

"That the Bill be passed."

प्रस्ताव पर मत लिया गया और वह पारित हुआ ।

**THE GENERAL INSURANCE BUSINESS (NATIONALISATION)
AMENDMENT BILL, 2002**

AND

THE INSURANCE (AMENDMENT) BILL, 2002

THE MINISTER OF FINANCE AND COMPANY AFFAIRS (SHRI JASWANT SINGH): Sir, I move:

"That the Bill further to amend the General Insurance Business (Nationalisation) Act, 1972, as passed by Lok sabha be taken into consideration."

Sir, I also move:

"That the Bill further to amend the Insurance Act 1938, as passed by Lok Sabha, be taken into consideration."

Mr. Vice-Chairman, Sir, the Insurance Regulatory and Development Authority Act passed in December, 1999, incorporated a new section. The Insurance Act also provides that "Indian re-insurer" is required to be approved by the Central Government which also restricts its activity exclusively to re-insurance business.

The General Insurance Corporation of India (GIC) has been undertaking re-insurance business in India. The GIC is the holding company of the four subsidiary companies, namely, the National Insurance Company Limited, the New India Insurance Company Limited, the Oriental Insurance Company Limited and the United India Insurance Company Limited, which are carrying of general insurance business. Therefore, GIC, apart from re-insurance business, is also underwriting general insurance business. It was necessary for an Indian re-insurer to be in place before the private insurance companies start their business, as they are required to cede a portion of their premium to the Indian re-insurer, as per the provisions of the Insurance Act. In view of this requirement, and the expertise of re-insurance acquired by the GIC over the years, the Government had approved the GIC as the "Indian re-insurer", on 3rd November, 2000. However, as per the law, the GIC, as the "Indian re-insurer", cannot underwrite general insurance business, either directly or through its subsidiary companies. That is why, the GIC is required to be de-linked from its subsidiary companies.

The Malhotra Committee on Reforms in Insurance Sector, in their report in January, 1994, had also recommended that the GIC should cease to be the holding company of the four subsidiary companies, and function exclusively as a re-insurance company. The Geethakrishnan Committee, in their report on 1st November, 1999, recommended that the share capital of United India and the other three subsidiaries should be transferred from the GIC to the Government of India. The Insurance Regulatory and Development Authority has also been insisting on de-linking of the GIC from its subsidiaries, as per the requirement under the Insurance Act, 1938. The senior personnel of the subsidiary companies also favour considerable autonomy in their functioning, independent of the GIC as the holding company.

The share capital of all the four subsidiary companies are held by the GIC, under section 10 of General Insurance Business (Nationalisation) Act, 1972. Keeping in view the recommendations of various committees as well as that of IRDA, and also to comply with the relevant provisions of the Insurance Act, 1938, it is proposed to de-link the GIC from its subsidiaries.

Simultaneously, we are also considering the Insurance (Amendment) Bill, 2002. Sir, this Bill has already been passed by the Lok Sabha. I would like to inform this House that this Bill was earlier referred by the hon. Speaker of the Lok Sabha to the Standing Committee on Finance, which had representatives from both Houses of Parliament. I am glad to mention that the Standing Committee had approved the Bill for enactment by Parliament, without any modification or amendment. Currently, only those Indian insurance companies which are registered under the Companies Act, 1956, have been allowed to transact insurance business in India. Several representations have been received, to allow entry of cooperatives in the insurance sector. The Malhotra Committee, in its report had also recommended entry of cooperative societies in the insurance sector. We have considered this matter and it is proposed to amend certain sections of the Insurance Act, 1938, to enable the entry of cooperatives in the insurance sector. It is expected that the entry of cooperatives would increase the insurance coverage, especially, in the rural areas.

The IRDA Act, 1999, has already recognised insurance intermediaries. However, there is no provision in the Insurance Act, 1938, for payment of commission, remuneration or fee, to the intermediary. Therefore, it is necessary to make a suitable provision in the Insurance Act in this regard. According to the present provisions of the Insurance Act, the

insurance premium is payable only by cash or cheque. It is necessary to allow for payment of insurance premium through other forms, like credit cards, smart cards or transactions through Internet, etc. Therefore, there is a proposal to amend the relevant sections of the Insurance Act to enable it to specify other modes of payment of premium, through regulations. In addition to the above changes required in the Insurance Act, the IRDA has brought to the notice of the Government that some further amendments to the Insurance Act are required for the smooth functioning of the opened up insurance sector. Therefore, the present Bill, the Insurance (Amendment) Bill, 2002, contains such other amendments which are consequential to the enactment of the IRDA Act, and would enable the smooth functioning of the insurance sector. I have noted the recommendations made by the Committee regarding the insurance agents and insurance intermediaries. The IRDA has notified the regulations relating to the agents. Provisions relating to educational qualification, training, etc., have not been made applicable to existing agents. The recommendations made by the Standing Committee have been forwarded to the IRDA for taking necessary action while formulating regulations for intermediaries. Mr. Vice-Chairman, Sir, with your permission, I move that this Bill to further amend the Insurance Act, 1938, should be taken into consideration; and that these two Bills be considered simultaneously. Thank you.

The questions were proposed.

