SPONTANEOUS COMBUSTION IN INDIAN FIRE INSURANCE

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ABSTRACT

Fire insurance is one of the oldest forms of insurance and has evolved over many decades through judicial pronouncements that adapted insurance to fit prevailing conditions at the time, combined with modern scientific techniques and investigation to analyse exactly what caused the loss. The developments in fire insurance have seen a standard of flexibility to a degree that benefits both the insured and the insurer. However, developments in certain areas have been stagnant in India, possibly because insurance is still regarded as being in its infancy. Notwithstanding the codification of insurance law in The Indian Insurance Act, 1938, which has been amended from time to time, substantive changes relating to fire insurance have not been comprehensively addressed in the Act. Consequently, courts have applied the principles of justice, equity, and good conscience while interpreting fire insurance, drawing on both foreign and Indian sources. It therefore becomes paramount that courts adhere to the rule of stare decisis even as they adapt doctrine to changing conditions in the field, since unprincipled departures from precedent can lead to irregular developments in certain areas. One such area in which irregular developments have occurred is spontaneous combustion, which is dealt with in this article.

This article investigates the treatment of spontaneous combustion in fire insurance and contends that, while previous uncertainty has been considerably reduced by judicial decisions, significant tension still exists. It does so through a thorough examination of how Indian courts and consumer forums have dealt with spontaneous combustion in the context of standard fire and special perils policies and the current legal position on when, and under what conditions, spontaneous combustion is covered by fire insurance.

Keywords: fire insurance, Spontaneous Combustion, Ignition, Add-on

1. What Is Spontaneous Combustion?

1.1 Definition

Spontaneous Combustion, according to Merriam-Webster's Dictionary, *"is the self-ignition of combustible material through chemical action (such as oxidation) of its constituents."*[1]

In simpler terms, it is burning, which is caused by a chemical reaction within the material rather than by heat supplied externally that is applied to the material. Certain materials and chemicals that can self-combust include oil rags, coal, hay, lithium in electric cars, epoxy curing, manure piles, towels and linen during laundry, paint spray, large piles of sawdust, etc.[2]

1.2 Theory

Spontaneous Combustion is not as simple as using a magnifying glass and utilizing the sun's rays to 'apply' heat to a piece of paper to exceed the ignition temperature of a material to cause a fire. In spontaneous combustion, the material generates its own heat and reaches its ignition point independently, rather than relying on an external heat source to ignite it.

For example, when oil dries, the molecules within the oil go through a process of polymerisation. In this process, long chains consisting of polymer molecules are formed. This polymerisation process is *exothermic,* meaning that this chemical reaction releases more heat into the surroundings than it absorbs from the surroundings. This is because as atoms form bonds in the process, they form covalent bonds, which are regarded as stable but have lower potential energy than when these atoms are left alone. These atoms go from a higher energy state to a lower energy state when they go from being isolated to forming bonds with other atoms.[3]

This means that energy must be released somehow according to the law of conservation or the first law of thermodynamics, which states that this energy can never be destroyed or created; it can only change from one form to another. Thus, the energy that is lost when it goes into a lower energy state is converted into heat, and under a certain set of conditions, for instance,

[1] Spontaneous Combustion, Merriam-Webster.com Dictionary, accessible at - https://www.merriam-webster.com/dictionary/spontaneous%20combustion (last accessed in May 2026).
[2] Jon Hurwitz, *Investigation and Analysis of Subrogation Claims Arising from Spontaneous Combustion and Chemically Induced Fires* (Cozen O'Connor) at 5-8.
[3] Ibid., at 5-6.

when oil rags are clumped together, this heat is not allowed to disperse into the surroundings. The energy buildup caused by the polymerisation process makes the material progressively hotter, which in turn accelerates the polymerisation. This creates a runaway exothermic reaction until the material, or in this example, the oil-soaked- rags, finally ignites. This is why it is recommended to take adequate safety precautions when handling or storing such materials; negligence in this regard can lead to devastating consequences.[4]

An interesting example of how dangerous these reactions can be is that slightly damp hay is more likely to spontaneously combust than completely dry hay. This is because hay that is not fully dried can continue to respire for a short time, while moisture encourages microorganisms to grow and break down the plant material, releasing heat and is more likely to spontaneously combust.[5]

To provide a more concerning example, we may consider alkali metals such as lithium (Li), sodium (Na), potassium (K), rubidium (Rb), and caesium (Cs). When these metals come into contact with water, they react violently and may ignite because of the heat released during the reaction. Lithium, which is used in electric vehicles, can pose a fire risk under certain conditions. This is one reason why 'prudent' motor vehicle insurers may charge higher premiums for such vehicles. However, contemporary developments are gradually reducing the risk of battery fires, although the risk still exists, and insurers must still consider the risk posed. Other metals also oxidise, but they do so at a very slow rate, so they are generally much less prone to spontaneous combustion.[6]

On a lighter vein, we may use a quote most widely attributed to Arnold H. Glasow to illustrate this further, though an accurate original source could not be found: *'Success isn't a result of spontaneous combustion. You must set yourself on fire.'* This means that success does not happen naturally or by accident; it requires active effort and the initiative to face the unknown. In this sense, the quote offers a simple and effective metaphor for spontaneous combustion, which is the result of processes occurring within a material.

