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ABSTRACT

The Proximate Cause Principle, or Causa Proxima, serves as a fundamental element in determining liability within insurance claims by identifying the immediate and most significant cause of loss or damage. This doctrine is essential in both legal and insurance frameworks, as it outlines the boundaries of insurance coverage and the responsibilities of the insurer. Within insurance, proximate cause refers to the leading and most influential factor that initiates a sequence of events resulting in a loss, while disregarding more indirect or distant causes. This principle is particularly relevant in cases involving perils such as fire, earthquakes, war, and other natural disasters, ensuring that claims are compensated fairly when the loss results from a covered risk. In the Indian context, proximate cause is also applicable in civil and criminal law, where it helps establish a direct link between a defendant's conduct and the damage suffered by the claimant. By focusing on the direct cause rather than secondary or unrelated factors, the principle promotes fair allocation of liability.

The use of this principle within Indian insurance and judicial systems plays a key role in ensuring consistent and equitable judgments. As insurance disputes grow increasingly complex due to factors like climate change, pandemics, and extreme weather events, there is a pressing need to apply this principle in a more dynamic and responsive manner. Accurately interpreting proximate cause enables Indian courts and insurers to navigate complex liability scenarios, ensuring just outcomes and protecting policyholders' rights. Additionally, legal precedents and reforms have shaped the evolution of this principle, reinforcing its significance

in linking actions to consequences and assigning responsibility and compensation. Its correct application is vital for achieving fair, reasoned, and legally sound decisions, and for minimizing the risk of unjust outcomes in both legal and insurance-related matters.

KEYWORDS

Proximate Cause Principle, Insurance Claim, Judicial Precedents.

INTRODUCTION

The doctrine of Causa Proxima, commonly known as proximate cause, is a cornerstone principle in insurance law. It plays a crucial role in determining responsibility and compensation in insurance claims by identifying the nearest and most direct cause of loss or damage. This concept ensures that the damage is directly linked to a risk covered under the insurance agreement. A thorough understanding of proximate cause is vital for both insurers and policyholders, as it establishes the scope of an insurer's liability and clarifies whether a specific incident is eligible for compensation.

Over time, the interpretation and application of proximate cause have developed through court rulings and legal precedents. As insurance contracts become more intricate, the correct application of this principle becomes increasingly important. It helps eliminate uncertainty in claim resolutions and promotes equity in determining liability. Moreover, it guards against unfair exclusions or unwarranted inclusions in claims, ensuring that both parties—the insurer and the insured—are protected within the agreed contractual framework.

The relevance of proximate cause in insurance claims cannot be overstated, as it underpins the fairness and accuracy of the claims process. It acts as a guiding mechanism in resolving disagreements between insurers and policyholders by clearly identifying the immediate origin of the damage or loss. In today's world, which faces growing challenges such as natural catastrophes, pandemics, and emerging risks, comprehending this principle is more essential than ever.

By providing a structured approach to evaluating claims, proximate cause ensures that insurers are held accountable only for losses that directly result from a risk outlined in the policy. Simultaneously, it shields them from being liable for events beyond the coverage of the policy. Furthermore, when accurately applied in both legal and insurance settings, proximate cause

supports consistent and equitable rulings in court. It plays a pivotal role not only in tort law—where establishing the cause of harm is crucial—but also in insurance law, where determining the degree of liability based on the root cause of a loss is essential.

MEANING AND DEFINITION

The Principle of Proximate Cause, also known by its Latin name *Causa Proxima*, is a fundamental concept in both insurance and legal frameworks. It is vital in evaluating whether a particular loss or damage qualifies for compensation under an insurance policy. The doctrine is rooted in the Latin maxim “*Causa Proxima Non Remota Spectatu*,” which means “the proximate, not the remote cause, is to be regarded.” This principle emphasizes that only the most immediate and direct cause of the loss should be considered, excluding any indirect or distant contributing factors.

Proximate cause signifies the nearest, most effective, and principal cause that initiates a chain of events ultimately resulting in damage or loss. It does not necessarily refer to the earliest or final event in a sequence but instead focuses on the factor most directly responsible for the outcome. For an insurance claim to be valid, the identified proximate cause must be a risk specifically covered under the insurance policy. If the loss is a direct result of such a covered peril, the insurer is bound to compensate the policyholder, even if other events also contributed to the loss.

This doctrine is essential in differentiating between what is covered and what is not. For example, if a fire—an insured peril—causes damage, and that fire was triggered by an uncovered situation like negligence, the fire would still be considered the proximate cause. Therefore, the insurer would likely be liable, as the immediate cause of loss was insured. The emphasis lies on the event that had the most direct and significant impact, rather than on who caused it or how the sequence began.

