THIRD SUPPLEMENT TO THE GIBRALTAR GAZETTE

No. 5359 GIBRALTAR Thursday 12th November 2026

B. 32/26

BILL

FOR

AN ACT to make provision about the rights of third parties against insurers of liabilities to third parties in the case where the insured is insolvent, and in certain other cases

ENACTED by the Legislature of Gibraltar.

Title and commencement.

1.(1) This Act may be cited as the Third Parties (Rights against Insurers) Act 2026.

(2) This Act comes into operation on such day as the Government appoints by notice in the Gazette and the Government may appoint different days for different provisions or purposes.

Interpretation.

2. The references to enactments in sections 5 to 7, and paragraph 3(2)(b) of Schedule 1 are to be treated as including references to those enactments as amended, extended or applied by another enactment, whenever passed or made, unless the contrary intention appears.

Transfer of rights to third parties

Rights against insurer of insolvent person etc.

3.(1) This section applies if–

(a) a relevant person incurs a liability against which that person is insured under a contract of insurance; or

(b) a person who is subject to such a liability becomes a relevant person.

(2) The rights of the relevant person under the contract against the insurer in respect of the liability are transferred to and vest in the person to whom the liability is or was incurred (the "third party").

(3) The third party may bring proceedings to enforce the rights against the insurer without having established the relevant person's liability; but the third party may not enforce those rights without having established that liability.

(4) For the purposes of this Act, a liability is established only if its existence and amount are established; and, for that purpose, "establish" means establish—

(a) by virtue of a declaration under section 4;

(b) by a judgment or decree;

(c) by an award or arbitral proceedings or by an arbitration; or

(d) by an enforceable agreement.

(5) In this Act–

(a) references to an "insured" are to a person who incurs or who is subject to a liability to a third party against which that person is insured under a contract of insurance;

(b) references to a "relevant person" are to a person within sections 5 to 8;

(c) references to a "third party" are to be construed in accordance with subsection (2); or

(d) references to "transferred rights" are to rights under a contract of insurance which are transferred under this section.

Establishing liability in Gibraltar.

4.(1) This section applies where a person (P)—

(a) claims to have rights under a contract of insurance by virtue of a transfer under section 3, but

(b) has not yet established the insured's liability which is insured under that contract.

(2) P may bring proceedings against the insurer for either or both of the following—

(a) a declaration as to the insured's liability to P;

(b) a declaration as to the insurer's potential liability to P.

(3) In such proceedings P is entitled, subject to any defence on which the insurer may rely, to a declaration under subsection (2)(a) or (b) on proof of the insured's liability to P or (as the case may be) the insurer's potential liability to P.

(4) Where proceedings are brought under subsection (2)(a) the insurer may rely on any defence on which the insured could rely if those proceedings were proceedings brought against the insured in respect of the insured's liability to P.

(5) Subsection (4) is subject to section 13(1).

(6) Where the court makes a declaration under this section, the effect of which is that the insurer is liable to P, the court may give the appropriate judgment against the insurer.

(7) Where a person applying for a declaration under subsection (2)(b) is entitled or required, by virtue of the contract of insurance, to do so in arbitral proceedings, that person may also apply in the same proceedings for a declaration under subsection (2) (a).

(8) In the application of this section to arbitral proceedings, subsection (6) is to be read as if "tribunal" were substituted for "court" and "make the appropriate award" for "give the appropriate judgment".

(9) When bringing proceedings under subsection (2)(a), P may also make the insured a defendant to those proceedings.

(10) If (but only if) the insured is a defendant to proceedings under this section (whether by virtue of subsection (9) or otherwise), a declaration under subsection (2) binds the insured as well as the insurer.

(11) In this section, references to the insurer's potential liability to P are references to the insurer's liability in respect of the insured's liability to P, if established.

(12) For the avoidance of doubt P may bring proceedings under subsection (2) notwithstanding that an action against the insured by P to establish the insured's liability to P may be subject to the provisions of section 165(1)(c) of the Insolvency Act, without the need for any order of the court under that section.

Relevant persons

Individuals.

5.(1) An individual is a relevant person if any of the following is in force in respect of that individual in Gibraltar—

(a) an administration order;

(b) an enforcement restriction order;

(c) debt relief order;

(d) an individual voluntary arrangement approved in accordance with Part 12 of the Insolvency Act 2011, or

(e) a bankruptcy order made under Part 13 of the Insolvency Act 2011.