[4] **See**, Jon Hurwitz, *Investigation and Analysis of Subrogation Claims Arising from Spontaneous Combustion and Chemically Induced Fires* (Cozen O'Connor) at 3-4.
[5] Ibid., at 6-7.
[6] Ibid., at 2.

2. Current Legal Position Regarding Spontaneous Combustion

2.1 The Doctrine of Proximate Cause

To understand the problems of holding spontaneous combustion as fire insurance, we must understand what "proximate cause" is.

Proximate cause was defined in *Pawsey v Scottish Union and National Ins Co.,*[7] as "the active, efficient cause that sets in motion a train of events which bring about a result without the intervention of any force started and working actively from a new and independent source." Hence, the predominant, leading, and effective cause is to be considered the proximate cause, even though they may occur at two distinct points in time. This doctrine was further analysed and upheld by the Supreme Court in New India Assurance Company vs. Zuari Industries Ltd.[8] In this case, it was proven that there must be an occurrence of fire, even for a moment or two, as will be discussed shortly.

2.2 What is Fire?

According to M. N. Srinivasan & K. Kannan, in *Principles of Insurance Law*, while citing the case of Harris v. Poland,[9] "fire" is not to be defined in the policy, and hence it must be understood in its popular sense. Thus, there must be ignition of some kind. Chemical action generating heat, not resulting in actual ignition, is not fire. A loss or damage may be said to be by fire when there has been ignition of insured property which was not intended to be ignited, or when insured property has been damaged otherwise than by ignition as a direct consequence of the ignition of other property not intended to be ignited."[10]

It must be noted here that in the above paragraph, 'ignition' should be thought of as to light, to kindle, or to cause a spark, a positive action taken externally to the material, which is then applied to the material by mistake or by misfortune, which then causes what is commonly known as 'fire'.

In most foreign insurance fire policies, spontaneous combustion is an excluded peril. Thus,

[7] *Pawsey & Co. v. Scottish Union & Nat'l Ins. Co.,* The Times, Oct. 17, 1908.
[8] *New India Assurance Company Ltd. vs. Zuari Industries Ltd. and Ors.* (India) (2009) 9 SCC 70
[9] *Harris v. Poland* (1941) 1 KB 462: (1941) 1 All ER 204: 57 TLR 252
[10] M.N. Srinivasan & K. Kannan, *Principles of Insurance Law* Vol. 1, at 383 (N. Vijayraghavan & Sharath Chandran et al. eds., reprint of 11th ed. 2022).

when the proximate cause is attributed to material that has an incredible propensity to spontaneously combust, the insurer should, in theory, be allowed to decline the claim from the insured because this falls outside the purview of the insurer. He is undertaking a greater risk than what was entered into at the time of the contract, and proportional premia for the risk should be given to the insurer, and the insurer must also be aware of the same if he were to undertake the greater increase of the risk.

It is respectfully submitted that treating spontaneous combustion as an inherent vice of the material would be an incorrect view; it should instead be viewed as a 'natural characteristic' of the material, and not as a defect.

2.3 Spontaneous Combustion According to Foreign Courts

United States of America

The courts of the United States of America were quick to notice the developments in the field of fire insurance and regarded injury by spontaneous combustion as not unless the combustion was such that it was sufficient to produce a visible flame or glow.[11] They had taken cognizance of this matter since the early 20th century. This can be seen in the case of *Western Woolen Mill Co. v. Northern Assurance Co.*,[12] where a scientific investigation showed that spontaneous combustion was caused by wool being submerged in water.

The learned judge made an important observation that spontaneous combustion means 'the internal development of heat without the action of an external agent.' He further noted that 'Combustion, or spontaneous combustion, may become so rapid as to produce fire, but, until it does so, combustion cannot be said to be fire.' The court affirmed the decision of the lower court and held that there must be internal development of heat reaching the point of ignition so that it produces a visible 'flame or a glow'. The case was later taken to the United States Supreme Court, which declined to issue a writ of *certiorari*.[13]

This position was upheld by the Supreme Court of Oklahoma in *Sec. Ins. Co. v. Choctaw Cotton*

[11] E.H. Abbot, *The Meaning of Fire in an Insurance Policy Against Loss or Damage by Fire*, 24 Harv. L. Rev. 123 (1910).
[12] *Western Woolen Mill Co. v. Northern Assurance Co.,* 139 F. 637, 1905 U.S. App. LEXIS 3913 (8th Cir. Kan. July 22, 1905)
[13] *Western Woolen Mill Co. v. Northern Assurance Co.,* 1905 U.S. LEXIS 1020, 199 U.S. 608, 26 S. Ct. 750, 50 L. Ed. 331 (U.S. Nov. 27, 1905)

Oil Co.,[14] hulls kept in the hull house were proven to be ignited due to spontaneous combustion, and it was held that the loss was not the result of a fire within the meaning of the policies.

United Kingdom

The position in the United Kingdom was initially somewhat different. In marine insurance, claims relating to spontaneous combustion were sometimes examined through the doctrine of general average,[15] so that loss caused by cargo such as coal that was heating dangerously could be covered by marine insurance during a voyage.

