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# Case Commentary on National Insurance Company Ltd. V. Hindustan Safety Glassworks Ltd. & Anr.

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## ABSTRACT

*In this case, the Supreme Court of India deliberated on the liability of an insurance company under a fire insurance policy. The dispute arose when Hindustan Safety Glassworks Ltd. claimed compensation for damages caused by a fire. The National Insurance Company rejected the claim, citing a delay in informing the insurer and alleged non-disclosure of material facts. The Court addressed two primary issues: whether the delayed intimation invalidated the claim and whether the policyholder failed to disclose material facts. The judgment clarified that delay in notifying the insurer must be considered in the context of the policyholder's circumstances and should not automatically negate the claim unless it causes prejudice to the insurer. The Court emphasized that insurance contracts are based on good faith, requiring both parties to act fairly and transparently. Ultimately, the Court held the insurer liable, as the delay did not harm the insurance company's ability to assess the claim, and no deliberate non-disclosure was established. This case underscores the principles of good faith in insurance law and the importance of equitable treatment of policyholders in resolving claims.*

**Keywords:** Policyholder, Liabilities, Consumers, Insurance, Penalties.

## I. INTRODUCTION

The case of *National Insurance Company Ltd. v. Hindustan Safety Glassworks Ltd. & Anr.* (2017)<sup>2</sup> primarily concerns consumer rights and authority. Every person is, in one kind or another, a consumer; hence, the significance of legislation addressing this matter is immense. The *Consumer Protection Act of 1986*<sup>3</sup> addresses consumer protection, delineates consumer rights, and stipulates penalties for related violations. Applying for a policy at an insurance company is under the broad category of consumer activities, and the previously described instance illustrates a comparable scenario. On August 29, 1990, the Respondent, Hindustan Safety Glassworks Ltd., had two policies with the National Insurance Company, the appellant,

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<sup>1</sup> Author is a student at Integral University, India.

<sup>2</sup> *National Insurance Company Ltd. v. Hindustan Safety Glassworks Ltd. & Anr.*, (2017) 5 SCC 776.

<sup>3</sup> *Consumer Protection Act, 1986*, No. 68, Act by the Parliament, 1986 (India).

for amounts of 49 Lakhs and 5.7 Crores, respectively. The first policy included the risk associated with buildings, offices, and canteens inside the office premises, while the subsequent policy addressed the risk pertaining to machinery, goods, completed and semi-finished products, and other fixtures within the factory premises. The policy initially had a one-year lifespan, which was then extended for an additional year in 1992. On August 6, 1992, Calcutta had significant rainfall, resulting in water accumulation inside the manufacturing premises of the respondent, which caused damage to raw materials, commodities, and furnishings. In light of the losses incurred, the insured submitted claims on August 7th and 8th, 1992, requesting a total of around fifty-two lakhs.

## II. FACT OF THE CASE

On August 29, 1990, the Respondent, Hindustan Safety Glassworks Ltd., had two policies with the National Insurance Company, the appellant, for amounts of 49 Lakhs and 5.7 Crores, respectively. The first policy included the risk associated with buildings, offices, and canteens inside the office premises, while the subsequent policy addressed the risk pertaining to machinery, goods, completed and semi-finished products, and other fixtures within the factory premises. The policy initially had a one-year lifespan, which was then extended for an additional year in 1992. On August 6, 1992, Calcutta, where the respondent's facilities were situated, had substantial rainfall, resulting in water accumulation inside the plant and causing damage to raw materials, commodities, and furnishings. As a result of the incurred losses, the insured submitted claims on August 7th and 8th, 1992, seeking a total of around fifty-two lakhs. The insurance company designated *NT Kothari and Company* to evaluate the claims submitted after the substantial rainfall on September 24, 1992. The inspection report presented in November 1993 indicated that the claim amount should be 24 Lakhs. The Insurance Company deemed the report's conclusions unclear and subsequently engaged an additional surveyor for the matter. Season Services (WB) Private Ltd. was subsequently appointed. The second study was provided on November 23, 1994, determining the lost value to be around 2.6 million. Following the approval of an amendment on 10 February 1995, which detailed the items and other attributes to be included for the claim while excluding some components, the total amount to be claimed was reduced to 24 lakhs rupees. Despite allowing sufficient time, the insurance firm failed to disburse the requested funds to the insured. The notification about this matter was sent in 1996, although the response was dispatched five years later after the submission of a petition to the National Commission. The National Commission ruled in favour of the respondent. The aforementioned judgement was subsequently appealed to the Supreme Court. The complaint was limited by the statute of limitations since it was submitted on August 13,

1996, despite the loss or damage to the covered assets occurring in August 1992. The purported loss was from the build-up of dust and moisture on the stocks, which were neglected owing to a manufacturing lockout commencing on May 3, 1991, rather than from inundation or floods. Neither of the two survey findings can substantiate the payment of the asserted amount.

