



CIVIL

The 'Monsoon Clause' in Insurance Contracts: Balancing Absurdity and Reasonableness – The Supreme Court's Judgment

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The Supreme Court of India recently delivered a significant judgment in the case of *Sohom Shipping Pvt. Ltd. vs. The New India Assurance Co. Ltd. & Anr.*, cited as 2025 INSC 453. The case revolved around the interpretation of a special condition in an insurance contract requiring the voyage of a barge to “commence and complete before monsoon sets in.” The court’s decision highlights the principles of contract interpretation, the application of the *Contra Proferentum* rule, and the materiality of contractual terms in insurance disputes.

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Background of the Case

Sohom Shipping Pvt. Ltd., a company engaged in the shipping business, purchased a new barge named “Srijoy II” and sought to insure its maiden voyage from Mumbai to Kolkata. The insurance contract, valid from 16.05.2013 to 15.06.2013, included a special condition stipulating that the voyage must begin and end before the monsoon season. Despite this condition, the barge departed on 06.06.2013, after the monsoon had already commenced, post clearances from the Directorate General of Shipping (DGS). The vessel encountered bad weather and engine failure, leading to it running aground.

When Sohom Shipping claimed compensation under the insurance policy, the insurer, The New India Assurance Co. Ltd., rejected the claim, citing a breach of the special condition. The Appellant then filed a consumer complaint under the Consumer Protection Act, 2019 (COPRA), which was dismissed by the National Consumer Disputes Redressal Commission (NCDRC). Dissatisfied with this outcome, Sohom Shipping appealed to the Supreme Court under Section 67 of COPRA.

Contentions of the Parties

The Appellant argued that the special condition was non-material and had been implicitly waived by the insurer, as the policy period explicitly covered the foul weather season. They contended that the phrase “before monsoon sets in” was ambiguous and should be interpreted against the insurer under the *Contra Proferentum* rule. Additionally, they highlighted that a strict interpretation of the condition would render the insurance policy ineffective in cases of marine accidents, which is absurd and defeats the purpose of insurance.

On the other hand, the Respondent maintained that the special condition was clear and unambiguous, and the Appellant had breached it by sailing after the monsoon had begun. They also alleged that the Appellant had misrepresented its intentions in the proposal form and had not disclosed its plan to sail during the foul season. The Respondent relied on several legal precedents to support its stance, emphasizing the importance of adhering to contractual terms.

Court’s Analysis and Judgment

The Supreme Court analysed the terms of the insurance contract and the surrounding circumstances. It began by interpreting the phrase “before monsoon sets in” literally, noting that the voyage was required to start and complete before the monsoon began on 1st June. However, the court rejected the Appellant’s argument that the condition was ambiguous, stating that the *Contra Proferentum* rule applies only to genuine ambiguities and not to external considerations.

The court then assessed the materiality of the special condition. It observed that the policy period explicitly covered the foul weather season, and the Respondent was aware of the voyage’s timeline. The court reasoned that treating the special condition as a condition precedent would lead to an absurd outcome, as it would leave the insured without any remedy in case of a marine accident. This, the court held, vitiates the very purpose of an insurance contract.

Drawing parallels with the case of *Ramji Karamsi v. The Unique Motor and General Insurance Co. Ltd.*, the court emphasized that terms that lead to absurd consequences cannot be enforced strictly. It concluded that the special condition had been impliedly waived by the parties due to its non-material nature and that the Respondent could not repudiate the claim based on

this ground.

Legal Principles and Precedents

The court relied on several legal principles and precedents to arrive at its decision. It affirmed the well-established principle of *uberrima fides* (utmost good faith) in insurance contracts and the application of the *Contra Proferentum* rule in cases of genuine ambiguity. The court also cited judgments such as *Chandumull Jain v. General Assurance Society Ltd.* (1966) and *New India Assurance Co. Ltd. v. Industrial Promotion and Investment Corporation of Orissa Ltd.* (2016) to clarify the scope and limitations of the *Contra Proferentum* rule.

Additionally, the court referenced *Ramji Karamsi* to highlight that terms leading to absurd consequences cannot be enforced, even if they are technically breached. This principle guided the court's decision to hold that the special condition could not be treated as a condition precedent.

Final Decision

The Supreme Court allowed the appeal and set aside the NCDRC's order dismissing the Appellant's complaint. It remanded the matter to the NCDRC to determine the extent of the insured sum payable by the Respondent to the Appellant. The court emphasized the need for expeditious resolution, given that the claim had been pending since 2013.

The judgment underscores the importance of balancing strict contractual adherence with practical considerations, particularly in insurance disputes. It reinforces the principle that terms leading to absurd or unjust outcomes cannot be enforced, ensuring that the purpose of insurance contracts is preserved.

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