उपसभाध्यक्ष (श्री रमा शंकर कौशिक) : माननीय सदस्य, जो इन दोनों विधेयकों पर बोलने वाले हैं, मैं उनसे निवेदन करूंगा कि वे दोनों विधेयकों पर एक साथ ही बोलें। माननीय श्री कपिल सिब्बल।

SHRI KAPIL SIBAL (Bihar): Mr. Vice-Chairman, Sir, I consider it my privilege to participate in the discussion on these two Bills. Since we are taking up both these Bills together, I will make my comments in respect of both of these proposed legislations. As far as the General Insurance Business (Nationalisation) Amendment Bill, 2002, is concerned, there is not much to comment, especially in the context of the statement made by the hon. Minister, when he says that the GIC will now act as a re-insurer. Therefore, consistent with that policy, it is important to delink the four insurance companies, namely, the National Insurance Company Limited, the New India Insurance Company Limited, the Oriental Insurance Company Limited and the United India Insurance Company Limited from the GIC. Pursuant to this delinking, each of them will have to compete with private entrepreneurs in the insurance business. Being in the public sector and

because of the fact that there is a wide variety of insurance business, perhaps, in the near future, this competition with the private entrepreneurs, who have now entered the field, who have selected the most profitable parts of the insurance business, is going to have a deleterious impact on these public sector undertakings. Though I welcome the fact that pursuant to the liberalisation policy, these changes have to be made, I only wish that the Government would have had applied its mind adequately to the necessity of having a level-playing field for each of these public sector insurance companies. Because I suspect that in the absence of a level-playing field, these companies, three years down the road, are not going to survive and the hon. Minister for Disinvestment, who was sitting here not too long ago, would have to sell them to the public, a very sorry sight that we are seeing, on a daily basis, nowadays. Having said that, Sir, the fact is that the insurance business has to be liberalised. Our public sector has not been performing well. Therefore, it was necessary to bring in competitors in the field. As far as the foreign equity involved in the insurance business is concerned, it is kept at 26 per cent, but I have read in the newspapers that this equity is going to be increased to 40 per cent. I think the pressure is on, and the Government is very soon going to give in to that pressure. Having said that, Sir, let me pass on to the Insurance Amendment Bill, 2002 and some of its provisions. Well let me state this that for the development of some of the infrastructural sectors in our country, the privatisation of insurance which we have experimented and which we are experimenting, must be a success because, it is only through the insurance business that we are going to get a long-term capital for the purposes of investment in the infrastructural sector. It is unlikely that we are going to get that kind of capital through the FDI route and through entrepreneurs operating in the form of banks or other institutions in the country. So, we only hope that the life insurance business and the insurance business, in general, generates that kind of capital for the purpose of investment in the infrastructural sector. Only time will tell whether this is going to be a success or not. The problem with the public sector today - and I think that we should confront that problem - is that the public sector is doing a lot of third party insurance, which is a loss making business. As you know, Sir, the profitable business in the insurance sector is : fire insurance and cargo insurance. That is a business in which there are very few claims, and there is a lot of profit; there is almost 100 per cent profit in that part of the business. But, because the public sector has to perform a

4.00 P.M.

State function, a public function, it also must ensure transportation of goods, which requires third-party insurance as well. If you look at the figures of some of these public sector corporations in the context of third party insurance, you will find that they are running into huge, huge losses. So, in a way, the profit that they are making in the fire insurance sector, in the cargo insurance sector, is, in fact, subsidising the third party insurance; and the problem is that the private entrepreneurs who are coming into the insurance business are not touching the third party insurance. So, they are not touching the less profitable areas of the insurance business. And, through you, Sir, I would request the hon. Minister to give us figures that he may have, as to how many private entrepreneurs - I believe, they are 10 or 12 in the business now - are actually participating in the third party insurance. And, I am sure, when the hon. Minister gives his reply, you will see that indeed they are not following the directives of the Government, in this regard, or, of the Regulator, in this regard, because, they do not want to touch the third-party insurance. And, I will tell you the reasons as to why they are doing so. I have some figures here in respect of the one public sector company. I have with me a chart which gives details in respect of region-wise incurred claim ratio, total of all classes of motor claims. As far as the third party insurance is concerned, the ratio runs up to 313 per cent in Bangalore alone, i.e., the claim is more than the premium; in Chennai, 375 per cent; in Hyderabad, 182 per cent in Jaipur, 353 per cent in Vadodara, 294 per cent, in Lukhnow, 197 per cent; in Guwahati, 339 per cent, and the figures go on - these figures are of third party insurance, and of the own damage, i.e., when a truck has an accident and does not affect a third party, their claims run into 60, 70, 75, 80 per cent. So, if you combine the two, the total, the negative impact is huge. So, the point that I am making is, if the public sector insurance companies continue to insure third parties in this fashion, and *qua* fire and cargo insurance where they make a profit, there is going to be competition, that profit, in that business is going to decrease. In fact, though the balancesheet of the Oriental Insurance Company is not yet out, I believe, this year, for the first time, the company would be making a net loss, because of what I have pointed out. The reason is simple. You have introduced this Bill, but you have not given a level-playing field to the public sector insurance companies. Your new entrepreneurs are not following the IRDA directives; they are not going in to the third-party insurance business. Therefore, they are making a profit, and

the insurance companies in the public sector are going in to the red. Within three years down the road, they will vanish. Moreover, politics is involved in it. If they want to increase the premium on the third-party insurance, the people involved in the truck business will go on strike. They will then pressurise the Government not to increase the premium. If you don't increase the premium, then those companies will go into the red. If you increase the premium, you will lose votes. So, you are stuck up with the public sector companies. You cannot do anything about the private enterprise. So, this is a serious problem facing the insurance business in the country. The Government has not addressed this issue yet. That is my first point.

