

Proximity cause in insurance essay sample

[Economics](#), [Insurance](#)



A proximate cause is the first event in a chain of events that gives rise to a claim. There are two elements required to determine proximate cause:

- 1) the activity must produce a foreseeable risk
- 2) the injury must be caused directly by the defendant's negligence

Example:

If a car is driving along and swerves to prevent itself hitting a dog and that then causes damage to a lamp post and five other cars, then the car that swerved is the proximate cause.

In this example, the foreseeable risk is the dog which led to the accident that was directly caused by the driver whose intention was to prevent hitting the dog.

Importance of Cause of Loss.

In order for the insurance to make a claim, the cause of loss must be reasonably established, otherwise the insurer will not have a basis on which to pay the claim. In practice, making a claim is not such a straightforward task since there are the following different types of perils:

- 1) Insured Perils – risks specifically covered by the policy, such as damages to the car under motor insurance
- 2) Excepted Perils – risks specified under a policy that are not insured, such as motor insurance policy which excludes any liability for drink driving

3) Uninsured Perils – risks which are outside the scope of cover, such as death of a human being in a traffic accident under motor insurance policy

Legal Considerations.

It is legally required that there is a sufficiently close relation between the covered cause and the covered consequence. This relation is referred to as the doctrine of proximate cause. This doctrine is universally applied in liability insurance as well as in property insurance. A defendant (the person causing the loss or damage) cannot be held legally liable for the harm done to the plaintiff (the person making the claim) unless the plaintiff can prove to the satisfaction of the court, that the defendant's activities were the proximate cause of the plaintiff's harm.

Application of Proximate Cause.

Loss can occur due to different situations such as single cause, chain of events and concurrent causes.

- Single Cause – where one single action causes a loss; in this case, you can either be covered or not
- Chain of Events – where more than one event leads to a loss.

There are two different types of chain of events:

- Unbroken sequence – event caused by the previous event
- Broken Sequence – where a new independent cause intervenes, therefore the course of events changes.

– Concurrent Causes – where two simultaneous causes produce a loss or damage ; in the case where one is covered and the other is excluded, the whole loss is covered

Conclusion

In spite of the difficulty of forecasting how a court might interpret the proximate cause doctrine in the light of a given set of facts, understanding the requirement of proximate cause is important to insurance policy coverage analysis. An insured event must not only involve a covered cause; a covered cause must also be the proximate cause of a covered consequence.