

## Sebi bars 14 firms from issuing Ulips

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The Securities and Exchange Board of India (Sebi), the capital markets regulator, restrained 14 insurance entities from raising fresh money through Ulips - Unit Linked Insurance Products. In a late evening notice posted on the Sebi website, the regulator said insurance companies need its approval before launching any product with an investment option.

There is already a tussle on the subject between Sebi and the Insurance regulatory Development Authority (Irda), on who had the jurisdiction to regulate Ulips and, by extension, any other insurance product with an investment component. Irda has already made it clear that Sebi should keep off from what it believes is its turf alone. The product (Ulip) is being sold as an insurance component and regulating that is its job, not Sebi's, was Irda's view.

### STOP ORDER

firms against whom prohibitive orders have been passed

- \* Aegon Religare Life Insurance Company Limited
- \* Aviva Life Insurance Company India Limited
- \* Bajaj Allianz Life Insurance Company Limited
- \* Bharti AXA Life Insurance Company Limited
- \* Birla Sun Life Insurance Company Limited
- \* HDFC Standard Life Insurance Company Limited
- \* ICICI Prudential Life Insurance Company Limited
- \* ING Vyasa Life Insurance Company Limited
- \* Kotak Mahindra Old Mutual Life Insurance Limited
- \* Max New York Life Insurance Co. Limited
- \* Metlife India Insurance Company Limited
- \* Reliance Life Insurance Company Limited
- \* SBI Life Insurance Company Limited
- \* TATA AIG Life Insurance Company Limited

The insurance companies named in the Sebi order are Aegon Religare, Aviva, Bajaj Allianz, Bharti AXA, Birla Sun Life, HDFC Standard Life, ICICI Prudential, ING Vyasa, Kotak Mahindra Old Mutual, Max New York Life, Metlife India, Reliance Life, SBI Life and TATAAIG Life. The 11-page order, which takes effect immediately, was issued by Sebi's whole-time member Prashant Saran.

"It is... necessary to restrain the entities... from raising further monies/subscription, new and/or additional, from the investors for any product (including Ulips) having an investment component in the nature of mutual funds till they obtain registration from Sebi," says the order. It, however, does add that the "order will not affect soliciting money/subscription from public with respect to any pure contract of insurance or the insurance component of a combination product".

According to Sebi, many characteristics of Ulips push it under its purview. "The product is unit-linked and money is raised from the public through sale of units to them... premium will be used to allocate units in the fund chosen by the investor... the product has characteristics such as fund management, charges, switch and partial withdrawal options," argued the Sebi order.

It said Ulips offered by insurance companies were different from traditional insurance products, being a combination of insurance and investment. "The

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attributes of the investment component of Ulips launched by these entities are akin to the characteristics of mutual funds, which issue units to the investors and provide exit at net asset value of the underlying portfolio," said the Sebi order.

And, made clear its stand that the Sebi Act clearly said any product with exposure to the securities market comes under its purview. "The Sebi Act and the regulations made thereunder are also special laws made/laid before Parliament and any investment product or investment contract having any characteristic of securities or exposing investors to securities' market risks is under the jurisdiction of Sebi under the Sebi Act," said the order.

Some of the insurance companies sought a personal hearing, which was not given. "Some of the entities also sought an opportunity of personal hearing. I note that each entity has been served with separate notices and each of them has availed of the opportunity of making its written submissions," explained the Sebi order.