Therefore, though I welcome this amendment, the fact of the matter is that there is no level-playing field between the public sector and the private sector, and three years down the road, the public sector will be in the red. Then, you will have to ask Mr. Shourie to sell the assets of these public sector companies, which, you know, are being sold nowadays to single purchasers.

The second issue, which is even more important, is this. You have introduced a system of brokerage in this amendment Bill. You have stipulated that the maximum brokerage that an insurance broker will get would be up to 30 per cent. As you know, your system of insurance, as it was existing, was that, the management expenses of the public sector were around 20 per cent, and the commission used to be 5 per cent. Therefore, on a policy of Rs.100, the management expenses would be 25 per cent and they would work on a premium of 75 per cent. Now, what is going to happen is that, the figure of 5 per cent for the brokers will be increased to a maximum of 30 per cent. To remain in the market, the public sector will have to give the intermediary and the brokers this kind of a brokerage. The management expenses of private entrepreneurs is not going to be 20 per cent. It is going to be much less. Even if they give a brokerage of 20 per cent, with 2-3 per cent of management expenses, they would work with 23 per cent. But the public sector, where the management expenses are 20 per cent, if they give a brokerage of 15-20 per cent, their total expenses would increase to 35 per cent. The result is, they will not be able to compete.

This Bill, in fact, is in favour of those private entrepreneurs. This is another way in which the public sector will not be able to compete with the

private entrepreneurs. Though you have brought this brokerage in to give greater incentives, to greater flexibility and all that and to bring about new kind of insurance, we accept that the quality of insurance will improve and efficiency of insurance will improve, but you are doing it at the expense of your own public sector without giving it a level-playing field. These two things are the real flaws in this legislation.

In this context, I might just mention that one of the big problems that the public sector insurance companies are facing is that the third-party claims are huge. In fact, I have some figures here. I am told that some 2.5 lakh motor vehicles accident claims are reported every year in the country. The hon. Minister can certainly comment on that. Whether an accident takes place or not, if there is some death, immediately, somebody claims that it was caused on account of a truck which hit the person concerned. There is a nexus among the truck owner, the policeman and the Tribunal, which gives the claim. Even if there are no accidents, people file the claims and get their claims awarded! And there is no maximum cap to these claims. The result is, huge monies are paid out by these public sector insurance companies on account of this so-called 'accident claims' for which there is no cap. This also causes loss to the insurance companies. Now, how the Government is going to tackle this problem is an aspect which the hon. Minister will have to deal with. However, I have to say, having said all this, "Yes, we need to liberalise our economy, we need to liberalise our insurance sector and it is necessary for the purposes of development of infrastructure to have this capital on a long-term basis and therefore, we welcome some of the provisions in which you are allowing other players to participate in the insurance business like the cooperative societies, as the hon. Minister mentioned". But, there is, of course, one provision that concerns me a little because we have seen the experience that we have had in respect of cooperative societies in the banking business. We have seen the kind of mess that exists in respect of them too. I am a little concerned about section 94A in which the Government is given the power for exemption of certain provisions of this Act to cooperative societies. It says, not the Government, but, the Regulatory Authority may direct that any of the provisions of this Act shall not apply to any insurance cooperative society. I do believe that this, on occasions, is liable to misuse and abuse and therefore, the Government will have to monitor the whole insurance structure in respect of cooperative societies very carefully. Otherwise, we may land ourselves in some difficulty.

Yet another aspect that I want to touch upon is the flexibility that has been introduced by the Government. Now, new players are entitled, corporations are entitled, to become agents or entitled to sell business, insurance business, and it is not necessary that the entire Board must be qualified. A company can be set up. Only one director need be qualified. Therefore, this brings more possibility within the insurance business and we welcome these provisions.

Therefore, we welcome the provisions relating to more flexible modes of payment as well. The hon. Minister mentioned that earlier payments could be made only by cheque. Now, of course, you are introducing a system of credit cards, smart cards, internet, etc. We welcome that because I think we must move on with the improvement in technology. We also welcome that so many intermediaries have been introduced and they are given this flexibility. We certainly welcome these provisions.

I just wanted to mention one other factor. We saw reports in one of the economic newspapers about one of the companies. Now, as you know, banks are entitled to get into the business by having liaison with private companies. One such company, the ICICI-Lombard General Insurance, which was, in fact, undertaking fresh motor insurance business, has stopped this business, for the very reason that I mentioned. They find that this insurance business is not profitable. That really concerns me. I repeat that private entrepreneurs in this business should not be allowed to opt out of business in this fashion. There must be some guidelines by the Regulator to make sure that. For example, you have the Indian Airlines. The New Delhi-Bombay route is a profitable one. That does not mean that they are not going to fly to Guwahati. In other words, the profit must compensate. The profitable routes must compensate for the loss-making routes. Similarly, such provisions should be there in the insurance business. If fire insurance and cargo insurance are profitable, the entrepreneur must be told, "You must also do third party insurance." Otherwise, he will take away all the cream and the public sector will be left with all the losses. This is a very important aspect, and through you, Sir, I request the hon. Minister to consider this aspect in the times to come, and also to ensure and to keep a vigil as to how this whole insurance business and the opening up of the insurance sector is actually working at the ground level. I think, that is all I have to say. Thank you.