The position in the U.K. was largely settled after the *Harris v. Poland* case,[16] where Atkinson J. emphasized that a fire insurance policy must be construed according to its wording and that any ambiguity should be resolved in favor of the insured (for instance, by the application of the Latin maxim of *contra proferentem i.e. against the interests of the drafter of the contract*). This case has been influential in bringing greater consistency to the judicial interpretation of fire insurance contracts.

What must also be noted in that judgement is the learned judge's remarks on spontaneous combustion, which relate to fire arising from spontaneous combustion, not to the mere heating of the goods without ignition.

The Financial Ombudsman Service, which was given statutory powers by Parliament in 2001 to resolve consumer disputes, considered a case in which a fire occurred at the insured's premises. The fire was caused by the self-heating of tea towels that still retained residual heat from the roller iron and were not given time to fully cool down. The policy required items to be allowed to cool fully before stacking, and the insured breached that condition by not ensuring that the laundry had completely cooled after the drying cycle.

The Ombudsman rejected the application of the rule of contra proferentem, stating that the policy terms were clear enough to determine which perils were excluded, and held that the

[14] *Sec. Ins. Co. v. Choctaw Cotton Oil Co.*, 1931 OK 137, 149 Okla. 140, 299 P. 882, 1931 Okla. LEXIS 202 (Okla. Apr. 14, 1931)
[15] *THE WHITECROSS WIRE AND IRON COMPANY, LIMITED v. SAVILL AND OTHERS.,* (1882) 8 Q.B.D. 653
[16] *Harris v. Poland* (1941) 1 KB 462: (1941) 1 All ER 204: 57 TLR 252

insurer was entitled to reject the claim and was not liable to pay for the loss.[17]

2.4 Position in India

The position in India is somewhat ambiguous when it comes to the interpretation of spontaneous combustion. In Indian fire insurance, spontaneous combustion is often treated as being covered automatically when the premium is paid and is not treated as an "add-on". For example, if a standard policy, unlike an industrial policy, clearly excludes spontaneous combustion and the loss is caused by spontaneous combustion without an actual fire, the insurer may deny the claim. In simpler terms, if spontaneous combustion does not result in fire, a claim under a standard fire policy should not be maintained. Reading the policy terms otherwise can render the contract incongruous and otiose.

Spontaneous combustion, on its own, cannot be considered as covered under a fire insurance policy. It is only provided as an "add-on" because it remains an excluded peril until it actually leads to ignition, which then ultimately becomes "fire". Until that point, no claim for fire insurance should be admissible, as "fire" in the strict sense of a fire insurance policy had not occurred. Thus, the current position erodes the conceptual basis of fire insurance by expanding the meaning of 'fire' beyond its proper limits, thereby creating further unnecessary gaps in the law that could have been avoided altogether to begin with.[18]

Thus, the uncertainty or lacuna in this area arises not from interpreting fire insurance policies according to their original construction but instead from giving them the widest possible interpretation, even though the contract itself never permitted such an interpretation, leading to unnecessary confusion and an unsettled legal position on the matter.

Now, the insurers are not actually harmed by these decisions because they have a greater reason to charge a higher premium for risks that are not included in the fire insurance policy and are not proportionate to the original risk envisioned.

A good case to illustrate this is *Western Woolen Mill* judgement[19] in which the principles of

[17] *Y Ltd. v. Allianz Ins. PLC*, Decision Ref. DRN-4575270 (Fin. Ombudsman Serv. 2024).
[18] M.N. Srinivasan & K. Kannan, *Principles of Insurance Law* Vol. 1, at 381-382 (N. Vijayraghavan & Sharath Chandran et al. eds., reprint of 11th ed. 2022).
[19] *Western Woolen Mill Co. v. Northern Assurance Co.,* 139 F. 637, 1905 U.S. App. LEXIS 3913 (8th Cir. Kan. July 22, 1905)

that judgement were upheld in New India Assurance Co. Ltd. Vs. Novelty Palace,[20] by the NCDRC**,** wherein it was observed in paragraph 8 of the judgement, by Retd. Justice Ashok Bhan, the then President of the NCDRC, delivering the judgement, stated that, according to the meaning assigned to the word "fire" in the policy, fire must be actual and accompanied by visible sparks or flames. Mere heating without ignition is not considered a fire, and any damage caused by charring under such circumstances is not covered by the policy.

Roshan Lal Oil Mills Ltd. v. United India Insurance Co. Ltd.[21]

This is the first notable landmark case in which a Full Bench dealt with whether spontaneous combustion.

In this case, the complainant had obtained a fire insurance policy that also covered various risks which are normally excluded perils. The premium on the policy was apportioned for goods (oilseeds) stored in silos. During the policy period, spontaneous combustion occurred; smoke was seen coming out of the top of a silo, and mustard seeds were damaged by the claimed fire.

The insurer appointed two surveyors, who concluded in their reports that there was no evidence of fire and that there was only spontaneous combustion, which, according to them, was not covered under the standard fire insurance policy. The insurer further pointed out that the insured had not reported any fire incident to the police or the fire brigade.

In paragraph 7, the insurer contended as follows: "Loss or damage due to mere spontaneous combustion without fire is not covered under the policy of insurance/endorsement. There is no provision under the Fire Tariff to cover loss or damage due to spontaneous combustion per se."

