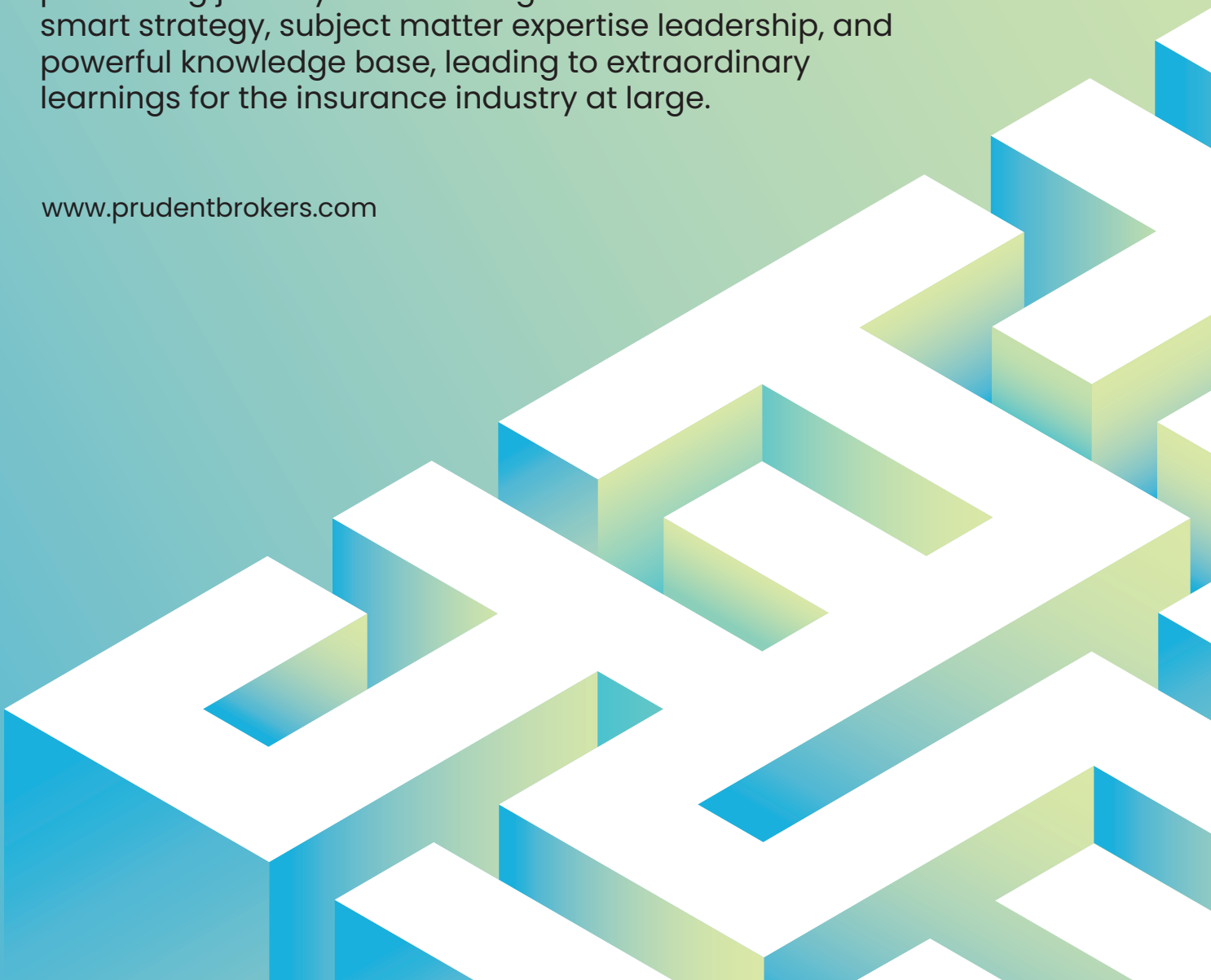


# MAZE<sup>TO</sup> AMAZE

S E R I E S

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

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# The strange case of convoluted cause



## POLICY TYPE:

Contractors Plant & Machinery (CPM) Policy



## KEY PLAYERS:

The Insured: One of the key players in the global logistics industry



## THE OEM:

One of the largest manufacturers of cargo handling equipment

## The Starting Point

On noticing a burning smell & subsequent smoke emanating from the engine cabin whilst the 45MT Reach Stacker Machine was under operation, the operator immediately stopped the machine. As he opened the cover over the transmission to check the engine, a massive fire broke out damaging the entire machine externally.

The insured immediately lodged a claim for damages to the 45MT Reach Stacker Machine.

## The Roadblock

The most critical challenge in the entire claims process was primarily due to the insured's inability to define the root cause of the fire outbreak. This lack of understanding further led to a generalised approach in which the entire incident was narrated to team Prudent, assuming that the fire resulted from the short circuit in the engine.

## A Twist in the Tale

The client has reported the incident initially to the insurer along with the OEM for their investigation. Post the survey, the surveyor sought for an item wise repair quote with the clear intent for pushing the case under the Exclusion no.2 clause. The OEM in their initial report mentioned the possibility of fire flaring up from the machine in an operational state with the engine running.

As a result, the quantum of loss was getting drifted more towards of the exclusion under CPM Policy that stated: ***'loss or damage due to electrical or Mechanical breakdown, failure, breakage or derangement, freezing of coolant or other fluid, defective lubrication or lack of oil or coolant, but if as a consequence of such breakdown or derangement an accident occurs causing external damage, such consequential damage will be indemnifiable.'***

## The Dead-end Impact

A generalised assessment of the incident, resulting from the short circuit in the engine, would have impacted the insured in a massive way.

