



Policyholders Protection Act 1975

1975 CHAPTER 75

Duties of the Board in case of companies in liquidation

6 Compulsory insurance policies and securities

- (1) This section applies to any policy which satisfies the requirements of any of the following, that is to say—
 - (a) section 1(4A)(d) of the Riding Establishments Act 1964 or any corresponding enactment for the time being in force in Northern Ireland ;
 - (b) section 1 of the Employers' Liability (Compulsory Insurance) Act 1969 or Article 5 of the Employers' Liability (Defective Equipment and Compulsory Insurance) (Northern Ireland) Order 1972 ; or.
 - (c) Part VI of the Road Traffic Act 1972 or Part V of the Road Traffic Act (Northern Ireland) 1970 ;and to any policy evidencing a contract of insurance effected for the purposes of section 19 of the Nuclear Installations Act 1965.
- (2) This section applies to any security in respect of third-party risks given by an authorised insurance company which satisfies the requirements of Part VI of the Road Traffic Act 1972 or Part V of the Road Traffic Act (Northern Ireland) 1970.
- (3) In this section " a liability subject to compulsory insurance " means any liability required under any of the enactments mentioned in subsection (1) above to be covered by insurance or (as the case may be) by insurance or by some other provision for securing its discharge.
- (4) Subject to sections 9, 13 and 14 below and the following provisions of this section, it shall be the duty of the Board to secure that a sum equal to the full amount of any liability of a company in liquidation towards any policyholder or security holder under the terms of any policy or security to which this section applies is paid to the policyholder or security holder as soon as reasonably practicable after the beginning of the liquidation.
- (5) Subsection (4) above does not apply by reference to any liability of a company in liquidation under the terms of a policy to which this section applies arising otherwise

than in respect of a liability of the policyholder which is a liability subject to compulsory insurance.

- (6) Subject to sections 9, 13 and 14 and subsection (8) below, it shall be the duty of the Board to secure that a sum equal to ninety per cent, of the amount of any liability of a company in liquidation towards a private policyholder under the terms of any policy to which this section applies, being a liability arising otherwise than in respect of a liability of the policyholder which is a liability subject to compulsory insurance, is paid to the policyholder as soon as reasonably practicable after the beginning of the liquidation.
- (7) In subsection (6) above " private policyholder " means a policyholder who is either—
- (a) an individual; or
 - (b) a partnership or other unincorporated body of persons all of whom are individuals.
- (8) The duty of the Board under subsection (4) or (6) above shall not apply—
- (a) in the case of any policy, unless it was a United Kingdom policy at the beginning of the liquidation; or
 - (b) in the case of any security in respect of third-party risks,
- unless it would have been a United Kingdom policy at the beginning of the liquidation if it had been an insurance policy and the contract governing the security had been a contract of insurance.
- (9) References hereafter in this Act to policies which were United Kingdom policies at any time and to policyholders in respect of such policies shall be construed as including references to—
- (a) securities to which this section applies which would have been United Kingdom policies at the time in question if they had been insurance policies and the contracts governing the securities had been contracts of insurance ; and
 - (b) security holders in respect of such securities.