Though the term “proximate cause” is applied in both tort and insurance law, its purpose differs. In tort law, it is used to determine fault and legal responsibility, while in insurance law, the focus is on whether the cause falls within the scope of the policy coverage. Legal expert Banks McDowell noted that causation analysis in insurance operates almost in reverse to that in torts—it’s not about determining fault, but about establishing whether the event qualifies for a payout.

The origins of this idea can be traced back to early legal writings, such as those by Lord Bacon, who advised focusing only on the immediate cause of an act instead of tracing every preceding influence. This logic forms the basis of today’s insurance

assessment practices.

THE ROLE OF PROXIMATE CAUSE IN INSURANCE CLAIMS

The concept of proximate cause is crucial when it comes to settling insurance claims. Proximate cause is the term for the initiating event, being the most direct and powerful in a sequence that concludes with loss or damage. The identification of this immediate cause is essential for evaluating the eligibility of an insurance claim based on the policy's framework.

Defining Proximate Cause

Proximate cause is the principle that refers to the primary, immediate, or most influential factor leading to a loss. It is the event that initiates the sequence leading to the final outcome. For a claim to be valid, the proximate cause must fall within the scope of the insured perils listed in the policy. If the originating cause is excluded or uninsured, the claim is likely to be rejected, even if subsequent damages are covered risks.

The "But For" Test

One common way to establish proximate cause is through the 'but for' test, which considers if the loss would have occurred without the specific event. If the 'but for' criterion is not met (resulting in a 'no'), then the event under scrutiny is established as the proximate cause. This test helps isolate the key incident that led to the loss.

Concurrent Causes

Sometimes, more than one event contributes to a loss simultaneously or in close sequence. These are known as concurrent causes.

When a covered cause contributes to the loss and no excluded peril plays a role, the insurer is usually held accountable. The efficient proximate cause rule applies here, placing liability on the main covered risk.

Example:

If a building catches fire due to faulty wiring (insured) and strong winds (excluded) worsen the damage, the policy's response depends on which event is seen as the dominant cause.

Intervening Causes

An intervening cause is a separate, independent event that

happens after the initial cause but before the ultimate harm or loss occurs. Such an intervening cause has the potential to disrupt the established sequence of events and change how liability is ultimately determined. The insurer's responsibility will depend on whether this intervening cause is covered under the policy.

Proximate Cause and Policy Exclusions

Insurance policies often include a list of excluded perils, which are events or situations the insurer will not cover under any circumstances. Regardless of whether an excluded peril is the principal cause of the loss, the insurer has no responsibility to provide coverage.

Peril Classification;

- Insured Perils: Listed and covered events (e.g., fire, theft, lightning).
- Excluded Perils: Explicitly not covered (e.g., war, riot, earthquake).
- Uninsured Perils: Not mentioned in the policy, hence usually not covered unless clearly linked to an insured peril.

Practical Application of Proximate Cause in Claims

Identifying the exact proximate cause is frequently a complicated process. Losses may result from a combination of insured, uninsured, or excluded events acting together or one after the other. Determining whether the claim is valid depends on the interaction of these perils. When only one risk is present and it is insured, the claim will typically be honoured.

Excluded or uninsured peril: Claim is not payable.

Complex Scenarios and Mixed Causes

Multiple Causes with Separation Possible: If multiple perils operate and their effects are independent and distinguishable:

The insurer's obligation to cover damage is limited to that which arises from an insured event.

Example: Hides on a ship are damaged partly by water (insured peril) and partly by heat (excluded peril). If the extent of the water damage to the hides can be determined, that particular damage is included under the insurance policy.

Multiple Causes with No Clear Separation:

If effects from insured and excluded perils cannot be separated:
No part of the claim is payable.

Example: A fire and explosion occur together, and explosion is excluded. When a fire and an explosion (a non-covered peril) occur simultaneously, and the resulting damage is inseparable, the insurer could deny the claim in its entirety.

Continuous Chain of Events (Unbroken Sequence)

When a series of events happen in an uninterrupted flow, and no excluded peril is involved:

Any and all losses stemming from a peril insured under the policy will be covered by the insurer.

Examples: A truck crashes into a factory wall (not covered by insurance), causing a short circuit and a fire (covered by insurance). The insurer covers only the damage from the fire. The fire causes water damage due to the actions taken to extinguish. Water damage is also payable as it directly resulted from the insured peril.

Excluded Peril Following Insured Peril

If a covered peril happens first and an excluded peril follows: Where the damage from the insured peril can be isolated from other causes, only that specific damage is payable by the insurer. In contrast, if the origins of the damage cannot be clearly separated, the insurance company may opt to not honour the full claim amount.

Example: Fire (insured) causes an explosion (excluded). Fire damage up to the explosion is payable if distinguishable.