### III. LEGAL ISSUES

The Supreme Court tackled important legal questions regarding insurance policy terms and the responsibilities of both the insurer and insured in *National Insurance Co. Ltd. v. Hindustan Safety Glass Works Ltd.* The case looked at the extent of insurance coverage, more especially, whether the obligation of the insurer should be taken very literally or flexibly.<sup>4</sup> Reflecting the concept of *uberrima fides* (*utmost good faith*), central to the case was the insured's need to disclose all important information, thus enabling the insurer's right to subrogation, so allowing them to recoup expenses from third parties after indemnification of the insured. The court also examined causality and the level of damages to see if the claimed losses fit the insurance and were supported under its conditions. Emphasising the need for exact policy interpretations in insurance conflicts, the decision focused on whether policy wording should be read rigorously or otherwise to fulfil the intent of the policy.

### IV. COURT'S DECISION

The Supreme Court noted that on the day of the purported occurrence, the products were insured, and the respondent filed a claim with National Insurance Co. the next day. Consequently, the company appointed two surveyors, who waited two years to provide their assessment; hence, National Insurance Co. itself required almost two years to assess the damage incurred by the respondent. The Supreme Court determined that courts must adopt a pragmatic perspective regarding consumer rights, as consumers are inherently disadvantaged compared to suppliers. This imbalance prompted Parliament to enact the *Consumer Protection Act of 1986*. The Court also asserted that the 'limitation' clause of the Act should not be interpreted strictly to the detriment of consumers when the supplier of goods or services is at fault, leading to the rejection of the appeal.<sup>5</sup>

### V. LEGAL REASONING

The Supreme Court said in *National Insurance Co. Ltd. v. Hindustan Safety Glass Works Ltd.* (2017) 5 SCC 776 that insurance policy provisions should be read rigorously according to its

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<sup>4</sup> INDIAN KANOON, <https://indiankanoon.org/doc/89780746/> (last visited Dec. 30, 2024).

<sup>5</sup> INDIAN KANOON, <https://indiankanoon.org/doc/64240611/> (last visited Dec. 30, 2024).

plain language and intent to ensure coverage clarity and predictability. The court stressed that the insured must reveal all significant information in good faith to avoid reducing the insurer's obligation or voiding the policy. The judgement also upheld subrogation, enabling insurers to sue third parties after indemnifying insureds. The court stressed that the insured must prove causality and the degree of loss directly related to covered risks, with damages correctly evaluated without embellishment. This argument emphasised fair and exact insurance policy interpretation, openness, and accurate loss assessment.

## VI. IMPACT OF THE CASE

The 2017 Supreme Court decision *National Insurance Co. Ltd. v. Hindustan Safety Glass Works Ltd. & Anr*<sup>6</sup>. elucidated concepts about the interpretation of insurance policies. The Court determined that insurance contracts should be construed rigorously according to their terms since they are legal instruments with explicitly stated coverage, exclusions, and limitations. It underscored that claims must conform to the specific parameters stated in the insurance policy. Furthermore, it reiterated that the responsibility of demonstrating loss is with the insured; nonetheless, the insurer cannot unreasonably reject claims if the insured has complied with the policy's stipulations. This ruling highlights the need for openness and precision in formulating insurance contracts and offers more clarity on the enforcement of policy stipulations. It underscores the Court's commitment to maintaining equitable procedures within the insurance sector, guaranteeing balanced protection for both insurers and policyholders.

## VII. PERSONAL ANALYSIS

This historic ruling helps to interpret the limitation period under art. 24A<sup>7</sup> of the Consumer Protection Act, 1986 in a more general sense and prevents rigorous application since the customers were at a disadvantage. The fundamental goal of consumer forums is to provide justice by following natural justice in order to correct the grievance of the customer, given the rise in economic activities and growth in the commerce sector. Consequently, the courts and forums/commissions should adopt a pragmatic perspective on the consumer's rights as they are at a disadvantage with regard to suppliers and since consumers are the ones who significantly influence the state of the economy of our nation.

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<sup>6</sup> National Insurance Company Ltd. v. Hindustan Safety Glassworks Ltd. & Anr., (2017) 5 SCC 776.

<sup>7</sup> Consumer Protection Act, 1986, § 24A, No. 68, Act by the Parliament, 1986 (India).

### **VIII. CONCLUSION**

The prior ruling clearly indicates that the court supports the Consumer Protection Act's utmost safeguarding of consumers. Simultaneously, it imposes penalties on the customer for asserting incorrect information or lodging a complaint against the manufacturer. Although the legislation is established for the public and by the populace, it ensures equitable protection for both consumers and manufacturers, examining the reality that all consumers are manufacturers and all manufacturers are consumers. Consequently, the court concluded that the insured established a policy covering materials for any eventuality, and that the policy did not specify any particular disaster that would permit the insured to claim the insurance amount for damage to goods and other materials.

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