**16.05.2023**

**Insurance Regulatory and Development Authority of India**

**Press Note**

**Measures towards developing Surety Insurance Bonds market**

Surety Bonds are a type of insurance policy protecting parties involved in a transaction or contract from potential financial losses due to a breach of contract or other types of non-performance. They serve as a risk mitigation tool for maintaining integrity, quality, and adherence to contractual terms, ultimately contributing to the smooth functioning of projects especially in infrastructure sector and fostering a healthy business environment.

Recognizing the importance of Surety Insurance Bonds, IRDAI had issued ‘IRDAI (Surety Insurance Contracts) Guidelines’ in January 2022. Basis the evaluation of various representations received, the solvency requirement applicable for such products has now been reduced to control level of 1.5 times from 1.875 previously prescribed. Further, the prevailing 30% exposure limit applicable on each contract underwritten by an insurer, has also been removed. These amendments follow the earlier notification removing the cap on premiums that could be underwritten in a financial year by mono-line insurers transacting only Surety Insurance Business.

The current revisions are aimed to expand the Surety Insurance market by increasing the availability of such products and creating the opportunity for more Insurers to service the increasing demand from various sectors of the economy. Surety Insurance will increase liquidity of contractors and provide strong boost especially to the infrastructure sector.

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