The insurer also argued that, considering the magnitude of the loss, "it is beyond the rationale to imagine such loss by spontaneous combustion without fire." In paragraph 12 of the judgement, the Commission observed that "fire develops only at a particular point in the combustion process. In fact, fire or flame is produced only when the point of auto-ignition is reached.

It is, therefore, evident that the term 'spontaneous combustion' in the complainant's report of

[20] *New India Assurance Co. Ltd. v. Novelty Palace* (15.12.2008 - NCDRC): MANU/CF/0415/2008: I (2009) CPJ 71(NCDRC)
[21] *Roshan Lal Oil Mills Ltd. v. United India Insurance Co. Ltd.,* 1993 (1) CLT 709: 1992 (1) CPR 790: 1993 CCJ 253: 1993 (2) CLC 249: 1992 (1) CPJ 293 (NCDRC)

3rd August 1990, cannot be construed to imply that there was no fire."

Here, the Commission arguably erred slightly by relying almost entirely on expert opinion, which established that the fire caused by spontaneous combustion had only partially burnt the seeds. Its finding was that the damage had been caused by fire resulting from spontaneous combustion and that this conclusion was inescapable.

In paragraph 16, the Commission remarked as follows: "Assuming that the ignition point was not reached in this case due to measures taken to smother combustion at the earliest and therefore no fire was caused, can the insurer repudiate the claim? If the contentions of the insured were to be accepted, it would lead to the anomalous, nay absurd, situation that the insured would be disentitled to make a claim for damages if he took measures to control combustion at the earliest stage and thereby prevent a rise in temperature to the ignition point, even though the rise in temperature below the ignition point brings about the thermal degradation of, and thus damages, the insured material." In this context, the learned counsel for the insurer was unable to produce evidence, despite repeated requests by the Commission, to show that any additional premium had been paid for a "fire only" policy.

The Commission therefore concluded that the basic rate of premium covered fire caused by external factors, whereas the payment of an additional premium brought within the cover fire caused by spontaneous combustion so that damage due to auto-ignition, spontaneous combustion, or self-combustion was also insured. In paragraph 18 of the judgement, the Commission noted, as a matter of fact, that the policy add-on or cover note specifying the insured peril and indemnifiable loss as being "by fire only" was not incorporated in the policy placed on record. Consequently, the Commission allowed the insured's claim and decided against the insurer on the ground that the term "fire only" did not form part of the policy. It is, however, important to note that some of the Commission's observations appear to run counter to the very definitions it cited in paragraphs 9-12.

The Commission cannot logically maintain that the insured is entitled to receive the claim merely because he took steps to prevent a fire outbreak, where the outbreak was itself a manifestation of an excluded peril. This argument is equivalent to claiming that a standard policy would cover fires caused by riots or natural disasters like wildfires. Continuing with this interpretation, even if a riot or natural disasters does not result in a fire, the resulting loss could somehow still be treated as covered under a "fire insurance" policy. This approach would

undermine the very purpose of exclusion clauses, effectively forcing insurers to accept risks for which they have not received premiums. Goods that have propensity to combust must have a separate coverage under a separate insurance policy or comprehensive policy and legal interpretation cannot be extended to broaden the definition of words utilized on basis of unnecessary interpretations on basis of equity.

The main takeaway from this case, therefore, is that because the policy did not specifically state that it was a "fire only" policy, the ambiguity could properly be construed against the insurer. The Commission's interpretation thus treats spontaneous combustion as a risk that has separate coverage in the absence of clear express language in the policy to the contrary.

In *Oriental Insurance Co. Ltd. v. Oceanic Solvent Industries*,[22] the NCDRC upheld the validity of the claim since the policy also covered independent risks separate from those under a standard fire insurance policy, and the terms of the policy, along with the premium for the additional risk, had been paid.

However, at the end of the judgement, the learned judge appears to have treated it as an add-on, which essentially nullifies the purpose of the policy. In this case, the policy explicitly covered earthquake and spontaneous combustion separately, treating it as a comprehensive policy, so there was no ground for the learned judge to treat it as an add-on when it had already been expressly mentioned as a separate risk.

Nevertheless, the judgement went in favour of the insured. The problem with treating spontaneous combustion as an add-on in the above case is that it suggests that a fire must have broken out only after the material attained its ignition point and produced visible flames. Such an interpretation disregards the explicit contractual terms that separately validate claims for spontaneous combustion where the insured has paid the requisite premium.

To illustrate this point, one may refer to the Constitutional Bench case of *M/s. Murli Agro Products Ltd. v. Oriental Insurance Co. Ltd.*,[23] where molasses stored in a tank spontaneously combusted. The insured approached the insurer, contending that, since additional premium had been paid, he was entitled to be indemnified, and the claim was accordingly allowed.

[22] *Oriental Insurance Co. Ltd. v. Oceanic Solvent Industries 2018* (1) CPJ 174 (NCDRC)
[23] *Murli Agro Products Ltd. v. Oriental Insurance Co. Ltd.,* 2005 (1) CLT 505: 2005 NCJ 91: 2005 (1) CPC 156: 2005 (1) CPJ 1 (NCDRC)

However, a closer reading of the judgement reveals certain weaknesses. In paragraph 13(c), the Bench held that, since the insured had paid additional premium to cover spontaneous combustion, he should be entitled to recover the claim amount, failing which the payment of such premium would stand frustrated. The judgement then relied on Halsbury's Laws of England,[24] which states that "the rate of premium gives rise to important inferences" and further that "similarly, ignorance on the part of the insurers of some matter supposed to be well known may be inferred if they charge no more than the ordinary rate of premium, while an exceptionally high rate of premium may be indicative of their acceptance of the risk as hazardous without requiring disclosure of the precise facts making it so."