Had this narrative moved forward, the claim would have been pushed under Exclusion no.2 clause (of the Contractors Plant & Machinery Policy). This clause categorically excludes losses due to electrical breakdown, rendering this engine damage claim completely null and void.

## Strategic Navigation Through Claims Maze

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



Connected with the insured's ground team to understand the root cause of the incident

1



Alerted the client to refrain from making generalised comment without any supportive proof

2



Orchestrated discussions between the client and the OEM to unearth the root cause, whilst having a complete understanding of the OEM surveyor report

3



Discovered that the leakage of pressurised fuel/ hydraulic oil, which came in contact with the running engine, led to the fire outbreak

4



Presented the cause of damage therefore to be restricted only to the internal part impacting the overall machine for which such an impact is external to the main area which was the origin of fire. Hence as per exclusion, the same was payable

5



### Point to be Noted

'If as a consequence of such breakdown or derangement, an accident occurs causing **external damage**, such consequential damage will be indemnifiable'.



### Result

The entire 45MT Reach Stacker Machine which was burnt due to incident was declared Total loss and entire claim was settled by the insurer.

## Key Learnings

Clients in the event of loss need to be guided and handheld through the entire claim process.

1

Our role as a broker should not just be confined to documentation but also understanding the loss technically so that the same can be justified to surveyor/insurer

2

We should foster a culture of forging partnerships with our clients and that pushed us to get deeply involved with the OEM, resulting in the prevention of a generalised narration of the root cause of the incident.

### Crux

It was with thorough involvement and understanding of the technicalities of the machine and also correct interpretation of Policy T&C vis-à-vis the item affected in question that loss could be concluded as admissible and also 'Total loss'.

# Fire, fire everywhere and Business Interruption (BI) cause did shrink



## POLICY TYPE:

Industrial All Risk covering Material Damage and BI with no MLOP add on



## KEY PLAYERS:

A certified crop protection active ingredients and intermediates chemical manufacturing company



## THE INSURANCE SURVEYORS:

One of the loss adjusting and claims management groups in the country

## The Starting Point

During the operational process of recovering alcohol from the mother liquor, the valve in the distillation kettle malfunctioned. This led to the build-up of steam causing excessive pressure, followed by fumes and blowing of the manhole cover. As a result, this overheated residue left in the kettle spilled out from the outlet over the chemical based raw material thereby, igniting the fire.

The insured lodged a claim for Material Damage to kettle, pipes, reactors, cables MD & also a BI claim for the said incident.

## The Roadblock

While material damage claim was admitted, discussions went around admissibility of BI claim.

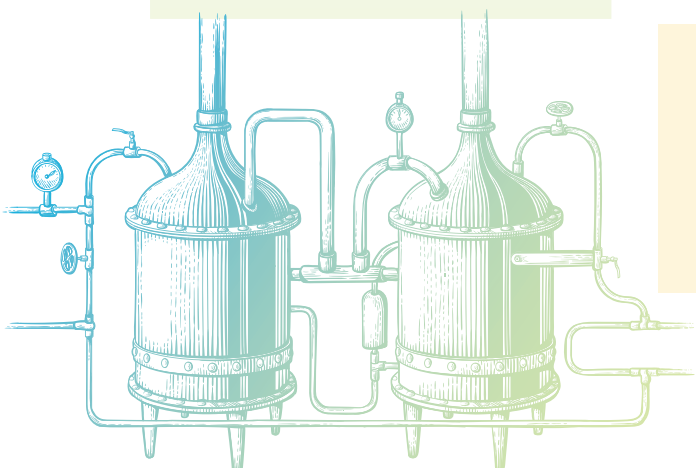
The distillation kettle works under certain pressure (above atmospheric pressure) and therefore, the same is classified under definition of pressure vessel. Basis this, the initial surveyor observation qualified for an exclusion under BI section leading the claim to not be tenable.

IAR Policy under BI Section (2) carries special exclusions under sub-section 1.4 that reads:

***"Policy does not cover loss of business interruption resulting from interruption of or interference with the business directly or indirectly attributable to: damage to boilers, economizers, turbines or other vessels machinery or apparatus in which pressure is used or their contents resulting from their explosion or rupture."***

## The Dead-end Impact

Had the explosion/bursting of manhole resulted in any physical damage to asset/stock, then this exclusion would have led claim not being tenable.





## Strategic Navigation Through Claims Maze

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



Presented a detailed report to the surveyor stating that the malfunctioning of the steam valve resulted in the build-up of the excessive pressure in the distillation kettle resulting into the blast opened up the manhole cover

1



Stated that the damage to stocks and the utilities including pipelines and outer body of reactor was primarily caused by fire when the residue fluid, at a high temperature, spilled over the stock & surrounding assets

2



Proved that the fire needs to be treated as the proximate cause and claim of BI is completely admissible and the quoted exclusion would hence not hold applicable to the said incident

3



### Result

Both the insurer & the surveyors, after lot of deliberations, agreed to our representation & honoured the BI claim.

## Key Learnings

As a broker, we need to understand two significant points.

1

Policy along with its exclusions needs to be thoroughly and deeply interpreted with the incident that has occurred

2

The primary reason for the damage, if interpreted & represented correctly, it can help convince the surveyor and insurer thereby, considerably reducing the financial hardship to the insured

### Crux

In chemical industry specially where machinery/pressure vessels are involved, it is always advisable to incorporate MLOP ADD ON as it deletes this exclusion 1.4 thereby, reducing loss impact on client's books.



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Insurance is a subject matter of the solicitation

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