

Microinsurance a pillar of India's strong economic growth

Microinsurance Conference 2007

Mumbai, India. 14 November 2007. More than 300 microinsurance experts and practitioners from over 50 countries met in Mumbai, India to discuss trends and recent developments in cost-effective insurance for the poor during the 3rd annual Microinsurance Conference from 13 to 15 November 2007. The Indian Minister of Finance, Mr. Sri P. Chidambaram, today opened the conference, stating: "While growth is the best antidote for poverty, governments must now turn their attention to those who are at the bottom of the income pyramid. It is clear that wealth does not percolate down to society's poor, in India some 250 million people. Over half of the Indian population have no access to banking products, let alone insurance products. Addressing these concerns is as important as focusing on growth," the minister added.

"Low income people often live in high-risk areas and face many perils. They are a lot more susceptible to illness, accidents, and disability," noted C. S. Rao, Chairman of the Indian Regulatory and Development Authority (IRDA). "They suffer loss of property due to man-made or natural calamities." Rao underlined the need to create tailor-made and affordable products that reach this group of underserved clients. Insurance is a key tool to helping people adapt to these risks, and secure hard-won development gains.

Further, the 2006 Nobel Peace Prize was awarded to Mohammed Yunus and the Grameen Bank for their innovative microfinance tools to help the poor. Although best known for its credit services to assist microentrepreneurs build up their enterprises, sustainable development efforts to support the productive needs of the poor must be complemented by protective services like insurance.

India provides an ideal backdrop for this conference. It has a unique regulatory environment that encourages commercial insurers to provide insurance to low-income households and is one of the countries with the largest number of insurance providers, covering more than 30 million low-income people.

Thomas Loster, Chairman of the Munich Re Foundation, said: "With global warming strongly impacting in India and elsewhere, the discussion on adaptation and insurance is intensifying. Also, insurance for the poor is a coping mechanism that helps prevent affected people from falling deeper into poverty." The expectations

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for microinsurance are high. “We will see many new solutions, especially in agricultural insurance,” he said.

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In India alone, 250 million people are potential clients – reaching them could ensure the sustainable progress of families in the face of daily risks as well as extreme risks. Yet, according to the Microinsurance Landscape Study conducted by the MicroInsurance Center, almost 80 million people in the 100 poorest countries – of which 85% are in Asia – have access to insurance. This number of microinsurance clients appears large in absolute terms, but represents a mere 3% of the world’s poor.

The perils and opportunities of scaling up to meet this enormous demand is the central theme of the 2007 Microinsurance Conference. A second edition of the book *Protecting the Poor: A Microinsurance Compendium*, edited by Craig Churchill, was launched during the conference. Churchill, from the International Labour Organization (ILO) and Chairman of the CGAP Working Group on Microinsurance, remarked, “Over the three years of this conference, we have seen drastic changes. The level of discussions have gone from general overviews of isolated cases to much more detailed and technical examinations of multiple experiences.”

Dirk Reinhard, Vice Chairman of Munich Re Foundation added “It is good to see that one out of three participants at our conference represents commercial insurance companies. This is a promising development for the future of insurance for the poor.” This shows that the insurance industry has started to see low-income clients as a market with notable growth potential.

The Minister of Finance noted in his speech that this event is the most important annual meeting of microinsurance experts and concluded: “One of the pillars of India’s strong economic growth is its emphasis on serving the poor with financial tools including microinsurance.”

About the conference and the organisers:

Initiated and organised by the Munich Re Foundation in collaboration with the CGAP (Consultative Group to Assist the Poor) Working Group on Microinsurance, this is the third Microinsurance conference. This year's conference is co-hosted with IRDA.

The **Munich Re Foundation** seeks to provide answers to overarching questions from a variety of perspectives in order to find sustainable solutions in the area of risk prevention. Questions concerning population development, for example, are inseparably linked to the element of water: on the one hand a valuable resource and on the other a risk factor. Web: www.munichre-foundation.org

The **CGAP Working Group on Microinsurance** includes donors, insurers and other interested parties. The Working Group coordinates donor activities as they pertain to the development and proliferation of insurance services to low-income households in developing countries. Web: www.microinsurancefocus.org

The mission of **IRDA** (Indian Regulatory and Development Authority) is to protect the interests of the policyholders, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto in India. Web: www.irdaindia.org

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