However, in a wide range of NCDRC cases, this principle has been misapplied. If the contract required the occurrence of fire before a claim could lie, then spontaneous combustion alone would not be sufficient.

Thus, the conclusion in paragraph 14 is that acceptance of an additional premium for spontaneous combustion necessarily meant acceptance of the risk for a separate policy cover under the comprehensive insurance and does not treat spontaneous combustion as an excluded peril since the object of the insurance itself was to cover such perils separately and independently. The NCRDC regarded payment of additional premium made as separate coverage and not inclusive of the fire policy; this would enable separate coverage of insured objects for spontaneous combustion, as the ambiguous wording of the policy appears to have made it a comprehensive policy which includes risks like spontaneous combustion.

In a case concerning the burden of proof in relation to spontaneous combustion, the surveyor submitted an assessment concluding that the proximate cause of the fire was spontaneous combustion, an excluded peril under the policy. Relying on that report, the insurance company rejected the insured's claim. The State Consumer Disputes Redressal Commission accepted the complainant-insured's contention that the loss was not caused by spontaneous combustion, finding nothing credible in the surveyor's report to establish that the proximate cause of the loss was attributable to spontaneous combustion. On appeal, the National Consumer Disputes Redressal Commission held that, although the burden of proof lay on the insurer, the insured was also required to produce laboratory analysis reports to show that the conditions were not conducive to spontaneous combustion. Ultimately, the Commission concluded that the burden

[24] Halsbury's Laws of England, Vol. 25 (fourth edition), pr.440

rested on the insurer to prove the existence of spontaneous combustion and that the insurer had failed to adduce evidence establishing that the fire was caused by that peril. The claim was therefore upheld, and the insurer's stand was rejected. [25]

This above case illustrates that where a certified surveyor or assessor submits a report under Section 64-UM (4) of the Insurance Act, 1938,[26] the report must clearly establish, with supporting evidence, that the loss was attributable to spontaneous combustion. This approach is consistent with Section 106 of the Bharatiya Sakshya Adhiniyam, 2023,[27] under which the burden of proving a particular fact lies upon the person who asserts it. Accordingly, if an insurer seeks to prove that a fire was caused by spontaneous combustion, the insurer must adduce sufficient evidence to establish that the proximate cause of the loss was, in fact, spontaneous combustion.

A commonly cited case on spontaneous combustion is a Division Bench decision of the Supreme Court of India, which rightly upheld the express terms of the fire insurance policy and set aside the NCDRC's judgement and directed that the insurance money paid to the respondent be refunded to the appellant within three months, together with interest for the period during which the money had been retained.[28] Now, the problem that arises from this case is not with the interpretation itself but that it does not really delve into the question of treating spontaneous combustion as an 'add-on' and is frequently cited in NCDRC cases in a way that misapplies the true intention and principle laid down in this case.

In a similar case before the NCDRC, the Commission held, by application of a strict interpretation of the fire insurance policy, that where no additional premium had been paid to cover the risk of spontaneous combustion, the insured could not be indemnified, since the policy did not cover spontaneous combustion, which fell within the list of excluded perils. [29]

In another case before the Hon'ble Supreme Court of India,[30] the exclusion clause here stated that the insurance policy would not cover loss or damage to property caused by its own

[25] *New India Assurance Co. Ltd. v. Bharat Oil & Animal Food Indus.,* 2013 (1) C.P.J. 343 (NCDRC); **See also** *Nat'l Ins. Co. Ltd. v. Suman Oil Indus.*, 2003 (2) C.P.J. 173 (NCDRC).
[26] Insurance Act, 1938, No. 4, Acts of Parliament, 1938 (India).
[27] BHARATIYA SAKSHYA ADHINIYAM, 2023, No. 47, Acts of Parliament, 2023 (India).
[28] *United India Insurance Co. Ltd. & Others Versus Roshan Lal Oil Mills Ltd. & Others,* 2000 (10) SCC 19: 2001 (2) CPC 340 (SC).
[29] *National Insurance Co. Ltd. & Anr. v. Hari Om Marketing & Ors., 2011* (4) C.P.J. 519 (NCDRC).
[30] *New India Assurance Co.Ltd. v. Parakh Food Ltd.,* CDJ 2009 SC 2000 (SC).

fermentation, natural heating or spontaneous combustion or by it undergoing any heating or drying process. The Court held that since the insured paid an additional premium, the exclusion clause was relaxed. In other words, because of the payment of the aforesaid extra premium, the exclusion clause as stated hereinbefore also became a part of the contract between the parties, and, therefore, the said exclusion clause would not be treated as an excluded term of the contract but would be treated as an inclusive clause of the contract between the parties.

