

A member is only admitted to Lloyd's on conditions which "give the Committee power to see that he shall carry out the requirements laid down for the security of the insuring public. He is required to undertake that his annual premium income shall not exceed a certain amount, and he is called upon to deposit securities on a scale adequate to his commitments." (Wright & Fayle, op. cit. pp. 422-3).

Security
by
guarantee.

16. The nature of a member's security by guarantee requires special consideration. "It is a guarantee by his fellow members under very stringent conditions". (Question 5589). "The outside guarantees are infinitesimal". (Question 5630). If a member should default in payment of a claim under a policy, the guarantors of the defaulting member have to answer, and if any of those guarantors should default their guarantor would in turn be called upon, and so on. Because of the limitation of £200 for which one member may guarantee another, in the last resort the guarantee would really be spread over the majority of the members. (Question 5616). The Chairman of the 1925 Committee summed up the situation as follows: "If one man defaults altogether so far as that policy is concerned nobody else is liable, but we are told, and we know perfectly well, that there is a whole catenary of guarantors behind any man who does default, and never do these guarantors in fact fail to provide sooner or later the full amount. That is the real security? — That is so." (Question 5615). This is of the greatest importance in understanding the unique security behind a Lloyd's policy.