श्री मनोहर कान्त ध्यानी (उत्तरांचल): माननीय उपसभाध्यक्ष महोदय, मैं जीवन बीमा एवं साधारण बीमा दोनों के जो संशोधन हैं, उनके समर्थन में बोलने के लिए खड़ा हुआ हूँ। मान्यवर, देश की आवश्यकता के अनुसार सभी छोटी-छोटी बीमा कम्पनियों को जोड़ करके जीवन बीमा और ऐसे ही कम्पनियों को जोड़ करके साधारण बीमा की चार कम्पनियाँ नेशनल इश्योरेंस, न्यू इंडिया, ओरिएंटल इश्योरेंस और यूनाइटेड इंडिया बना दी गयी थीं और आज जब आवश्यकता पड़ी तो इनमें भी सुधार करके इनके कार्य को और अधिक गति देने तथा समाज के लिए अधिक उपयोगी बनाने के लिए बाकी लोग भी इस क्षेत्र में आएँ, इसका प्रावधान हो रहा है। लेकिन आवश्यकता इस बात की है कि इनके पूरे कार्यकरण पर भी ऐसे समय में विचार हो। जैसे इस ज्ञापन में कहा गया है कि मूल रूप से जो नियम बनाए जाएंगे, वे अलग से होंगे। हम इस पर विचार करते हैं। अभी कपिल जी कह रहे थे कि जो ट्रकों की दुर्घटना और दूसरे प्रकरण हैं देखा जाता है कि सम्पूर्ण देश के बारे में जब ये कानून बने होंगे तो देश का बहुत बड़ा भाग, जो 15 से 25 परसेंट पर्यतीय भाग है, तब शायद इसका विचार भी नहीं हुआ होगा क्योंकि तब वहां सड़कें नहीं थीं लेकिन पचास वर्षों के दौरान वहां सड़कें बढ़ी हैं। मैं एक छोटे से इलाके उत्तरांचल से आता हूँ। वहां ही केवल 25 हजार किलोमीटर का रोड संजाल है और वहां आए दिन दुर्घटनाएं होती हैं। इस संबंध में मैं एक उदाहरण दूंगा। सामान्य बीमा के अंतर्गत जो खड़े से निकालने की व्यवस्था है, वह मैदान के क्षेत्रों में एक हजार रुपये है। मैदान में जब टक्कर होती है तो गाड़ी वहीं कहीं गिरती है लेकिन पहाड़ में चाहे वह ब्रेक फेल से हो, चाहे टक्कर से हो, वह गाड़ी अगर गिर गयी तो कई सौ मीटर नीचे जाती है। उस हालत में उसका खर्चा 30-35 हजार रुपये होता है लेकिन मिलता केवल एक हजार रुपए है। ऐसी जो विषमताएं हैं, जब सुधार की बात हो रही है तो उन विषमताओं पर भी विचार होना चाहिए। दूसरी पद्धति है, सर्वेयर की। सामान्यतया मैदान में सर्वेयर फोन पर भी सुलभ हो जाते हैं लेकिन पहाड़ में बड़ी कठिनाई से सुलभ होते हैं क्योंकि वे मैदानी इलाके में होते हैं और वहां से उन्हें बुलाया जाता है। एक बार सर्वेयर घटनास्थल पर सर्वे करता है और फिर जब दुबारा गाड़ी खींची जाती है, तब भी सर्वे होता है। इसमें काफी लम्बा समय लगता है तथा अंतिम भुगतान होते होते एक डेढ़ वर्ष लग जाता है। आवश्यकता इस बात की है कि इसमें भी सुधार किया जाए। कई बार ऐसा होता है कि बीमा को वर्गीकृत कर दिया जाता है जैसे आग से, पानी से नुकसान आदि। बहुत सी चीजें हैं, जिनके संबंध में उसमें प्रोवीज़न नहीं होता है जैसे एवेलेंश आ गया। एवेलेंश का प्रोवीज़न उसमें नहीं होता है। किन्तु गाड़ियां तो वहां भी 12 हजार फीट पर जाती हैं। बद्दीनाथ साढ़े दस हजार फीट पर है, गाड़ी वहां भी जाती है और वहां एवेलेंश आ गया, उसमें उसका प्रबंध नहीं है। इसलिए दुर्घटना किसी प्रकार की हो टोटेलिटी में लेना चाहिए तथा दुर्घटना का समावेश उसमें होना चाहिए। ऐसे ही जनरल इश्योरेंस का है। जनरल इश्योरेंस दुकान के लिए बीमा करता है, मकान का बीमा करता है लेकिन जो पूरा हिमालयन बैल्ट है, जहां 6 हजार, पांच हजार के ऊपर बस्तियां हैं, वहां का वह बीमा नहीं करता। आखिर वह भी देश का भाग है, वहां के लोग भी सुरक्षा चाहते हैं। वहां के लोग भी चाहते हैं कि अगर उनका नुकसान होता है तो उसकी भरपाई के संबंध में किसी न किसी रूप में कोई विधान हो। उस पूरे इलाके को भी उसमें समाविष्ट किया जाना चाहिए। मैं लम्बा नहीं खींचकर थोड़े सुझाव देना चाहता हूँ। एक तो मैं यह कहना चाहता हूँ कि बीमा धारक के जो क्षति के निपटान का दावा है, उसके लिए कोई नियम बनना चाहिए कि एक-दो महीने में ही वह निपटान हो जाना चाहिए। अगर उस निपटान में विलंब होता है क्योंकि बैंक से उसने लोन लिया हुआ है और उस पर 18-20 परसेंट का ब्याज

और चक्रवर्ती ब्याज चलता रहता है तो उसके बाद बीमा कंपनी द्वारा उसको दो महीने के बाद भुगतान की दशा में जो उसकी बीमा राशि बनती है, उस पर ब्याज देने की व्यवस्था होनी चाहिए।

