the loss. Irrespective of the various attempts, the loss of 4000+ modules, as per the insured's records could not be physically quantified accurately on comparing with the debris post fire.

To top it, the comparative study of the weight of the burnt module debris, (4940 kg) vis-à-vis the average weight of a normal module (2.56 kg), as conducted by the surveyor, concluded to the loss of 1930 modules (4940/2.56). Due to our representation, the surveyor agreed to include the erected modules which further brought the damaged modules count to 2200.

## The Dead-end Impact

The report from the OEM, that confirmed the estimated frame weight of solar modules to be somewhere between 2.07 kg to 2.15 kg, further helped in increasing the count of damaged modules from 2200 to 2400. Still there was a gap of 1600 modules.

## Navigating through the Maze to Amaze

In this scenario, our representation played a critical role in methodically and accurately quantifying the loss, ensuring that the insured received a fair compensation to the loss incurred. The matter was stuck in bridging the huge gap in insured's claim of 4000 modules & surveyor's analysis of 2400 modules.

### The Maze: Bridging the gap through multi-dimensional approach

Team Prudent carried out various rounds of discussion with insured's technical team & the OEM. These discussions proved beneficial in terms of arriving at a scientific fact-based reasoning on the gap in actual damages and mathematically derived damages. This was further verified through detailed study of websites. Based on the research findings, we presented a logical theory in the form of chain of events explaining the weight difference to the surveyor/insurer.

#### The logical reasoning:

The frames of the solar modules were made up of aluminium which has an inherent property to lose its weight when exposed to high temperature (in this case, fire). In the said incident, fire led to the subsequent rise in temperature, leading to the process of combustion and oxidation of aluminium to form aluminium oxide ( $\text{Al}_2\text{O}_3$ )

It is an established fact that aluminum oxide ( $\text{Al}_2\text{O}_3$ ) can exist in both crystalline and amorphous forms which does not have a well-defined crystalline structure. It may be in a powder or in the form of thin films or coatings that gets easily separated from aluminium frame structure. Furthermore, aluminium oxide has a lower density than aluminium. This further explained the variation in the weight from the claimed to apparent derivable weight, post loss. It was then concluded that the aluminium frames of the solar modules had lost the mass, resulting in considerable weight reduction.

The specific percentage of weight reduction can vary between 20% to 50%, based on the temperature and duration of the fire. This was safely assumed to be around 35% for the frames used in the PV modules.



### Results

Since the loss was genuine and a major one, the insurer arranged to release on account payment (OAP) of INR 1.25 Cr within few months of loss. As a result of our detailed claim representation, backed by facts and consistent dialogues (with both the insurer and the surveyor), the insurer agreed on reviewing the claimed quantum. Furthermore, they duly agreed to include complete claimed quantity as loss in the claim and paid for the complete loss to the tune of approximately INR 5.6 Cr.

### Key Learnings

As an insurance broker and subject matter expert, it is very important for us to deep dive in our clients' products, its make/contents, functionality, physical & chemical attributes. A detailed understanding of the product helps in developing an effective representation of the claim.

### Crux

We should consciously work beyond what is apparent because that may not always be actual. Trusting our clients and detailed study of their product helps us find solutions, making way for a genuine loss to be considered in total. Insurers & surveyors duly support us at all stages provided our representation is backed with logical reasoning, backed by facts, figures, analysis, and well-proven theory. Only then can we truly support our clients in mitigating their complete loss.



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For more details, connect with

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