(2) If an individual is a relevant person by virtue of subsection (1)(d), that person is a relevant person for the purposes of section 3(1)(b) only.

Individuals who die insolvent.

6.(1) An individual who dies insolvent is a relevant person for the purposes of section 3(1) (b) only.

(2) For the purposes of this section an individual (D) is to be regarded as having died insolvent if, following D's death D's estate falls to be administered in accordance with the Insolvency (Administration of Insolvent Estates) Regulations 2014 .

(3) Where a transfer of rights under section 3 takes place as a result of an insured person being a relevant person by virtue of this section, references in this Act to an insured are, where the context so requires, to be read as references to the insured's estate.

Corporate bodies etc.

7.(1) A body corporate or unincorporated body is a relevant person if a compromise or arrangement between the body and its creditors (or a class of them) is in force, having been sanctioned in accordance with section 299 of the Companies Act 2014.

(2) A body corporate or an unincorporated body is a relevant person if, in Gibraltar—

(a) a company voluntary arrangement approved in accordance with Part 2 of the Insolvency Act 2011 is in force in respect of it;

(b) the body is in administration under Part 3 of the Insolvency Act 2011;

(c) there is a person appointed in accordance with Part 4 of the Insolvency Act 2011 who is acting as receiver or manager of the body's property (or there would be such a person so acting but for a temporary vacancy);

(d) the body is in voluntary liquidation in accordance with Chapter 1 of Part X of the Companies Act 2014;

(e) there is a person appointed under section 161 of the Insolvency Act 2011 who is acting as provisional liquidator in respect of the body (or there would be such a person so acting but for a temporary vacancy); or

(f) the body is in liquidation under Part 6 or Part 7 of the Insolvency Act 2011.

(3) A body corporate or unincorporated body is a relevant person if it is in insolvency under the Credit Institutions (Reorganisation and Winding Up) Act 2005.

(4) A body corporate or unincorporated body is a relevant person if it is in administration under any relevant sectoral enactment applicable to it by virtue of the business that it conducts.

(5) For the purposes of subsection (4) a body is in administration under a relevant sectoral enactment if the appointment of an administrator of the body under that enactment has effect.

(6) The body does not cease to be in administration merely because an administrator vacates office (by reason of resignation, death or otherwise) or is removed from office.

(7) A body within subsection (1) is not a relevant person in relation to a liability that is transferred to another body by the order sanctioning the compromise or arrangement.

(8) Where a body is a relevant person by virtue of subsection (1), section 3 has effect to transfer rights only to a person on whom the compromise or arrangement is binding.

(9) In this section—

(a) a reference to a person appointed in accordance with Part 4 of the Insolvency Act 2011 includes a reference to a person appointed under section 19 of the Conveyancing Act 1881;

(b) a reference to a receiver or manager of a body's property includes a reference to a receiver or manager of part only of the property and to a receiver only of the income arising from the property or from part of it.

Corporate bodies etc. that are dissolved.

8.(1) A body corporate or unincorporated body is a relevant person if the body has been dissolved, subject to the exceptions in subsections (2) and (3).

(2) The body is not a relevant person by virtue of subsection (1) if, since it was dissolved (or, if it has been dissolved more than once, since it was last dissolved), something has happened which has the effect that the body is treated as not having been dissolved or as no longer being dissolved.

(3) Subsection (1) applies to a partnership only if it is a body corporate.

(4) For the purposes of this section, “dissolved” means dissolved under the law of Gibraltar (whether or not by a process referred to as dissolution).

Transferred rights: supplemental

Limit on rights transferred.

9. Where the liability of an insured to a third party is less than the liability of the insurer to the insured (ignoring the effect of section 3), no rights are transferred under that section in respect of the difference.

Conditions affecting transferred rights.

10.(1) This section applies where transferred rights are subject to a condition (whether under the contract of insurance from which the transferred rights are derived or otherwise) that the insured has to fulfil.

(2) Anything done by the third party which, if done by the insured, would have amounted to or contributed to fulfilment of the condition is to be treated as if done by the insured.

(3) The transferred rights are not subject to a condition requiring the insured to provide information or assistance to the insurer if that condition cannot be fulfilled because the insured is—

(a) an individual who has died;

(b) a body corporate that has been dissolved; or

(c) an unincorporated body, other than a partnership, that has been dissolved.

(4) A condition requiring the insured to provide information or assistance to the insurer does not include a condition requiring the insured to notify the insurer of the existence of a claim under the contract of insurance.