The Hon'ble Court thus arrived at the conclusion that even if there was no loss or damage by fire even then, for any loss or damage caused to the property insured due to spontaneous combustion**,** the respondent would be entitled to claim damages to the extent it was found to be so damaged. The terms of the contract provided in the fire insurance cover risks like spontaneous combustion when an additional premium is given in consideration towards it, despite it being previously excluded in the printed exclusions of the policy. The Courts here strictly interpreted the contract terms, which allowed for such inclusion of such perils into the policy as separate and distinct perils.

The aforementioned case cannot, under any circumstances, be treated as one that validates excluded perils like spontaneous combustion, which are taken as an 'add-on' to the policy. A claim is admissible only if the item spontaneously combusts and subsequently ignites into fire; otherwise, no claim can lie if the item only spontaneously combusts but no fire occurs. If this were not the case, generally excluded perils such as rioting would stand included in fire insurance, thereby frustrating the very purpose of excluding them in the first place.

In a case that dealt with the implied inclusion of excluded perils like spontaneous combustion, the NCDRC examined the contractual terms of the policy and rejected the complainant's assumption that, since an additional premium had been paid and the insurers were well aware that the molasses in the tank were prone to spontaneous combustion, the complainant was therefore entitled to make a claim. The NCDRC observed that when parties enter into a contract, they must be aware of the details of the policy and its terms and conditions so that the insured is clear about what kinds of risks are covered and under what conditions. The NCDRC then dismissed the claim for want of merit. This case demonstrates how courts and tribunals must first give precedence to the original fire insurance contract rather than trying to expand

terms already stated with no ambiguity.[31]

In *New India Assurance Co. Ltd. v. Taj Sugar Works*,[32] A Constitution Bench of the National Commission took the view that spontaneous combustion may fall within the definition of "fire" for the purpose of a fire insurance policy. However, this decision should not be read as laying down a concrete rule that every loss caused by spontaneous combustion is automatically indemnifiable under a fire and special perils policy. The correct reading is that the outcome depended on the policy language and the material placed before the Commission. In particular, the record suggested that the insurer had not produced the original policy in his petition, and only a proforma of fire policy "C" was available for consideration. That factual setting likely influenced the Commission's conclusion. Owing to this lack of evidence, the Commission appears to have treated the non-production of the original policy as an additional factor in its reasoning, whereas it ought to have been treated as a primary basis for deciding the matter.

In *Gayatri Sugars Ltd. vs. New India Assurance Company Ltd. and Ors.*,[33] the policy had a reference note which explicitly stated that the expression 'by fire only' must not be omitted under any circumstances, meaning it was a fire-only policy, unless and until, on payment of additional premium by the insured and the company's agreement, notwithstanding what is stated in the printed exclusions of this policy to the contrary, the insurance by the items of this policy shall extend to include loss or damage by fire only of or to the property insured caused by its own fermentation, natural heating or spontaneous combustion. The learned counsel for the insured correctly pointed out that it is not necessary to repeat the same, as the Bench further went on to hold that if there is any slight indication of vagueness in the terms of the policy, then the benefit should be given to the insured. The learned Judge then pointed out that "there is no doubt that spontaneous combustion would also stand included within the definition of 'fire' even if there is an indication of 'not omitting the words by fire only' in the policy." The Commission pointed out that the renewal was for coal and bagasse. Paragraph 39 makes an important observation that the insured is not a layman and is a corporate firm/company, which obviously has managers and legal experts who handle all such documentation. The Commission also held that the insured knew that the cover note issued omitted molasses from

[31] *Shri Durga Khandsari Sugar Mills v. New India Assurance Co. Ltd., Consumer Case* No. 1899 of 2016, NCDRC (Jan. 9, 2020), 2020 (1) CPJ 354*; Narmada Sugars (P) Ltd. v. National Insurance Co. Ltd.,* 2024 SCC OnLine NCDRC 603.
[32] *New India Assurance Co. Ltd. v. Taj Sugar Works & Another,* 2002 (2) CPJ 43, 2002 (2) CPC 120.
[33] *Gayatri Sugars Ltd. vs. New India Assurance Company Ltd. and Ors.,* II (2024) C.P.J. 295(NC): 2024 (1) CPR 417 (NCDRC).

the risk coverage and they also held that the argument that a claim should be presumed to be covered under the fire policy does not stand to reason when there is a clear and conscious omission of the coverage of molasses in the insurance policy, which is predominantly evident from an assessment of the entire facts and circumstances of the present case.

Even interpreting it otherwise, the said coverage was only for the coal and bagasse, not for the molasses, as expressed clearly in the contract, and by including loss of molasses, the same would amount to rewriting the contract by introducing an inference by the back door, which stands clearly excluded as observed above. The Commission accordingly dismissed the insured's claim and held that the insurer is not liable to indemnify the insured.

3. Sanwaria Agro Oils Case[34]

This landmark case, decided nine years after the complaint was filed, and involved issues relating to spontaneous combustion as an "add-on" amongst other legal questions, wherein the insured acquired two policies – one which did not provide any coverage of spontaneous combustion and the other which covered the case of spontaneous combustion under three floating policies, and spontaneous combustion was treated as an add-on coverage.