एक तीसरी बात यह है कि अभी जो बीमा है वह ऋणात्मक भाव का है। हम बीमा करते हैं, यदि हमने पांच लाख का बीमा किया तो अगली बार उसमें जो बीमा होगा, वह चार लाख का होगा। उसी तरह से उसके थोड़े से पैसे भी घट जाएंगे लेकिन आवश्यकता इस बात की है ग्राहक के हित में कि दस वर्ष तक जो ऋणात्मक मूल्य है, वह एक स्थिर पूंजी के रूप में हो। एक स्थिर मानक बनाया जाए कि दस वर्ष तक यह मानक होगा। उससे बीमा की पूंजी का जो लाभ है यानि जो बीमा लेते हैं, वह भी स्थिर रहेगा और ग्राहक को होने वाला जो लाभ है, वह भी स्थिर रहेगा। लेकिन होता यह है कि दो-तीन वर्ष के बाद अगर उसकी दुर्घटना हो गई, खासतौर पर जो व्यापार के वाहन हैं तो उनको कुछ भी प्राप्त नहीं होता है और जो साधारण लोग इस धंधे में निकले होते हैं, वे समाप्त हो जाते हैं। इसलिए मैं माननीय मंत्री जी से यह आग्रह करूंगा कि साधारण व्यापारियों या जो नए लोग इस क्षेत्र में प्रवेश करते हैं, उनके हित में बीमा की इस पद्धति पर, जो ऋणात्मक पद्धति है, इसके बारे में स्थिरता वाली इस प्रवृत्ति का कोई न कोई विचार करना चाहिए।

महोदय, निजी कारों और दुपहिया वाहनों के लिए जैसे पश्चिमी देशों में व्यवस्था है कि जैसे ही दुर्घटना होती है, वैसे ही बीमाकारक उसका निपटान उसी स्थान पर आकर कर देते हैं। तो निजी वाहनों के लिए यहां भी ऐसी कोई न कोई पद्धति निकालनी चाहिए जिससे लोगों को बीमा और उसकी जो लंबी प्रक्रियाएं हैं, उसके चक्कर से बचाया जाए और कोई सरल प्रक्रिया निकले ताकि तुरंत उसके नुकसान का मूल्यांकन कर लिया जाए और उसके बाद उसकी भरपाई करने की व्यवस्था हो सके।

इसी में एक बात यह है कि बीमा कारोबार चाहे वह साधारण बीमा का है या जीवन बीमा का है, यह बड़े नगरों और बड़े शहरों के आसपास ही है। चाहे एजेंट हों या उसके विकास अधिकारी हों, इनका विस्तार देश में दूर-दराज के इलाकों में भी होना चाहिए। मैं अपने क्षेत्र में देखता हूँ कि हमारे जिला स्तर पर भी किसी बीमा कंपनी के कार्यालय नहीं होते और लोगों को दो-ढाई सौ मील दूर उनके कार्यालय में जाना पड़ता है। इसके विस्तारीकरण के साथ-साथ इसमें निजी लोग भी आ रहे हैं और दूसरे लोग भी आ रहे हैं, इसलिए आज आवश्यकता इस बात की है कि इसके साथ एक बाध्यता यह हो कि प्रत्येक व्यक्ति केवल मुंबई, दिल्ली या उसके आसपास जहां उसे काम मिलने की ज्यादा संभावना है, वहीं काम न करके बल्कि दूर-दराज के क्षेत्रों में भी काम करे। यह भी सुनिश्चित किया जाना चाहिए कि एक जिले में उसकी प्रतिद्वंद्विता के लिए एक से अधिक कंपनियों के कार्यालय अवश्य बनाए जाने चाहिए।

मूल रूप में अभी तो स्थिति यह है कि साधारण बीमा से और जीवन बीमा से सरकार को बहुत बड़ी राशि धन के रूप में प्राप्त होती है लेकिन जनता को उससे उतनी ही कठिनाइयां होती हैं। हमने देखा है कि चाहे उसका बीमा पूरा हो गया हो लेकिन पता चला कि उसका भुगतान नहीं हुआ। आज भी देश के जीवन बीमा में सैकड़ों-करोड़ों रुपए की राशि ऐसी पड़ी हुई है जो लोगों की है लेकिन उसके दावेदार नहीं हैं, इसलिए उसका भुगतान नहीं हुआ है। इसलिए ऐसी कोई सुनिश्चित व्यवस्था की जानी चाहिए कि जिसका भुगतान है, अगर वह मर जाए और उसका कोई वारिस नहीं है तो जो भी उसका कानूनी वारिस बनता है, उसको वह

भुगतान हो जाए ।

एक व्यवस्था जैसे पश्चिमी देशों में है कि बुढ़ापे के बाद की कुछ ऐसी योजनाएं हैं जिससे बीमा से लोग अपना बाकी जीवन संतोषपूर्वक व्यतीत कर सकें, इस देश में भी कुछ ऐसी नई-नई पॉलिसीज निकलनी चाहिए जिससे साठ वर्ष की उम्र के बाद लोग शांति से, सुनिश्चितता से अपना जीवन गुज़ार सकें और उसके लिए पांच वर्ष की, दस वर्ष की या एकमुश्त ऐसी कोई जीवन बीमा पॉलिसी निकलनी चाहिए जिससे उस वर्ग को एक प्रकार की राहत मिल सके । महोदय, कुल मिलाकर चाहे साधारण बीमा हो चाहे जीवन बीमा हो, वह जन-कल्याणी स्वरूप प्राप्त करे यानि उसका स्वरूप केवल अर्थ कमाना न हो बल्कि जन-कल्याण करने का उसका स्वरूप बने, ऐसी धारणा होनी चाहिए । चाहे प्राइवेट कंपनियां आ रही हैं, चाहे सरकारी कंपनियां हैं, सरकार को कोई न कोई ऐसा नियम बनाना चाहिए जिससे इसका स्वरूप जन-कल्याणी बने, यही बात कहकर मैं अपनी बात समाप्त करता हूँ, धन्यवाद ।