(5) The transferred rights are not subject to a condition requiring the prior discharge by the insured of the insured's liability to the third party.

(6) In the case of a contract of marine insurance, subsection (5) applies only to the extent that the liability of the insured is a liability in respect of death or personal injury.

(7) In this section—

"contract of marine insurance" has the meaning given by section 3 of the Marine Insurance Act.

"personal injury" includes any disease and any impairment of a person's physical or mental condition.

(8) For the purposes of this section—

(a) "dissolved" means dissolved under the law of Gibraltar (whether or not by a process referred to as dissolution); and

(b) a body has been dissolved even if, since it was dissolved, something has happened which has the effect that (but for this paragraph) the body is treated as not having been dissolved or as no longer being dissolved.

Insurer's right of set off.

11.(1) This section applies if—

(a) rights of an insured under a contract of insurance have been transferred to a third party under section 3;

(b) the insured is under a liability to the insurer under the contract ("the insured's liability"); and

(c) if there had been no transfer, the insurer would have been entitled to set off the amount of the insured's liability against the amount of the insurer's own liability to the insured.

(2) The insurer is entitled to set off the amount of the insured's liability against the amount of the insurer's own liability to the third party in relation to the transferred rights.

Provision of information etc.

Information and disclosure for third parties.

12. Schedule 1 (information and disclosure for third parties) has effect.

Enforcement of transferred rights

Limitation.

13.(1) Subsection (2) applies where a person brings proceedings for a declaration under section 4(2)(a) and the proceedings are started—

(a) after the expiry of a period of limitation applicable to an action against the insured to enforce the insured's liability; but

(b) while such an action is in progress.

(2) The insurer may not rely on the expiry of that period as a defence unless the insured is able to rely on it in the action against the insured.

(3) For the purposes of subsection (1), an action is to be treated as no longer in progress if it has been concluded by a judgment or decree, or by an award, even if there is an appeal or a right of appeal.

(4) For the avoidance of doubt, the effect of subsection (3) includes that an action is to be treated as in progress notwithstanding that under section 165(1)(c)(i) of the Insolvency Act it may not be proceeded with unless the court orders otherwise, and without the need for such order.

(5) Where a person who has already established an insured's liability to that person brings proceedings under this Act against the insurer, nothing in this Act is to be read as meaning that, for the purposes of the law of limitation in Gibraltar, that person's cause of action against the insurer arose otherwise than at the time when that person established the liability of the insured.

Enforcement of insured's liability

Effect of transfer on insured's liability.

14.(1) Where rights in respect of an insured's liability to a third party are transferred under section 3, the third party may enforce that liability against the insured only to the extent (if any) that it exceeds the amount recoverable from the insurer by virtue of the transfer.

(2) Subsection (3) applies if a transfer of rights under section 3 occurs because the insured person is a relevant person by virtue of—

(a) section 5(1)(d); or

(b) section 7(1) or (2)(a).

(3) If the liability is subject to the arrangement or compromise by virtue of which the insured is a relevant person, the liability is to be treated as subject to that arrangement or compromise only to the extent that the liability exceeds the amount recoverable from the insurer by virtue of the transfer.

(4) For the purposes of this section the amount recoverable from the insurer does not include any amount that the third party is unable to recover as a result of—

(a) a shortage of assets on the insurer's part, in a case where the insurer is a relevant person; or

(b) a limit set by the contract of insurance on the fund available to meet claims in respect of a particular description of liability of the insured.

(5) Where a third party is eligible to make a claim in respect of the insurer's liability under or by virtue of the Financial Services Act 2019 or any rules or regulations made thereunder—

(a) subsection (4)(a) applies only if the third party has made such a claim; and

(b) the third party is to be treated as being able to recover from the insurer any amount paid to, or due to, the third party as a result of the claim.

Application of Act

Reinsurance.

15. This Act does not apply to a case where the liability referred to in section 3(1) is itself a liability incurred by an insurer under a contract of insurance.

Voluntarily-incurred liabilities.

16. It is irrelevant for the purposes of section 3 whether or not the liability of the insured is or was incurred voluntarily.

Avoidance.

17.(1) A contract of insurance to which this section applies is of no effect in so far as it purports, whether directly or indirectly, to avoid or terminate the contract or alter the rights of the parties under it in the event of the insured—

(a) becoming a relevant person; or

(b) dying insolvent (within the meaning given by section 6(2)).

