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# INSURANCE

## INSIGHT

Interpretation of Inundation in Insurance Policies: NCDRC upholds claims for  
losses due to heavy rain and floods

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**Interpretation of Inundation in Insurance Policies: NCDRC upholds claims for losses due to heavy rain and floods**

In the case of the National Insurance Co. Ltd. v. Geekay International Co. First Appeal No. 870 of 2021, the complainant purchased an insurance cover for the stocks stored in a rented premises. On 18.07.2011 due to heavy rainfall & outpouring of rainwater, there was a partial collapse of the building, and the stock was spoiled due to water damage. It was intimated to the insurer after which the surveyor was appointed.

In this case the insurer repudiated the claim stating that the Insurance policy does cover floods and inundation, but it does not cover damage from heavy rain.

The District commission decided in the favor of the complainant and thereafter the State Commission also held that the insurance company was required to pay Rs.46,48,565, with 9% interest from the date of the damage, within one month to the complainant as it was found guilty of deficiency in service and unfair trade practices. The insurance company filed the revision petition against this order.

Insurance Company stated that the claim was rightly repudiated as it does not cover losses due to heavy rain and the State commission overlooked the surveyor findings, and wrongly relied on the Judgement in Oriental Insurance Co. Ltd v M/s. JK Cement Works, which is distinguishable on facts and not applicable in this case.

The Hon'ble NCDRC observes the definition of, flood in which it can be broadly divided into coastal flood, fluvial flood and pluvial flood.

The Hon'ble National Commission further held that Inundation can refer to both the act of water overflowing onto normally dry land and the resulting submerged state. It can be intentional, such as for military or agricultural purposes. Following the judgment of Oriental Insurance Co. Ltd. vs. JK Cement Works (Supra), the National Commission in Vaibhav Dyestuff Industries and Ors. v. New India Insurance Co. Ltd & Ors, NCDRC upheld the State Commission's decision, ruling that inundation caused by excessive rainfall is a covered risk under the insurance policy. Despite the surveyor's contradictory report, the commission found the water accumulation and damage supported by photographs. The complainant's loss due to the inundation was deemed probable, and the appeal was dismissed. The insurer's refusal to pay damages was found inappropriate, affirming the lower commission's ruling.



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