Fire Insurance Definition, Characteristics and Policies

Fire Insurance Definition

Fire insurance means insurance against any loss caused by fire. Section 2(61) of the Insurance Act defines fire insurance as follows: “Fire insurance business means the business of effecting, otherwise than incidentally to some other class of business, contracts of insurance against loss by or incidental to fire or other occurrence customarily included among the risks insured against in fire insurance policies.”
**What is ‘Fire’?**

The term fire in a Fire Insurance Policy is interpreted in the literal and popular sense. There is fire when something burns. In English cases it has been held that there is no fire unless there is ignition. *Stanley v. Western Insurance Co.* Fire produces heat and light but either of them alone is not fire. Lighting is not fire. But if lighting ignites something, the damage may be covered by a fire-policy. The same is the case with electricity.

**Characteristics of Fire Insurance**

1. Fire insurance is a *contract of indemnity*. The insurer is liable only to the extent of the actual loss suffered. If there is no loss there is no liability even if there is a fire.
2. Fire insurance is a contract of good faith. The policy-holder and the insurer must disclose all the material facts known to them.
3. Fire insurance policy is usually made for one year only. The policy can be renewed according to the terms of the policy.
4. The contract of insurance is embodied in a policy called the fire policy. Such policies usually cover specific properties for a specified period.

5. **Insurable Interest:** A fire policy is valid only if the policy-holder has an insurable interest in the property covered. Such interest must exist at the time when the loss occurs. In English cases it has been held that the following persons have insurable interest for the purposes of fire insurance—owner; tenants, bailees, including carriers; mortgages and charge-holders.
6. In case of several policies for the same property, each insurer is entitled to contribution from the others. After a loss occurs and payment is made, the insurer is subrogated to the rights and interests of the policy-holder. An insurer can reinsure a part of the risk.
7. Fire policies cover losses caused proximately by fire. The term loss by fire is interpreted liberally. Example: A woman hid her jewellery under the coal in her fireplace. Later on she forgot about the jewellery and lit the fire. The jewellery was damaged. Held, she could recover under the fire policy.
8. Nothing can be recovered under a fire policy if the fire is caused by a *deliberate act* of policy-holder. In such cases the policy-holder is liable to criminal prosecution.
9. Fire policies generally contain a condition that the insurer will not be liable if the fire is caused by riot, civil disturbances, war and explosions. In the absence of any specific
expectation the insurer is liable for all losses caused by fire, whatever may be the causes of the fire.

10. **Assignment:** According to English law a policy of fire insurance can be assigned only with the consent of the insurer. In India such consent is not necessary and the policy can be assigned as a chose-in-action under the Transfer of Property Act. The insurer is bound when notice is given to him. But the assignee cannot be recovering damages unless he has an insurable interest in the property at the time when the loss occurs. A stranger cannot sue on a fire policy.

11. **Payment of Claims:** Fire policies generally contain a clause providing that upon the occurrence of fire the insurer shall be immediately notified so that the insurer can take steps to salvage the remainder of the property and can also determine the extent of the loss. Insurance companies keep experts on their staff of value the loss. If in a policy there is an international over valuation of the property by the policy-holder, the policy may be avoided on the ground of fraud.