(2) A contract of insurance is one to which this section applies if the insured's rights under it are capable of being transferred under section 3.

Cases with a foreign element.

18. Except as expressly provided, the application of this Act does not depend on whether there is a connection with Gibraltar; and in particular it does not depend on—

(a) whether or not the liability (or the alleged liability) of the insured to the third party was incurred in, or under the law of Gibraltar;

(b) the place of residence or domicile of any of the parties;

(c) whether or not the contract of insurance (or a part of it) is governed by the law of Gibraltar;

(d) the place where sums due under the contract of insurance are payable.

Supplemental

Power to change the meaning of "relevant person".

19.(1) The Government may by regulations make provision adding or removing circumstances in which a person is a "relevant person" for the purposes of this Act, subject to subsection (2).

(2) Regulations under this section may add circumstances only if, in the Government's opinion, the additional circumstances—

(a) involve actual or anticipated dissolution of a body corporate or an unincorporated body;

(b) involve actual or anticipated insolvency or other financial difficulties for an individual, a body corporate or an unincorporated body; or

(c) are similar to circumstances for the time being described in sections 5 to 8.

(3) Regulations under this section may make provision about—

(a) the persons to whom, and the extent to which, rights are transferred under section 3 in the circumstances added or removed by the regulations (the "affected circumstances");

(b) the re-transfer of rights transferred under section 3 where the affected circumstances change; and

(c) the effect of a transfer of rights under section 3 on the liability of the insured in the affected circumstances.

(4) Regulations under this section which add or remove circumstances involving actual or anticipated dissolution of a body corporate or unincorporated body may change the cases in which the following provisions apply so that they include or exclude cases involving that type of dissolution or any other type of dissolution of a body—

(a) section 10(3) (cases in which transferred rights are not subject to a condition requiring the insured to provide information or assistance to the insurer); and

(b) paragraph 3 of Schedule 1 (notices requiring disclosure).

(5) Regulations under this section which add circumstances may provide that section 3 of this Act applies in cases involving those circumstances in which either or both of the following occurred in relation to a person before the day on which the regulations come into force—

(a) the circumstances arose in relation to the person;

(b) a liability against which the person was insured under an insurance contract was incurred.

(6) Regulations under this section which—

(a) add circumstances; and

(b) provide that section 3 of this Act applies in a case involving those circumstances in which both of the events mentioned in subsection (5)(a) and (b) occurred in relation to a person before the day on which the regulations come into force,

must provide that, in such a case, the person is to be treated for the purposes of this Act as not having become a relevant person until that day or a later day specified in the regulations.

(7) Regulations under this section which remove circumstances may provide that section 3 of this Act does not apply in cases involving those circumstances in which one of the events mentioned in subsection (5)(a) and (b) (but not both) occurred in relation to a person before the day on which the regulations come into force.

(8) Regulations under this section may—

(a) include consequential, incidental, supplementary, transitional, transitory or saving provision;

(b) make different provision for different purposes; and

(c) make provision by reference to an enactment as amended, extended or applied from time to time,

(and subsections (3) to (7) are without prejudice to the generality of this subsection).

(9) Regulations under this section may amend an enactment, whenever passed or made, including this Act.

Transitory, transitional etc.

Application of this Act.

20.(1) Section 3(1) (a) applies where the liability was incurred before, as well as when it was incurred on or after, commencement day.

(2) Section 3(1) (b) applies where the insured became a relevant person before, as well as when the insured becomes such a person on or after, commencement day.

(3) For the avoidance of doubt, Section 3 applies where the events giving rise to the liability of the relevant person occurred before, as well as when they occurred after, commencement day.

(4) In this Section "commencement day" means the day on which this Act comes into operation.

Relevant persons.

21.(1) An individual, company or limited liability partnership not within sections 5 to 8 is to be treated as a relevant person for the purposes of this Act in the following cases.

(2) The first case is where an individual—

(a) became bankrupt before commencement day; and

(b) has not been discharged from that bankruptcy.

(3) The second case is where—

(a) an individual made a composition or arrangement with his or her creditors before commencement day; and

(b) the composition or arrangement remains in force;

(4) The third case is where—

(a) a winding-up order or an order appointing a liquidator was made, or a resolution for a voluntary liquidation was passed, with respect to a company or limited liability partnership before commencement day; and

(b) the company or partnership is still liquidated or in liquidation.

