

**Third Parties (Rights Against Insurers) Act  
(CHAPTER 395)**

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**THIRD PARTIES (RIGHTS AGAINST INSURERS) ACT  
(CHAPTER 395)**

(Original Enactment: 20 & 21 Geo. 5, c. 25)

**REVISED EDITION 1994**

(20th May 1994)

An Act to confer on third parties rights against insurers of third-party risks in the event of the insured becoming insolvent and in certain other events.

[12th November 1993\*]

\* Date when this Act was made applicable by the Application of English Law Act (Cap. 7A).

## **Rights of third parties against insurers on bankruptcy, etc., of the insured**

**1.—**(1) Where under any contract of insurance a person (referred to in this Act as the insured) is insured against liabilities to third parties which he may incur, then —

- (a) in the event of the insured becoming bankrupt or making a composition or arrangement with his creditors; or
- (b) in the case of the insured being a company, in the event of a winding-up order being made, or a resolution for a voluntary winding up being passed, with respect to the company, or of a receiver or manager of the company's business or undertaking being duly appointed, or of possession being taken, by or on behalf of the holders of any debentures secured by a floating charge, of any property comprised in or subject to the charge,

if, either before or after that event, any such liability is incurred by the insured, his rights against the insurer under the contract in respect of the liability shall, notwithstanding anything in any Act or rule of law to the contrary, be transferred to and vest in the third party to whom the liability was so incurred.

(2) Where an order is made under section 124 of the Bankruptcy Act [Cap. 20], for the administration of the estate of a deceased debtor according to the law of bankruptcy, then, if any debt provable in bankruptcy is owing by the deceased in respect of a liability against which he was insured under a contract of insurance as being a liability to a third party, the deceased debtor's rights against the insurer under the contract in respect of that liability shall, notwithstanding anything in that Act, be transferred to and vest in the person to whom the debt is owing.

(3) In so far as any contract of insurance in respect of any liability of the insured to third parties purports, directly or indirectly, to avoid the contract or to alter the rights of the parties thereunder upon the happening to the insured of any of the events specified in paragraph (a) or (b) of subsection (1) or upon the making of an order under section 124 of the Bankruptcy Act, in respect of his estate, the contract shall be of no effect.

(4) Upon a transfer under subsection (1) or (2), the insurer shall, subject to section 3, be under the same liability to the third party as he would have been under to the insured, but —

- (a) if the liability of the insurer to the insured exceeds the liability of the insured to the third party, nothing in this Act shall affect the rights of the insured against the insurer in respect of the excess; and
- (b) if the liability of the insurer to the insured is less than the liability of the insured to the third party, nothing in this Act shall affect the rights of the third party against the insured in respect of the balance.