

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3445
ANSWERED ON:13.08.2010
SEBI VS IRDA ON ULIPS
Tewari Shri Manish

Will the Minister of FINANCE be pleased to state:

- (a) whether the weight of Unit Linked Insurance Plans (ULIPs) is the responsibility of Securities and Exchange Board of India (SEBI) and Insurance Regulatory and Development Authority (IRDA);
- (b) whether SEBI without any forewarning directed 14 Insurance Companies to collect premium payments on existing policies on 09-04-2010;
- (c) if so, the justification thereof;
- (d) whether Life Insurance Corporation of India (LIC) which is the largest player in the ULIP sector is out of the purview of its action;
- (e) whether SEBI directed Insurance Companies that fresh ULIP schemes can not be introduced without the clearance and consent of SEBI and the insurers registering themselves with SEBI;
- (f) at the time when the public wrangling of the two regulators has created nervousness among the investors of ULIP, the manner in which the Government proposes to restore
- (g) the progress made in establishing the Financial Stability and Development Council

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S.PALANIMANICKAM)

- (a): As per the Securities and Insurance Laws (Amendment & Validation) Ordinance 2010, ULIPs will be regulated by IRDA.
- (b): No, Sir. Given the composite nature of the product (ULIPs) and the mandate given on protecting the investors' interest in securities, SEBI issued Show Cause Notices to 14 insurance companies on January 15, 2010 (except HDFC Standard Life Insurance, where the Notice was issued on December 14, 2009) asking them why they did not take the permission of the securities market regulator for issuing products having investment component. Based on the reply and the evidence gathered, on 09-04-2010 SEBI prohibited 14 insurance companies from dealing in ULIP type products.
- (c): Not applicable in view of reply to (b) above.
- (d): Since LIC was not issued a Show Cause Notice, it was not covered by the SEBI Order.
- (e): On 13-04-2010, SEBI modified its earlier order dated 09-04-2010 and restricted the scope of the 9-04-2010 Order to new schemes/products launched after 09-04-2010.
- (f): The Government has promulgated the Securities and Insurance Laws (Amendment & Validation) Ordinance 2010 which inter alia clarifies that the life insurance business also includes any unit linked insurance business. A Bill to replace the Ordinance was passed by the Lok Sabha on 02-08-2010 and by the Rajya Sabha on 09-08-2010.
- (g): With a view to strengthen and institutionalise the mechanism for maintaining financial stability, Government decided to setup an apex-level Financial Stability and Development Council. The Chairman of the Council would be the Finance Minister of India and its members would include the heads of the financial regulatory organizations. Without prejudice to the autonomy of regulators, this Council would monitor macro prudential supervision of the economy, including the functioning of large financial conglomerates, and address inter-regulatory coordination issues. It will also focus on financial literacy and financial inclusion. The setting up of FSDC is a dynamic process.