(5) The fourth case is where a company or limited liability partnership—

(a) entered administration before commencement day; and

(b) is still in administration.

(6) The fifth case is where—

(a) a receiver or manager of the business or undertaking of a company or limited liability partnership was appointed before commencement day; and

(b) the appointment remains in force.

(7) In those cases, the person is a relevant person only in relation to liabilities under a contract of insurance under which the person was insured at the time of the event mentioned in sub-paragraph (2)(a), (3)(a), (4)(a), (5)(a) or (6)(a) (as appropriate).

Consequential amendments to other legislation.

22. (1) Schedule 2 (amendments) has effect.

SCHEDULE 1

Section 12

INFORMATION AND DISCLOSURE FOR THIRD PARTIES

Notices requesting information.

1.(1) If a person (A) reasonably believes that–

(a) another person (B) has incurred a liability to A; and

(b) B is a relevant person,

A may, by notice in writing, request from B such information falling within sub paragraph (3) as the notice specifies.

(2) If a person (A) reasonably believes that—

(a) a liability has been incurred to A;

(b) the person who incurred the liability is insured against it under a contract of insurance;

(c) rights of that person under the contract have been transferred to A under section 3; and

(d) there is a person (C) who is able to provide information falling within sub paragraph (3),

A may, by notice in writing, request from C such information falling within that sub paragraph as the notice specifies.

(3) The following is the information that falls within this sub-paragraph—

(a) whether there is a contract of insurance that covers the supposed liability or might reasonably be regarded as covering it;

(b) if there is such a contract—

(i) who the insurer is;

(ii) what the terms of the contract are;

(iii) whether the insured has been informed that the insurer has claimed not to be liable under the contract in respect of the supposed liability;

(iv) whether there are or have been any proceedings between the insurer and the insured in respect of the supposed liability and, if so, relevant details of those proceedings;

(v) in a case where the contract sets a limit on the fund available to meet claims in respect of the supposed liability and other liabilities, how much of it (if any) has been paid out in respect of other liabilities;

(vi) whether there is a fixed charge to which any sums paid out under the contract in respect of the supposed liability would be subject.

(4) For the purpose of sub-paragraph (3)(b)(iv), relevant details of proceedings are—

(a) in the case of court proceedings—

(i) the name of the court;

(ii) the case number;

(iii) the contents of all documents served in the proceedings in accordance with rules of court or orders made in the proceedings, and the contents of any such orders;

(b) in the case of arbitral proceedings—

(i) the name of the arbitrator;

(ii) information corresponding with that mentioned in paragraph (a)(iii).

(5) A notice given by a person under this paragraph must include particulars of the facts on which that person relies as entitlement to give the notice.

Provision of information where notice given under paragraph 1

2.(1) A person (R) who receives a notice under paragraph 1 must, within the period of 28 days beginning with the day of receipt of the notice—

(a) provide to the person who gave the notice any information specified in it that R is able to provide;

(b) in relation to any such information that R is not able to provide, notify that person why R is not able to provide it.

(2) Where—

(a) a person (R) receives a notice under paragraph 1;

(b) there is information specified in the notice that R is not able to provide because it is contained in a document that is not in R's control;

(c) the document was at one time in R's control; and

(d) R knows or believes that it is now in another person's control,

R must, within the period of 28 days beginning with the day of receipt of the notice, provide the person who gave the notice with whatever particulars R can as to the nature of the information and the identity of that other person.

(3) If R fails to comply with a duty imposed on R by this paragraph, the person who gave R the notice may apply to court for an order requiring R to comply with the duty.

(4) No duty arises by virtue of this paragraph in respect of information as to which a claim to legal professional privilege as between client and professional legal adviser could be maintained in legal proceedings.

Notices requiring disclosure: bodies that have been dissolved

3.(1) If—

(a) a person (P) has started proceedings under this Act against an insurer in respect of a liability;

(b) P claims the liability has been incurred to P by—

(i) a body corporate; or

(ii) an unincorporated body other than a partnership; and

(c) the body has been dissolved,

P may by notice in writing require a person to whom sub-paragraph (2) applies to disclose to P any documents that are relevant to that liability.

(2) This sub-paragraph applies to a person if—

(a) immediately before the time of the alleged transfer under section 3, that person was an officer or employee of the body; or

(b) immediately before the body was dissolved (or, if it has been dissolved more than once, immediately before it was last dissolved), that person was—

(i) acting as an insolvency practitioner in relation to the body (within the meaning given by section 476(1) of the Insolvency Act 2011); or

(ii) acting as the official receiver in relation to the winding up of the body.

