

## **Ban on Credit Insurance Covers**

November 5 2010

The IRDA had issued a circular on September 27 2010 (Circular No IRDA/NL/CIR/159/09/2010) ordering all General Insurers to stop selling credit insurance covers to banks offering credit facilities to debtors until the IRDA issues 'detailed guidelines' for these policies. The IRDA observed that the cover under these policies appears to be in the nature of 'credit default insurance' and therefore needs a 'different regulatory treatment'.

In order to frame these guidelines, the IRDA has, under s110C of the Insurance Act 1938, sought the total exposure of each General Insurer under the insurance policies issued by it to banks offering credit facilities to debtors in the format enclosed with the Circular within 10 days of receipt of the Circular.

Reportedly, on November 2 2010, the IRDA issued yet another circular extending the ban on the soliciting and marketing of credit insurance policies to any party and not just to banks. The circular applies to all insurance companies except the state-owned Export Credit and Guarantees Corporation. A copy of it is not available on the IRDA's portal yet.

**For further information on this topic please contact Tuli & Co by telephone**

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