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Microinsurance regulations here get global pat  
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MUMBAI: The global association of insurance regulators is following India's lead in recognising microinsurance as a distinct activity with a separate set of regulations. However, the International Association of Insurance Supervisors (IAIS) may go a step further and propose mutuals or co-operative insurers to serve the low-income market.

Speaking at Munich Re Foundation's microinsurance conference 2007 in Mumbai, IAIS executive committee chair Michel Flamie said, "It may be necessary to recognise different types of insurance providers for different population segments.

For example, in many emerging markets, mutual or cooperative insurers seem particularly well positioned to serve the low-income market." However, the Indian government is keen that insurance companies provide microfinance products through banks and post offices.

Delivering the inaugural address for the global microinsurance summit, finance minister P Chidambaram said insurance companies could look at tapping the extensive network of over 50,000 bank branches for distribution of small ticket insurance.

Mr Flamee acknowledged the lead role played by the Indian regulator in coming out with microinsurance regulations. "It is well recognised that an enabling policy environment is essential for the development of microinsurance institutions.

However, implementing financial regulation for microinsurance operators entails the challenge to formulate a framework that not only takes into account the unique characteristics peculiar to the microinsurance business, but also avoids putting conventional insurance companies at a comparative disadvantage."

Conventional insurers in India are also worried if cooperatives and NGOs are allowed to underwrite, they will lose their existing distribution network. At present, most large insurance companies depend on NGOs and cooperatives for distribution of insurance in rural and socially backward areas.

They fear if these distributors get into manufacturing of insurance products, financial insurers will lose their distribution network.

Speaking at the event, Insurance Regulatory and Development Authority chairman CS Rao said, "We are perhaps the first country to come out with the regulations on microinsurance, and thus, have helped initiate a debate on this vital issue.

We are happy that IAIS has constituted a group to look into the regulatory issues of microinsurance." IRDA's regulations on microinsurance came into place three years ago and allowed insurers much more flexibility in selling to the poor. For instance, the microinsurance regulations allow companies to come out with composite products (life and non-life) to provide single window service to the poor.

According to Munich Re Foundation chairman Thomas Lester, India is a key country in microinsurance with a market of over 200 million for microinsurance products.

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