UNIT – 4

# Fire Agriculture Public Liability

Fire Insurance • Crop & Cattle Insurance • Micro Insurance • Public Liability Act 1991

Insurance Law

SYNOPSIS

# Unit Overview

This unit covers fire insurance principles, conditions and claims, the history and working of crop and cattle insurance in India, micro-insurance products, and the Public Liability Insurance Act 1991 together with the role of consumer courts and the Insurance Ombudsman.

LEARNING OBJECTIVES

# What You Will Learn

### 01 Fire Insurance

Nature, principles, conditions and claims

### 02 Crop Insurance

History, underwriting, claims and problems

### 03 Cattle Insurance

Features and challenges in India

### 04 Micro Insurance

Low-premium products for low-income groups

### 05 Public Liability

Act of 1991 – no-fault liability for hazardous substances

### 06 Redressal

Consumer courts and Insurance Ombudsman

# Nature and Scope

*Fire insurance is a contract of indemnity covering loss or damage to property caused by fire and allied perils as defined in the policy.*

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| **Basic Principles** | Indemnity, utmost good faith, insurable interest, subrogation, contribution |
| **Conditions** | Warranties on usage, fire-fighting equipment, notification of alterations |
| **Duties of Parties** | Insured – disclosure, prevention, minimisation; Insurer – prompt investigation and settlement |
| **Claims** | Notification, survey, assessment, payment or reinstatement |

# Some Legal Aspects of Fire Claims

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| **Proximate Cause** | Fire must be the proximate cause; explosion or spontaneous combustion may be excluded |
| **Average Clause** | Under-insurance leads to proportionate reduction of claim |
| **Reinstatement** | Insurer may reinstate instead of paying cash |
| **Fraud** | Wilful fire or exaggeration leads to repudiation |

# History of Crop Insurance in India

*Crop insurance has evolved from pilot schemes to the current Pradhan Mantri Fasal Bima Yojana (PMFBY) and Restructured Weather Based Crop Insurance Scheme.*

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| **Early Schemes** | Pilot crop insurance schemes from the 1970s |
| **NAIS / MNAIS** | National Agricultural Insurance Scheme and its modifications |
| **PMFBY** | Current flagship scheme – area-based, high subsidy, technology use |
| **Challenges** | Delayed claims, basis risk, awareness, data quality |

CROP UNDERWRITING

# Underwriting, Claims and Problems

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| **Underwriting** | Area approach, threshold yield, indemnity level |
| **Claims** | Crop Cutting Experiments, remote sensing, technology |
| **Problems** | Moral hazard, adverse selection, delayed settlement, high premium for some crops |
| **Cattle Insurance** | Mortality cover for cattle; challenges of identification, valuation and fraud |

# Micro Insurance in India

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| **Definition** | Low-premium, low-sum-assured products for low-income households |
| **Regulation** | IRDAI Micro-Insurance Regulations – simplified products and distribution |
| **Products** | Life, health, personal accident, livestock, crop |
| **Distribution** | NGOs, self-help groups, micro-finance institutions, common service centres |

# Public Liability Insurance Act, 1991

*The Act imposes no-fault liability on owners of hazardous substances for death, injury or property damage caused by accidents involving such substances.*

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| **No-Fault** | Owner is liable irrespective of fault or negligence |
| **Compulsory Insurance** | Owner must take out insurance covering the liability |
| **Relief** | Immediate relief to victims from the Environment Relief Fund |
| **Claims** | Application to Collector; later civil court for higher compensation |

REDRESSAL

# Consumer Courts and Insurance Ombudsman

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| **Consumer Protection Act** | Insurance is a service; deficiency can be taken to Consumer Commissions |
| **Insurance Ombudsman** | Quasi-judicial body for personal lines claims up to specified limit |
| **Advantages** | Speedy, inexpensive, informal |
| **Limitation** | Ombudsman award is recommendatory in some aspects but highly persuasive |

LANDMARK CASES

# Relevant Judgments

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| **Fire Cases** | Interpretation of average clause, proximate cause of fire, reinstatement |
| **Crop Cases** | Writ petitions on delayed claim settlement under government schemes |
| **Public Liability** | Cases on hazardous substance definition and quantum of relief |
| **Ombudsman** | High Court views on binding nature of awards |

SALIENT FEATURES

# Key Features

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|---|---|
| **Fire** | Indemnity + conditions + average + reinstatement |
| **Crop** | Area-based, subsidy-driven, technology-enabled |
| **Micro** | Simplified, low-cost, alternative distribution |
| **Public Liability** | No-fault + compulsory insurance + relief fund |
| **Ombudsman** | Specialist redressal for insurance consumers |

ESSENTIALS

# Core Points

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|---|---|
| **Fire** | Contract of indemnity with special conditions and warranties |
| **Crop** | Government-supported risk transfer for farmers |
| **Micro** | Financial inclusion through insurance |
| **PLIA 1991** | Social legislation for industrial accidents involving hazardous substances |
| **Redressal** | Consumer forums + Insurance Ombudsman provide accessible remedies |

DEEP DIVE

# Challenges in Agriculture Insurance

*Despite large-scale schemes, crop insurance in India still faces basis risk (difference between area yield and individual farmer yield), delayed claim payments, and limited awareness among small farmers. Technology (satellite data, drones, mobile apps) is being used to improve speed and accuracy.*

KEY HIGHLIGHTS

# Main Points

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|---|---|
| **Fire** | Indemnity, average, reinstatement, proximate cause |
| **Crop** | PMFBY, area approach, technology |
| **Cattle** | Mortality cover with identification challenges |
| **Micro** | Low premium, simplified products, alternative channels |
| **PLIA** | No-fault liability for hazardous substances |
| **Ombudsman** | Specialist consumer redressal |

PRACTICAL ISSUES

# Common Problems

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|---|---|
| **Fire** | Under-insurance, non-disclosure of hazardous processes |
| **Crop** | Delayed CCE, basis risk, premium subsidy delays |
| **Micro** | Low persistency, limited product understanding |
| **Public Liability** | Inadequate insurance limits, awareness among owners |

REGULATORY

# IRDAI Role

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| **Product Approval** | File-and-use for fire, engineering, agriculture products |
| **Scheme Oversight** | Coordination with government on crop schemes |
| **Micro Regulations** | Dedicated framework for micro-insurance |
| **Consumer Protection** | Guidelines on claim settlement and grievance redressal |

SUMMARY POINTS

# Must-Remember Points

- Fire insurance is a classic indemnity contract with special conditions and the average clause.
- Crop insurance in India is largely government-supported and area-based (PMFBY).
- Micro-insurance aims at financial inclusion with simplified low-cost products.
- Public Liability Insurance Act 1991 creates no-fault liability for hazardous substances.
- Consumer courts and the Insurance Ombudsman provide accessible redressal mechanisms.

SUMMARY

# Key Takeaways

1. Fire insurance principles remain foundational for property insurance.
2. Agriculture insurance is a critical social protection tool but faces implementation challenges.
3. Micro-insurance expands the reach of insurance to low-income groups.
4. Public Liability Act is an important environmental and industrial safety statute.
5. Effective grievance redressal is essential for public confidence in insurance.

Next Unit: Marine Insurance – the Marine Insurance Act 1963.