This policy was a standard fire and special perils policy (SFSP), and spontaneous combustion was treated as an add-on cover. The soybeans that were kept in a silo that was insured under this policy were subsequently damaged by spontaneous combustion, according to the surveyor's final report under section 64UM of the Insurance Act, 1938.[35]

The surveyor was unable to receive the documents from the insured for making the claim, such as filing an FIR or establishing that he called a fire brigade. They then sought a technical expert who concluded that the damage caused was not due to spontaneous combustion but due to inadequate air circulation and moisture present in the silo, and the damage done was not due to spontaneous combustion. However, the insured refused this report and argued that there was spontaneous combustion, and the claim must be admissible because he has paid an additional premium. The surveyor in their report most importantly covered that pre-ignition or pre-combustion damage to, or such alleged spoilage of stock is not covered under the policy.

[34] *Sanwaria Agro Oils Ltd. v. New India Assurance Co. Ltd*., 2025 SCC OnLine NCDRC 320.
[35] *Insurance Act, 1938, No. 4, Acts of Parliament, 1938* (India).

The NCDRC here made a distinction between the contractual terms given in this case and those provided by the insured which was that of the *Parakh Food Case*[36] and the *Murli Agro case,*[37] where it held in this case that the contractual terms did not put any terms for the insurer to undertake the risk of spontaneous combustion since it expressly mentioned it is a "fire only" policy and any payment of premium will be taken as an "add-on". The learned counsel for the insurer explains this perfectly in paragraph 19 of the judgement that an add-on cover through endorsement, such as obtained by the insured in the policy, "merely relaxes" and "removes such exclusion without any added cover" for any peril, including that of natural combustion. Consequently, after obtaining an add-on cover, the damage due to fire, even when such fire has arisen from natural heating or natural combustion of such insured commodity or goods, would remain covered; such risk and damage is otherwise excluded under a standard fire policy. In other words, "the fundamental peril covered under the standard fire policy is always that of "fire", which is distinct and different from mere "heating" or "mere spontaneous combustion" which itself independently is never covered under standard fire policy, with or without such add-on cover."

The Learned Counsel for the insurer further remarks that an add-on cover, therefore, is simply removing the exclusion of "fire arising from natural or spontaneous combustion". The add-on endorsement does not provide for covering the peril of spontaneous combustion, but it merely deletes/removes the exclusion of damage due to fire arising from spontaneous combustion, without diluting or loosening in any way the insured peril itself, which continues to be "damage due to fire only" and clearly and certainly not any pre-fire or pre-ignition stage including spontaneous combustion per se.

Hence, only on account of fire arising from spontaneous combustion can a claim be admissible. It established that in "fire only" policies damage to due to fire is an indispensable and integral condition for indemnification. The NCDRC further concluded the matter while acknowledging the Taj Sugar Works case[38]; it held that the fact of the case is that the insured had committed fraud and that there was no spontaneous combustion involved as per the nature of the facts in the case, thus no claim for spontaneous combustion could be admissible.

[36] New India Assurance Co.Ltd. Versus Parakh Food Ltd., CDJ 2009 SC 2000 (SC).
[37] M/s. Murli Agro Products Ltd. v. M/s. Oriental Insurance Co. Ltd., 2005 (1) CLT 505: 2005 NCJ 91: 2005 (1) CPC 156: 2005 (1) C.P.J. 1 (NCDRC).
[38] New India Assurance Co. Ltd. v. Taj Sugar Works & Another, 2002 (2) CPJ 43, 2002 (2) CPC 120.

In paragraph 19, the NCDRC upheld the statement by the insurer himself that "All the decisions relied upon by the insured (except Gayatri Sugars Ltd.[39]) proceed to hold that when the add-on cover for spontaneous combustion is obtained by paying an extra premium, the loss consequent to spontaneous combustion is indemnifiable even without there being actual fire manifested through flames or smoke." The NCDRC, nevertheless, dismissed the claims of the insured because the insured had committed several acts of misrepresentation and additionally held that facts (more like fire policy terms) of the present case cannot come to the rescue of the insured.

It is humbly submitted that this case, for the better part of the judgment, resolves the ambiguous interpretation that courts have adopted in relation to spontaneous combustion, particularly the tendency to treat it as a separate distinct risk rather than as remaining subject to the basic structure of the fire policy as "add-on" when the policy terms allow for it. Previous interpretations effectively ignore the principle that the insurer is not liable for loss where the proximate cause is an excluded peril. In paragraph 14, the judgement itself clearly states that an add-on endorsement "does not provide for covering the peril of spontaneous combustion, but it merely deletes/removes the exclusion of damage due to fire arising from spontaneous combustion without diluting or loosening in any way the insured peril itself, which continues to be 'damage due to fire only' and clearly and certainly not any pre-fire or pre-ignition stage including spontaneous combustion per se."

It is submitted that this part of the reasoning ought to have been accorded greater weight in the overall decision. It is also opined that the NCDRC could have explicitly stated in paragraph 19 that the contractual terms used here do not support the conclusion that no fire needs to occur when add-on cover is taken for spontaneous combustion in a fire-only policy, rather than relying on the facts of the present case, which leads to a broader interpretation and does not accurately reflect the terms used in the contract. Thus, it would have been easier to support the second conclusion they reached, namely that there was evidence of fire, flame, or smoke and that without such 'damage due to fire only,' no claim is validly indemnifiable under the policy.

