

## Policyholder protection

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Date / [July 2023](#)

Guernsey has introduced significant new protection for insurance policyholders. Claims by policyholders of a Guernsey-licensed insurance company shall have priority over other creditors in the event of the insolvency or liquidation of that insurer. The recent change brings Guernsey into line with other jurisdictions with significant insurance business such as the UK.

On 25 April 2023, Guernsey introduced the Preferred Debts (Insurance Policyholders) (Bailiwick of Guernsey) Amendment Ordinance, 2023. That Ordinance effects changes to the Preferred Debts Law, 1983, which accords priority to certain preferred creditors in the event of insolvency.

Full details of Guernsey's insolvency regime can be found [here](#). In summary, preferential debts in Guernsey now include:

- rent due to landlords (in Guernsey only);
- salaries;
- unpaid income tax;
- unpaid social security contributions, and following the introduction of the amendments above;
- amounts owed to policyholders by Guernsey-licensed insurers.

Rent due to a landlord has priority over other preferred debts. Salaries, unpaid income tax and social security contributions rank equally among themselves and ahead of liabilities to policyholders.

Preferred debts must be paid out of the insolvent estate in priority to non-preferred debts (other than fees and expenses of the liquidation). Secured assets generally fall outside of the insolvent estate in Guernsey and preferred debts will not have priority over secured creditors.

The new provisions apply only to amounts owed by a licensed insurer not being a Category 5 (captive) insurer to a policyholder under a contract of insurance or reinsurance and includes any premium due to be refunded.

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