SHRI P. PRABHAKAR REDDY (Andhra Pradesh): Thank you, Mr. Vice-Chairman, Sir, for giving me this opportunity to speak on these Bills. I support the General Insurance Business (Nationalisation) Amendment Bill and the Insurance (Amendment) Bill. First I would like to deal with the General Insurance Corporation and then I will take up the Insurance Amendment Bill.

Sir, at present, the GIC is undertaking re-insurance business as also general insurance. It is a holding company for four subsidiaries, namely, the National Insurance Company, the New India Assurance Company, the Oriental Insurance Company and the United India Insurance Company. According to the provisions of the Insurance Regulatory and Development Authority (IRDA) Act, 1999, an insurance company can carry on either re-insurance business or general insurance. So, what is being done by demerging these four subsidiaries, as also by entrusting the GIC exclusively with re-insurance, is radically a follow-up of the IRDA Act, as the hon. Minister has put it. The demerging of the four subsidiaries is a good move, because the GIC is a big monolithic company and the time has come when there should be a focussed approach. It should concentrate on general insurance and all the four subsidiaries should be made independent. They must be given specific jobs so that they can also emerge as strong organisations in future.

As far as the exclusive re-insurance business is concerned, it has a vast potential within the country, as well as, abroad. Till now, the GIC was concentrating on many other things and, therefore, it could not concentrate on re-insurance, with the result, it could not tap even a fraction of the potential. Now, this move to entrust the GIC exclusively with re-insurance is

a good move. With its strong financial position and strong investment portfolios, I am sure, it can make a mark in the re-insurance business and mop up a lot of revenue. Therefore, I am supporting the move to demerge the GIC.

Sir, having said that I am supporting the Bill, I would like to make a few suggestions. My first and foremost submission is regarding crop insurance. As Shri Kapil Sibal has said, everybody is going in for lucrative business like life insurance, fire insurance, etc. Nobody is concentrating on crop insurance. We know the problems that the Indian farmers are facing. Every year, there is either famine or floods. In some parts of the country there is inundation and in some parts of the country there is no drinking water. This is the problem that our farmers face and they are the victims of the vagaries of nature. Therefore, crop insurance must be given top priority. Right now, crop insurance is being done only where the banks advance the loans. It looks as if the crop insurance is being undertaken to safeguard the interests of the banks, not the farmers. We know the number of farmers who are getting loans from the banks. My suggestion is that one insurance company must be dedicated exclusively for crop insurance. Such an assurance was given by the Government some time ago. It should stick to it and one insurance company must be totally dedicated to crop insurance.

Another point which I would like to make is, in the IRDA Act there is a provision that 5 per cent of their business must be in the rural areas. What I am suggesting is that if it is left to themselves, many companies will not touch crop insurance and other things. Therefore, there must be a provision in the Act, whether they are private insurance companies or public insurance companies, that 5 per cent of their business should be through crop insurance. This must be made compulsory so that all farmers in the country can be covered by crop insurance. There must be some social obligations cast on the insurance companies, because India is a big market and we are opening our market to those people. They can earn money, but, at the same time, some social obligations must be cast on them.

Another point which I would like to make is that the four subsidiaries were part and parcel of the GIC till now. To make them more efficient and to comply with the IRDA we are demerging them. But what I fail to understand is, the Government is thinking of floating an organisation called GIPSA, the General Insurance Public Sector Association. The idea is, there must be cooperation among all these companies and there should not

be any competition. What I am saying is, the very idea of demerging them and making them separate companies will be lost if you create another organisation and if you allow them to call the shots. It is not a good move. They must be given full freedom; otherwise, they will not be able to function efficiently and the purpose of this Bill will be lost.

Sir, I would like to make one more submission which is a very important submission. Till now the GIC and the four subsidiaries are under the direct or indirect control of the Government. In future also they would be under the Control of the Government. What is happening is, the posts at the level of General Manager and Assistant General Manager have been lying vacant for years. I read a news item that 34 posts of General Managers and Assistant General Managers are lying vacant in these companies for the last one year. My submission is, it can prove very fatal for these companies. If there is no leadership, you cannot expect the people down below to function efficiently. This problem can become acute in the days to come because we have thrown open our doors for the private people. They would first concentrate on the experienced and General Manager level people. They would pay them more money and take them away. If the Government remains lukewarm and does not make efforts to fill up the posts, the public sector companies would collapse. It is a very important issue. Therefore, I request the hon. Minister to consider it.

So far as cooperatives are concerned, they are being allowed in the insurance sector. There is a widespread feeling that insurance business has not percolated to the rural areas. Now it can be done through these cooperatives and the health of the cooperatives can also be improved.

So far as capital adequacy ratio is concerned, the Government should be liberal in the case of the cooperative sector. With these words, I support both the Bills. Thank you.