Interrupted Chain of Events (New Independent Cause)

When a novel and unrelated event interrupts the chain of causation, the determination of liability hinges on the characteristics of this new event.

In the event of a loss caused by a covered risk, the insurer will be held liable. If the cause is excluded, the associated portion of the loss will not be refunded.

Example: A fire in a nearby building triggers a mob to destroy the insured's windows. The fire serves as the less immediate cause in this sequence, with the mob's actions being the direct or efficient cause of the damage to the insured's windows. If coverage includes mob violence, the claim is valid.

JUDICIAL PRECEDENTS

The idea of "proximate cause" is a fundamental rule in insurance. It's how courts decide if an insurance policy covers a loss. Several important legal cases have helped clarify how this rule works, especially when further than one thing causes a loss or when the policy has specific goods it doesn't cover. One case, *The Miss Jay Jay*¹, said that if a loss happens because of two goods — one that the policy covers and one that isn't specifically barred — the insurance company has to pay, as long as the thing that wasn't barred wasn't the main reason for the damage. This shows that a loss can have further than one pivotal cause that affects the insurance company's responsibility.

*Wayne Tank*², said the opposite. However, one covered and one specifically not covered, also the insurance company doesn't have to pay if the thing that wasn't covered the main reason for the loss, if a loss is caused by a mix of goods. This really emphasizes that the most important cause of the loss is what matters utmost for content.

The Global Process Systems case³ looked at damage to an oil painting painting carriage during transport. The insurance company argued it was due to a problem that formerly was (which they wouldn't cover). But the court said the loss was actually an accident caused by an ocean trouble, which the policy did cover. This case shows how important it's to tell the difference between essential problems and the kinds of accidents that insurance is meant to cover against when figuring out the proximate cause.

The Allianz v University of Exeter case⁴ involved damage from a truly old bomb explosion. The court decided that the act of dropping the lemon way back also was a pivotal cause of the damage, which meant a part of the policy that barred war- related damage applied. Indeed, though it wasn't the only cause, it was a significant bone. This case highlights that you need to look at the whole chain of events, not just what directly caused the damage, to determine the proximate cause.

The Brian Leighton (Garages) case⁵ was about energy oohing and causing pollution. The insurance company tried to use a

¹ J.J. Lloyd Instruments Ltd v Northern Star Insurance Co Ltd (*The Miss Jay Jay*) [1987] 1 Lloyd's Rep 32.

² *Wayne Tank and Pump Co Ltd v Employers Liability Assurance Corporation Ltd* [1974] 1 QB 57 (Court of Appeal, 1973).

³ *Global Process Systems Inc v Syarikat Takaful Malaysia Berhad* [2011] UKSC 5

⁴ *University of Exeter v Allianz Insurance PLC* [2023] EWCA Civ 1484

⁵ *Brian Leighton (Garages) Ltd v Allianz Insurance Plc* [2023] EWCA Civ 8

pollution rejection. But the court said the main cause of the damage was the pipe breaking, not the pollution itself, so the rejection didn't apply. This reinforces that the proximate cause is what decides if a rejection in the policy is applicable, and it shows how important the exact wording of the policy is.

CONCLUSION

The conclusion is a core direct reasoning idea, but insurance law rules are often reduced, but always shape how coating inconsistencies are resolved. The court's decision reviewed by the United States provides details of the use of this rule. In particular, if there are certain matters that contribute to the loss and the insurance contract is not covered. An important example of JJ Lloyd Instruments shows that there are several main reasons for damage. This is one of these reasons why guidelines are still guaranteed if they are important to the directive. Meanwhile, the Wayne Tank decision highlights the limited liability of the insurance company if the reason for a serious loss is limited. As we can see in the Global Process System, the message about the difference between insurance weaknesses and unexpected events is important. The court will carefully consider many events to see whether risks are covered by more dominant and effective losses. Exeter -Case's Allianz V Exeter shows that the reason for adding difficulties is not always the most direct event. The reason for the addition of the event chain is legally important as the directive has not yet been addressed. Finally, Brian Layton (Garage) emphasizes that the reason for use is whether certain exceptions to politics apply, and that he carefully checked the need for clear formalization of politics and the main cause. To sum up, these examples show that it is not easy to explain the cause at the moment. He needs a detailed view of certain facts and a thorough reading of insurance contracts. The court will try to find the most influential or effective cause of damage and to know what was directly affected by the insurance company's work. Ultimately, the use of proximity cases is intended to compensate for the benefits of the insurance company and insurance company, and will cover the insurance. This should be aimed at preventing insurance coatings, particularly due to the risks that are missing. The ongoing way to interpret this rule is related to the difficulty of asserting claims in a ever-changing world.

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