



**Study4Insurance**

## **LIABILITY ACT**

**FOR GIPSA OFFICER PROMOTION EXAM**

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## Public Liability Insurance Act, 1991

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### I. Background and Purpose

- **Key Events:**
  - 1984: Bhopal Gas Tragedy – Poisonous gas leak from Union Carbide, thousands dead/injured.
  - 1986: Shriram Chemicals tragedy in Delhi, large public impact.
- **Reason for the Act:**
  - To protect general public interests after these disasters.
  - Ensures all companies or individuals dealing with hazardous goods must have insurance.
  - *No fault or negligence needs to be proven* for compensation—victims receive relief even if not employee (not covered by Workmen Compensation Act).

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### II. Main Provisions

- **Compulsory Insurance for Owners:**
  - From 1st April 1991, all owners/handlers of hazardous substances must take out an insurance policy within limits specified by the Act.
  - Claim settlements handled by District Collector.
  - List of hazardous chemicals attached to Act.
- **Nature of Liability:**
  - *No Fault Liability*: Victims given relief without needing to demonstrate owner negligence.
  - *Immediate relief* mechanism in case of accident due to hazardous substance.
- **Who is Covered?:**
  - Any person affected by accidents involving hazardous substances (excluding workmen).
  - Workmen's compensation is separately covered by Workmen Compensation Act, 1923.

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### III. Benefits and Importance of Public Liability Insurance

- Without insurance, potential claims against business could result in massive legal and compensation costs.
- Provides protection for injuries to visitors, employees, third parties, and properties.
- Not legally required for all businesses—but essential for those handling hazardous materials.
- Insurance cover can extend to:
  - Partners in firms
  - Directors, managers, secretaries/officers in companies
  - Members in associations

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### IV. Covered Risks & Exclusions

- **What is covered?**
  - **Accidents** due to hazardous substance handling (manufacture, storage, transport, sale, etc.)
  - Death, injury, disability, sickness, and property damage.
- **Exclusions:**
  - Intentional non-compliance with laws.
  - Statutory fines, penalties, punitive/exemplary damages.
  - Damage to property owned/leased/hired by insured.
  - Damages due to war, invasion, nuclear/radioactive accidents.



## V. Key Definitions (From Act)

- **Accident:** Sudden/unintended event during hazardous substance handling, causing death/injury/property damage. Excludes war/nuclear accidents.
  - **Owner:** Person controlling hazardous substance at accident time; includes firm's partners, association's members, company's directors/managers/etc.
  - **Hazardous Substance:** As defined under Environment Protection Act, 1986, exceeding Govt.-specified quantity.
  - **Collector:** District official handling claims.
  - **Handling:** Includes all activities like manufacturing, storing, transporting, using, selling, etc.
  - **Advisory Committee:** Central Govt. constituted expert group on insurance matters under this Act.
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## VI. Statutory Duties of Owner

1. **Insurance Policy:**
    - Must be obtained/renewed before expiry.
    - Amount: Not less than paid-up capital, not more than ₹50 crore.
  2. **Environment Relief Fund:**
    - Owner pays extra amount with premium to be credited to Fund (Sec. 7A).
  3. **Extension of Coverage:**
    - Can pay extra premium to extend coverage to responsible officers/partners.
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## VII. Collector's Powers

- All powers of a civil court for claim settlement:
  - Summoning, enforcing attendance, questioning under oath.
  - Document discovery and production.
  - Affidavit evidence collection.
  - Requisition of public records/documents.
  - Issuing commissions for examination.

- Dismissing applications for default/proceeding ex parte.

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### **VIII. Inspection, Search, and Directions**

- Government-authorized persons may inspect any premises/vehicle for compliance at any reasonable time.
- Central Govt. may issue written directions to stop/regulate hazardous substance handling or supply of utilities (water, electricity, etc.)
- Power to search and seize hazardous substances in case of violation.
  - Seized material may be disposed to prevent accidents, owner pays costs (recoverable as land revenue).

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### **IX. Exemptions (Special Case for Owners)**

- Owner can seek exemption under Sec. 4(3) by creating a fund (₹5 crores or paid-up capital, whichever lower) in a nationalized bank, with approval from Central Govt.
- Fund used only to settle liabilities under this Act, operated by administrator nominated by owner.

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### **X. Claims and Compensation Calculation**

- **Claim relief under schedule:**
  - Medical Expenses: Up to ₹12,500 per case.
  - Fatal Accidents: ₹25,000 + medical expenses (max ₹12,500)
  - Permanent Disability: ₹25,000 + medical expenses
  - Wage Loss: Up to ₹1,000/month for a max of 3 months (temp/partial disability).
  - Property Damage: Up to ₹6,000 according to actual damage.
- Relief is additional to compensation under other laws (but total compensation reduced by relief paid under this Act).

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### **XI. Offences and Penalties**

- **Failure to comply (Sec. 4 & 12):**

- Imprisonment: Min. 1 year, up to 6 years.
- Fine: Up to ₹1 lakh, or both.
- **Objection/Non-compliance to Directions (Sec. 15):**
  - Imprisonment: Up to 3 months
  - Fine: Up to ₹20,000
- **Offences by Companies:**
  - All responsible officers liable for offences.
  - Liable even in case of consent/neglect; partners, managers, directors, secretaries included.



## **XII. Advisory Committee Structure**

- Constituted by Central Govt.; members include:
  - 3 Central Govt. officers
  - 2 insurer representatives
  - 2 owners' representatives
  - 2 insurance/hazardous substance experts
- Chairman: One of the Central Govt. representatives, nominated.

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## **XIII. Implementation Steps (Recent Initiatives)**

- Pollution Control Boards directed to check for valid PLI policy at time of industrial permissions.
- Coordination between insurance companies and IRDA for standardized PLI policy.

- Awareness letters/advisories to industry bodies (FICCI, CII, CMA, ICC, etc.) to enroll and pay in ERF.
  - Ministry works for improved implementation and compliance mechanisms.
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#### XIV. Conclusion

- Public Liability Insurance Act, 1991 protects public/employee interests against accidental harm from hazardous materials.
  - Mandatory insurance for all industries/companies handling hazardous substances.
  - Relief available only for direct, accidental injuries—not for indirect or long-term health issues from hazardous substance exposure.
  - Liability limited to mandatory insurance coverage—no extra benefit except specified compensation.
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#### References

*The Public Liability Insurance Act 1991, PIB, lawyersclubindia.com, text of the Act, PPT source.*

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