(3) A notice under this paragraph must be accompanied by—

(a) a copy of the particulars of claim required to be served in connection with the proceedings mentioned in sub-paragraph (1); or

(b) where those proceedings are arbitral proceedings, the particulars of claim that would be required to be so served if they were court proceedings.

(4) For the purposes of this paragraph—

(a) "dissolved" means dissolved under the law of Gibraltar (whether or not by a process referred to as dissolution); and

(b) a body has been dissolved even if, since it was dissolved, something has happened which has the effect that (but for this paragraph) the body is treated as not having been dissolved or as no longer being dissolved.

Disclosure and inspection where notice given under paragraph 3.

4.(1) Subject to the provisions of this paragraph and to any necessary modifications—

(a) the duties of disclosure of a person who receives a notice under paragraph 3; and

(b) the rights of inspection of the person giving the notice,

are the same as the corresponding duties and rights under Civil Procedure Rules of parties to court proceedings in which an order for standard disclosure has been made.

(2) A person who by virtue of sub-paragraph (1) has to serve a list of documents must do so within the period of 28 days beginning with the day of receipt of the notice.

(3) A person who has received a notice under paragraph 3 and has served a list of documents in response to it is not under a duty of disclosure by reason of that notice in relation to documents that the person did not have when the list was served.

Avoidance.

5. A contract of insurance is of no effect in so far as it purports, whether directly or indirectly—

(a) to avoid or terminate the contract or alter the rights of the parties under it in the event of a person providing information, or giving disclosure, that the person is required to provide or give by virtue of a notice under paragraph 1 or 3; or

(b) otherwise to prohibit, prevent or restrict a person from providing such information or giving such disclosure.

Other rights to obtain information etc.

6. Rights to information, or to inspection of documents, that a person has by virtue of paragraph 1 or 3 are in addition to any such rights as the person has apart from that paragraph.

Interpretation.

7. For the purposes of this Schedule—

(a) a person is able to provide information only if—

(i) that person can obtain it without undue difficulty from a document that is in that person's control; or

(ii) where that person is an individual, the information is within that person's knowledge.

(b) a document is in a person's control if it is in that person's possession or if that person has a right to possession of it or to inspect or take copies of it.

SCHEDULE 2

Section 20

AMENDMENTS

Insurance (Motor Vehicles) (Third Party Risks) Act 1986

1. Amend section 17 of the Insurance (Motor Vehicles) (Third Party Risks) Act 1986 as follows—

(a) the existing text of section 17 becomes subsection (1);

(b) add a new subsection (1)(d) as follows:

"(d) an event which results in the said person being a relevant person for the purposes of the Third Parties (Rights against Insurers) Act 2026 happens,";

(c) add a new subsection (2) as follows:

"(2) Nothing in subsection (1) above affects any rights conferred by the Third Parties (Rights against Insurers) Act 2026 on the person to whom the liability was incurred, being rights so conferred against the person by whom the policy was issued.".

Merchant Shipping Act

2. In section 179P of the Merchant Shipping Act, add a new subsection (5) as follows:

"(5) The Third Parties (Rights against Insurers) Act 2026 shall not apply where this section applies.".

EXPLANATORY MEMORANDUM

This Bill makes provision about the rights of third parties against insurers of liabilities to third parties in the case where the insured is insolvent, and in certain other cases.

A party ("an insured party") that incurs a liability to another party (the "third party") may have purchased an insurance policy to protect itself against the cost of that liability. If so, usually the insured party will make a claim under such a policy. Provided the insurer is satisfied that the claim is valid, the insurer will pay out the insurance proceeds. However, if the insured becomes insolvent before the third party is paid, then under general legal principles the insurance money will become an asset in the insolvent estate of the insured party. The third party would at best

receive (as a general creditor of the insolvent insured) only part of the payment he or she would otherwise have been due, and the insurance money would be used to increase the amount paid to other creditors.

This Bill resolves this problem and the injustice in which it results by transferring the insured party's rights against the insurer to the third party.

In the UK, legislation resolved this injustice as long ago as 1930, though the current version of their legislation dates to 2010. This Bill brings Gibraltar law in this respect into line with the UK.

The position is already similar in Gibraltar under Section 17 of the Insurance (Motor Vehicles) (Third Party Risks) Act 1986 in respect of claims arising out of motor vehicle accidents

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