

## *Managing property properly*

### **The Meaning of Proximate Cause**

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Insurance is a contract between the insurer and the insured; as such it is subject to numerous terms and conditions as contained in the policy wording. Beyond this contract, there are a number of accepted principles and practices that determine how the insurer should respond to the insured and vice versa. In this blog, we examine some of these principles and how they are defined within the insurance industry.

#### **Proximate Cause**

It is the direct cause of a loss uninterrupted by any other event. Proximate cause means the active, efficient cause that sets in motion a train of events which brings a result, without the intervention of any force started and working actively from a new and independent source. (*Pawsey vs Scottish Union and National 1907*). In other words, proximate cause is the one event that causes the damage, loss or injury.

When an incident occurs that could possibly result in a claim against the insurance policy, the first response of the insurer will always be to determine the proximate cause of the incident so as to confirm whether the policy provides cover for the damage, loss or injury. The insurer needs to identify the single cause that is the primary source of the damage, loss or injury as insurance will not simply provide indemnification against any and every financial loss suffered by the insured property.

Different policies from different insurers will all have their own unique characteristics often with only subtle variations in cover and limits of indemnity. The specific details of what is and what is not covered in any policy are contained in the policy wording and policy schedule, both of which constitute the agreed contract between the insurer and the insured. It is imperative that an insured party familiarize themselves with the contents of the policy schedule and policy wording, and appoint a suitably qualified financial advisor to mediate on their behalf with the insurer.

In conclusion, if the proximate cause of a damage, loss or injury cannot be confirmed as being covered in terms of the current policy terms and conditions, there will be no claim and the insurer has no obligation to provide financial compensation to the insured.

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