

# SEBI order may not affect life insurers in near term

**'Ban on sale of ULIPs happens to be in a comparatively lean period'**

**Remya Nair**

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The ongoing SEBI-IRDA turf war is unlikely to impact life insurance companies' business, at least for the time being. This is because April is a lean period for the companies after the busy January-March quarter.

Almost 40-45 per cent of sales of insurance policies happen in the Jan-March quarter due to the tax-saving season. In contrast, the April-June quarter is comparatively lean, with around 10 per cent of the industry sales coming from this quarter.

Even though SEBI issued show cause notices to the life

insurance companies in January, the order barring 14 insurance companies from selling ULIPs was issued only on April 9. This ensured that there was not much impact on sales, said officials of insurance companies and distributors.

According to Mr Deepak Yohannan, CEO, My InsuranceClub.com, sales in April are at their lowest after the peak season. He said though there has been no drop in enquiries from potential buyers, there is caution in making buying decisions.

More than 80 per cent of the new business premium collected by the insurance

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companies comes from the sale of unit-linked plans. While ULIPs form only around 65 per cent of the total sales of Life Insurance Corporation of India, they constitute almost 90 per cent of the sales of private players.

Mr Rajiv Deep Bajaj, Vice-Chairman and Managing Director of distribution firm,

Bajaj Capital, said in the first quarter there is more need-based purchase rather than the momentum-based purchase seen in the later quarters.

"Only 10 per cent of the total industry sales come in the April-June period. There is more goal-based purchase from customers. As a result, more child and pension

plans are sold in this period."

The industry is relieved that SEBI chose to rake up the issue after March.

An insurance company CEO who did not want to be named said, "If SEBI had banned companies from selling policies in March, we would have lost many of our potential customers to mutual funds during the tax-saving season. As it is, we were struggling to come to terms with the cap on ULIP charges in January."

Industry officials are hopeful that this dispute will be solved before the onset of the busy season.

*(remya@thehindu.co.in)*