

## LEGAL UPDATES

### **NCLT: INSURER DEEMED TO BE 'OPERATIONAL CREDITOR' IF 'INSURED' ASSIGNS DEBT LEGALLY**

A division bench of NCLT headed by Sh. Anil Kumar B. and Sh. A.K. Borah, allowed an Insurance Co. ("Applicant")'s plea to initiate CIRP against Debtor/Respondents as the insured had assigned the debt to the Applicant legally. NCLT observed that the applicant has established that u/s 5(20) of IBC, operational creditor includes assignees and transferees as well and affirms that in the instant case, the Insurer had legally assigned the operational debt to the Applicant. The division bench further noted that (i) unpaid operational debt was primarily due for payment to the insured co., (ii) as a result, the Insured recovered the said operational debt amount from the Applicant, which had insured the said transaction, (iii) the Insured also assigned to the Applicant, all the rights and claims arising from the said transaction vide Letter of Assignment. Thus, as a result of a valid Assignment, the Applicant is regarded as an operational creditor. Hence, the tribunal holds the respondents in default and appoints IRP and declares a moratorium u/s 14 of IBC.