

Item No. 10

Trade Credit Insurance Guidelines 2021

1. Background:

- i. The Authority had revised the Guidelines on Trade Credit Insurance on 10th March, 2016 vide Circular Ref: IRDAI/NL/CIR/CRE/044/03/2016, considering the evolving economy and the enhanced need for trade credit insurance. Representations from various stakeholders have been received requesting enhancement in the scope of the cover and increase in the range of products.
- ii. Keeping in view these requests as well the changing requirements of market, the Authority had constituted a Working Group on revisiting Guidelines on Trade Credit Insurance on 28.08.2019. The Working Group submitted their report on 15.05.2020. The Exposure draft on the Report of the Working Group as well as the proposed changes in the existing guidelines and other recommendations of the Working Group were placed in the website for comments from the stakeholders.
- iii. After considering the feedback from the stakeholders and through various consultation and deliberations, exposure draft guidelines was prepared. The draft exposure guidelines were placed in website on 07.04.2021, inviting comments from the stakeholders/public.
- iv. Taking into account the inputs/suggestions received from the stakeholders, the guidelines have been now prepared.

2. Objective of revision in guidelines :

- I. To promote sustainable and healthy development of trade credit insurance business.
- II. To facilitate general insurance companies to offer trade credit insurance covers to suppliers as well as licensed banks and other financial institutions to help businesses manage country risk, open up access to new markets and to manage non-payment risk associated with trade financing portfolio.

- III. To enable general insurance companies to offer trade credit insurance with customised covers to improve businesses for the SMEs and MSMEs, considering the evolving insurance risk needs of these sectors.

3. New features/Advantages of the revised Guidelines:

- i. Insurers are now allowed to offer trade credit insurance covers to Banks/Financial Institution and Factoring Companies for bills/invoices purchased or discounted.
- ii. Political risks covers will now be available to Govt. buyers for exports.
- iii. Individual buyer cover will now be available to MSME holder and Project covers.
- iv. Single invoice covers through bill discounting/factoring shall be allowed only on Invoice Discounting e-Platforms such as TReDS.
- v. The definitions have been reviewed.
- vi. Percentage of Indemnity covers to be offer is now left to the insurers.
- vii. The previous guidelines dealing with re-insurance is now removed to align with Re-insurance guidelines, 2018.
- viii. The requirements of periodic reporting of trade credit data is now removed while retaining the requirement for maintenance of data by the insurers.
- ix. The Products filing /Risk management procedures are now aligned with products filing guidelines for other products.

4. Proposal:

Approval of the Authority is sought to issue Trade Credit Insurance Guidelines, 2021.

Submitted for the approval of the Authority.