SHRI DIPANKAR MUKHERJEE (West Bengal): Mr. Vice-Chairman, Sir, so far as the General Insurance Business (Nationalisation) Amendment Bill, 2002 is concerned - whether I support this Bill or oppose this Bill - I feel it is a futile exercise. It is basically a *post facto* Parliamentary approval of something which is already under execution.

[THE VICE-CHAIRMAN (SHRI P. PRABHAKAR REDDY) in the Chair.]

Whether I support this Bill or oppose this Bill, it does not matter because it is already under implementation. Therefore, I oppose this Bill. I

would like to know from the Government whether such *post facto* approvals are in the interest of Parliamentary legislations or not. This Bill was moved on 12 March, 2001. The amendment which has been brought has already been under implementation *vide* Notification dated 3rd November, 2000 and d.o. letter dated 7th November, 2000. The Committee on Subordinate Legislation in its 134th Report which was placed on the Table of the House on 25th April, 2001 and subsequently in its 140th Report which was placed on the Table on 14th March, 2002 pointed out, "The Committee also observed that the objectives of the Bill to entrust the task of Indian reinsurer to a General Insurance Corporation and delink the General Insurance Corporation from its subsidiaries by carrying out necessary amendments in the GICNA, 1972 as mentioned in the Statement of Objects and Reasons have already been brought into effect by the Ministry through a Notification followed by the administrative instructions of 7th November, 2000." Now the Committee strongly hoped that the Government would ensure that this kind of a thing did not recur in the future. When this Action Taken Report came, - the General Insurance Business (Nationalisation) Amendment Bill was under the consideration of the Standing Committee on Finance - the Committee looked into it and gave its recommendations. The Committee recommended that the Ministry of Finance should not implement their Notification dated 3rd November, 2000, as well as the Administrative Instructions dated 7th November, 2000, till the GICNA Bill, as introduced in Parliament, was passed. I would like to know from the hon. Minister whether this recommendation of the Committee was considered by the Ministry; otherwise, I repeat again, passing this Bill or rejecting this Bill does not carry any sense if you see the Order dated 7th November, 2000. The Objects and Reasons of the Bill, whatever they may be, have been, more or less, reflected in that Order of the Ministry to the Chairman, GIC, dated 7th November, 2000. I would like to ask the Leader of the House - he was my Chairman in the Standing Committee and I have learnt a lot from him - whether we have done real justice to the Parliamentary Committee system, through such a type of legislation, as already, Parliamentary Committees have become more or less a subservient or an irrelevant thing in the whole Parliament. Are we doing justice to this whole process by this type of action on the part of the Government?

Coming to the issue, seven years back, it was not only this side of the House which was opposing it. I have, before me, the Report of the Committee on Petitions; this Committee considered a Petition by the GIC employees. At that time, the stand of the Congress (I) remained the same.

And, our stand and the BJP's stand was the same. Of course, they had asked for strengthening of the GIC; I wish, Smt. Swaraj, who was the Chairman of the Committee at that time, was here. And, Mr. Malkani represented the BJP. He was, specifically, of the view that instead of allowing privatisation of GIC, it should be reorganised and made more effective and efficient. Now, this Bill does not make it more effective or efficient. There is no doubt that once private participation is allowed, national reinsurance is necessary. It is true that the reinsurance company cannot do direct insurance business in India; it is, certainly, a requirement of law. It is also true that to check the flight of capital out of the country, formation of a National re-Insurance Company is essential in the interest of the nation. But what was the motive behind it? What idea did the GIC employees, officers and the professionals have? They stated that it was all right that you had allowed private business, but what about the level-playing field? In the context of globalisation, it is a question of merger and acquisition. Now, these subsidiaries of GIC were separate entities, and there was no competition from outside; they used to compete with each other. In today's world, where everyone is talking about merger, it is as though we are writing an obituary on our public sector insurance companies. Sir, what Parliament is doing today is writing an obituary, because I can say, with whatever knowledge I have gathered from the Leader of the Opposition and the Leader of the House, independently they cannot compete with the private companies. This is, absolutely, not possible. So, my suggestion is, you merge these four subsidiaries into one. And this is not my view. I am quoting from the Committee's Report. Here is the Report of the Committee on Public Undertakings. I am not imposing my ideology or my dialectics on you. I would only quote from the Report which was placed in this House on 31st July, 2001. This Committee was presided over by Shri Vijay Kumar Malhotra. The Report of this Committee clearly recommends merger of all the subsidiaries of the GIC. The Committee noted that initially when the insurance business was nationalised, the four subsidiaries of GIC were formed to provide the public the benefits of competition. "But, with the entry of private and foreign companies into the Indian insurance market, the Committee feels that there is no need to have four different subsidiaries to provide competition, as this would be readily forthcoming from the private sector. The need of the hour is to have one merged entity, which would greatly reduce management expenses and also simultaneously enhance per capita premium, productivity and reserved position of the merged entity. Such an arrangement would help reap two

advantages -- of economies of scale and financial synergy. The Committee, therefore, recommends that the Government should merge all the four subsidiaries of the General Insurance Corporation with the main GIC, and also create a separate new corporation for the purpose of carrying on the business of re-insurance".