The Way Forward

The position on Spontaneous Combustion in India as discussed in detail in this article is full of

[39] *Gayatri Sugars Ltd. vs. New India Assurance Company Ltd. and Ors.,* II (2024) CPJ 295(NC): 2024 (1) CPR 417

holes and inconsistencies.

The ambiguity in the law on spontaneous combustion in India mainly lies in the technical interpretation of judgments rather than the policy terms themselves, making it harder to distinguish between what is included and what is excluded in a standard fire insurance policy.

When a payment is made towards the insurer in lieu of additional policy premium, the policy must explicitly mention exactly what the insured is paying for and what that extra bit of coverage applies to. But, when documents are spread across like this, the interpretation of the central policy the insured is paying for can get rather tricky, thereby further making the case for elucidating the terms of the policy in a more concise manner (i.e. the included and excluded perils, the possible add-ons) and so on and so forth.

The key distinction and answer to deny the claim lies in the fact that it is a "fire only" policy with no wording showing the slightest bit of contrary intention in the whole document. When courts pick up-on these contrary intentions, they pick it up rather quickly and depose judgments with a lack of clarity on what contractual terms were exactly being discussed. This is usually done by the usage of typical nomenclature which should not be utilized in these particular cases.

Spontaneous Combustion in the realm of Fire Insurance Law, specifically requires a lot of judicial scrutiny as it is not always treated as an excluded peril in India. The position on the same is rather tricky as insured parties are left to interpret the terms of the policy contract on their own and in most scenarios, they do not know exactly what is included and what is excluded. If it were treated as an excluded peril, that would necessitate the requirement of coverage for spontaneous combustion in a fire insurance policy as an "add-on"

As defined earlier, spontaneous combustion of certain materials such as oil rags, coal, hay, epoxy curing, manure etc., is something that cannot be predicted and the uncertainty of spontaneous combustion in certain scenarios alone should attract higher premium as the risk undertaken by the Insurer is far higher than anything covered by a standard fire insurance policy.

The position in the U.K. as illustrated previously by the *Harris v. Poland*[40] case where Atkinson

[40] *Harris v. Poland* (1941) 1 KB 462: (1941) 1 All ER 204: 57 TLR 252

J. emphasised that a fire insurance policy must be construed according to its wording and that any ambiguity should be resolved in the favor of the insured (i.e. hinting at the application of the Latin maxim of *contra preferentum)* is evidently, tricky and difficult to implement in India as standard fire insurance contracts often assume the additional risk associated with spontaneous combustion without explicitly mentioning or including the provision of coverage for the same, as ruled in the *Roshan Lal Oil Mills case,*[41] the Commission treated spontaneous combustion as a distinct covered risk in the absence of clear language in the policy to the contrary. This in turn could result in losses for the Insurer as insurers end up indemnifying insured parties for excluded perils.

It is not just the mere cry of an academician; the rates of premium charged may also vary due to the tough interpretation of judgments that seem to be against the insurer. We cannot source data regarding this since premium rates charged are no longer regulated by the Tariff Committee post abolition of the same, with effect from 26.12.2014, by the omission of Section 64U of the *Insurance Act of 1938* [42]. The claimant in most of these cases are corporations and they are not equipped enough to handle the technical idiosyncrasies enshrined in policies of this nature, as observed by the NCDRC in the *Gayatri Sugars case* [43].

Scope of legislative reform in these scenarios is limited and can possibly infringe upon the freedom to enter into contracts for both the insured and the insurer. Therefore, this is not a recommended solution.

As addressed previously in this article, if the spontaneous combustion of a certain set of goods does not result in a "fire", a claim under a standard fire policy should not be maintained and reading the policy terms otherwise can discombobulate the interpretation of the contract, which is an exercise in futility.

Thus, it is humbly submitted, that if a party is engaged in the storage or transport of goods that are capable of spontaneous combustion, the mere indemnification of the damage that may or may not be caused by the same should attract higher premium, by way of an "add-on" in the original fire insurance policy which the insured party subscribes to. The "add-on" covers only

[41] *Roshan Lal Oil Mills Ltd. v. United India Insurance Co. Ltd.,* 1993 (1) CLT 709: 1992 (1) CPR 790: 1993 CCJ 253: 1993 (2) CLC 249: 1992 (1) CPJ 293 (NCDRC)
[42] *Insurance Act, 1938, No. 4, Acts of Parliament, 1938* (India).
[43] *Gayatri Sugars Ltd. vs. New India Assurance Company Ltd. and Ors.,* II (2024) C.P.J. 295(NC): 2024 (1) CPR 417 (NCDRC).

the perils that occur when spontaneous combustion that has reached the point of ignition that a visible "flame" or "glow" is produced (*Western Woolen Mill Co. v. Northern Assurance Co.)*[44]

It is opined that the position on Spontaneous Combustion in India, in the realm of Fire Insurance, must be adjudicated upon by a full Bench of the Hon'ble Supreme Court of India, upholding the *Sanwaria Agro Oils Case*[45]*,* to resolve the discrepancies and inconsistencies addressed in this article.

[44] *Western Woolen Mill Co. v. Northern Assurance Co.,* 139 F. 637, 1905 U.S. App. LEXIS 3913 (8th Cir. Kan. July 22, 1905)
[45] *Sanwaria Agro Oils Ltd. v. New India Assurance Co. Ltd*., 2025 SCC OnLine NCDRC 320.