

New credit risk insurance policy model published by Loan Market Association

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The Loan Market Association (“Loan Association”) has published a new model form of Credit Risk Insurance (“CRI”) policy template in collaboration with the Lloyd’s Market Association and the International Underwriting Association (“IUA”). This is the first time the Loan Association has produced and published an insurance policy document.

The policy will be used for insuring single borrower credit risks arising from a loan agreement and in view of the Capital Requirements Regulation (“CRR”) requirements for unfunded credit protection.

Whilst the new policy has been described as a sophisticated product, it will still need to be tailored to suit the needs and risks of each client and is not intended to substitute or override terms already negotiated and agreed between insurers and insureds.

Amelia Slocombe, Managing Director and Head of Legal at Loan Association, commented,

“We believe that this document will be extremely beneficial to new bank entrants in particular and give well deserved recognition to a product which is fast becoming a very valuable risk mitigation tool for lenders.”

Arabella Ramage, Legal Director for Lloyd’s said,

“We expect the CRI Policy will encourage more insurance capacity (or supply) into the market. That said, the CRI Policy is not a prescribed form which must be used. We have delivered it as a starting point for each policy which, in the strongest tradition of Lloyd’s and the London market, can be customised for each insurance case. These types of products never stand still so we expect it will be adapted and improved and look forward to working with the other associations on an on-going basis refining the product.”

Considerations for underwriters

Underwriters may want to consider adding this policy to their toolbox as a standardised template that establishes a baseline for coverage, to improve efficiency and benefit both insurers and insureds.

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