

### Insurers Begin to Explore the Global Market

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The liberalization of the Indian economy has seen the Indian people take a greater interest in the global market and make their presence felt beyond Indian borders. The insurance industry has taken a particular interest in the extent to which it may be able to handle the insurance requirements of the 25 million persons of Indian origin living outside India.

As a result, in January 2007 the Insurance Regulatory and Development Authority (IRDA) issued guidelines for Indian insurers wishing to open offices overseas. At present, Indian insurers are restricted to opening a representative office in an overseas location. The representative office may not generate its own income or undertake underwriting, and must be fully funded by its Indian parent company. The role of the representative office is to generate interest in Indian insurance policies and then to refer the interested parties to the insurer in India for action. The representative office is not entitled to charge an introduction fee for referring leads to the Indian office.

Insurers wishing to move into this relatively confined sphere of overseas operation must apply to the IRDA for permission. The IRDA will grant permission based on factors such as (i) the applicant's financial strength and solvency, and (ii) its track record in market conduct, regulatory compliance and complaint redressal. It is expected that many insurers, particularly life insurers, will be interested in opening representative offices overseas.

Insurers which are granted permission to open a representative office overseas must submit information to the IRDA regarding the business generated by that office and the costs incurred.

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