

Quadrant II –Notes

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Module Name: Proximate Cause

Module No: 28

Proximate Cause one of the important principles of contract of insurance applicable to all branches of insurance. insurance is purely a business for the insurer and insurer will not pay indemnity just like that against all claims. Where the losses are caused by insured perils or whether the losses are caused by excepted perils. the cause of loss is extremely important.

It is applicable to all branches of insurance i.e., life insurance, marine insurance, fire insurance, etc., Insurers liability arises under the policy only if the cause of loss is perils insured against. it means insurer will not pay compensation or indemnity to the insured in case if the losses are caused by expressly excluded perils.

legal maxim Causa Proxima non remota spectator; It basically means proximate and not remote Cause of loss. There may be several causes responsible for a loss in a given situation but whether we are going to take up all those causes into account. It means the active efficient cause that sets in motion our train of events which brings about the results or the causation for that matter.

Test for determining proximate cause. where perils are acting consecutively in an unbroken sequence. where the peril acting consecutively in an unbroken sequence that is one peril is caused by another peril, in such a situation whether the insurer has a liability to pay compensation or not? if there is one peril that is the insured peril but no excepted perils involved, Insurer is liable for losses caused by the insured perils. If an excepted peril is involved and excepted peril proceeds an insured peril in such a situation, insurer is not liable.

excepted perils follow an insured peril, we have the presence of both the perils that is excepted perils and insured parallel. The insurer is not liable if the loss caused by each is undistinguishable. first of all, we shall be able to distinguish the amount of loss caused by which peril. If it is not possible to distinguish insurer has no liability to pay.

When perils are acting consecutively in an unbroken sequence each peril is independent of the other. If no excepted peril is involved, the insurer is liable for the losses caused by insured peril. If an excepted peril is involved and proceeds and insured peril, insurer is liable for loss caused by insured peril first of all, the insurer will see whether there is

any involvement of an insured perils or not, If there is an involvement, then in such a case only insurer's liability to pay indemnity will arise.

If excepted peril follows the insured peril as an independent cause, the insurer is liable only for the loss caused by insured peril up to the time of the intervention of excepted perils. perils acting concurrently; wherein the perils are acting concurrently Insurer is liable if one of them is an insured peril and none of them is an excepted peril. involvement of insured peril plays an important role that is where you can make insurer liable to pay compensation.

The loss caused by the insured and excepted perils can be distinguished. The insurer is not liable if the losses cannot be distinguished.

Exclusion of proximate cause rule, where wide terms are used in the policy exclusions such as directly or indirectly and so on. Whenever these terms are used in a policy, we can say that the exclusion of proximate cause rule. in the case of Cox versus Employers Liability Assurance Corporation. An army officer was accidentally run over by a train and killed when he was walking along a railway line during inspection of guards and sentries. This is an example of exclusion of proximate cause rule.