Now, these are the recommendations of the Committee -- this is not CPI(M)'s manifesto -- chaired by Shri Vijay Kumar Malhotra, and Members from all sides were there. Some of them are here. Mr. Singhal is not here. He had recommended it. If he were here, I would have asked him whether he still accepted these recommendations or whether he went with the Government view. Some of you, from the Congress, were also there. A Committee is like a mini Parliament; there are 45 Members of Parliament. I feel that these recommendations were well-thought out. I will again request the Government to reconsider it. Sir, with all your knowledge about globalisation, I am sure you will agree that under no circumstances these four independent subsidiaries can compete, unless they are merged and made a strong entity. This was the assurance given when the IRDA Bill was introduced. It was said that foreign investments will come; private insurance companies will come; but a level playing-field will be ensured; and GIC and LIC will be strengthened. But, Sir, we are not strengthening them. This is not my recommendation. This is COPU's recommendation -- to merge all these four companies. I think we should have taken it more seriously. Otherwise, the recommendation of COPU and the Committee on Subordinate Legislation will have no value. There are notes of dissent, of course. But, I am not putting my party's view. I am trying to say that this recommendation of the Committee on Public Undertakings should be reviewed again, and looked into again, by the Government, before it goes into this legislation. As it is, there is no hurry to go ahead with this legislation. You are already implementing it. The implementation is going on. So, kindly look into and see how this point can be addressed. I am not saying that only we should discuss it here. You can discuss it. You have an open mind. I know you as a Chairman; you have a very open mind. I do not know whether, as a Minister, you have lost the sense. You can talk to these professionals, if not the unions, to know what they actually feel about this arrangement and what is being done through this legislation.

As far as the other Bill is concerned, what I am again trying to do is that, I do not want to thrust my ideas on you; but, I am afraid, I am going to quote again from COPU's Report about brokerage. It is the

Standing Committee's report. They have referred to it. This is COPU'S recommendation of 28th August, 2001, and I quote. It says, "The Committee has been informed that the IRDA is in the process of finalising regulations for entry of brokers in the Indian insurance market, and they will be paid commission up to 17.5% for the business procured by them. The Committee notes that the non-life insurance companies are already working with high management expenses. They, therefore, feel that the additional burden on the brokerage will compel the non-life insurance companies to raise the premium rates in order to absorb the additional costs. They are also of the view that the introduction of brokers at this stage will also affect the agent system which is so vital to the growth and penetration of insurance business in the country". Now, this point about higher costs was referred to by Mr. Sibal, and also whether, in the present conditions, they will be able to compete with the private companies. They will not be able to do that. It is not a question of what Mr. Shouri is contemplating as the Disinvestment Minister. What I am afraid is that the moment they become sick, it will be an obituary; they will be finished. They will not stay, as many other public sector undertakings are being obliterated from the map of this country. This will have the same effect. There is an assurance by the Finance Minister, given during the discussion on the IRDA Bill, and I will end with quoting this. Where does the Parliament stand? There is an assurance given by the then Finance Minister during the discussion on the IRDA Bill. He said, "There is no question of retrenchment of any staff from these public sector insurance companies, namely, LIC, GIC, and its subsidiaries. Let me assure this House." ऐश्योरेंस का कोई फायदा है ? इस पार्लियामेंट का मज्जल बन जाएगा यदि ऐश्योरेंस का यही हाल रहा । "Let me assure the House that all further measures which are necessary in this direction will also to be taken by the Government in due course to make these organisations strong." So, there was an assurance that there will be no retrenchment. Here, I would like to refer to the General Insurance Public Sector Association, GIPSA, which has been formed. They have informed the unions inspite of the assurance given there. Today, the GIPSA is informing the unions, "(1) In view of the policy of liberalisation, minimum 30 per cent workforce from class III and IV shall have to be weeded out." यह ऐश्योरेंस फुलफिल हो रहा है । Number two, "Some of the non-viable offices may have to be closed or merged. It has been indicated that the staff will be transferred from one station to another and service conditions are proposed to be altered to the detriment of the employees. The cadre of Development Officers, the Marketing Force, is proposed to be redesignated, some of them may have

to go to the administration side; some of them may be asked to go out by taking voluntary retirement." Now, I would like to know from the hon. Minister whether the assurance given by the then Finance Minister, during the introduction of the IRDA Bill, stands valid, so far as the retrenchment of the employees of these organisations is concerned. Will you give a new assurance now? Or is it like रात गई बात गई । It is all right. We were told something, but, after two years, you change it again. So, I oppose this Bill. I think, a basic assurance was given to the Parliament, in its totality, when the IRDA Bill was introduced. The assurance was that the public sector insurance companies will be strengthened. That assurance has been diluted. That is being further diluted by what is being done today. With this, we can surely expect that within one or two years, there will be no public sector insurance companies, so far as general insurance is concerned. Keeping that in view, I request the Government that there must be a reconsideration for merging of these companies together as well as the brokerage system, how this is going to affect, how they would be able to compete. How are you going to fulfil the assurance given by the then Finance Minister that the insurance companies would be further strengthened? It should be done in consultation with the professionals and employees. When I say 'professionals', it includes Mr. Malhotra also. Let there be a real level-playing field. So, I stand here to oppose this Bill. My opposition is not based on my manifesto; it is only based on the recommendations of the COPU and the other Committees, including the Petitions Committee of 1995. Thank you very much, Sir.

SHRI MURLI DEORA (Maharashtra): Mr. Vice-Chairman, Sir, I rise here to support the two very important legislations brought by the Government in relation to the insurance sector. The first Bill is pertaining to the GIC. My Marxist colleague just now referred to various Committees. I may remind him that some of the Members belonging to his party were also present in the Standing Committee on Finance. I know this because I was the Chairman of that Committee. ...*(interruptions)*... Hear me first. I am saying here what you people supported. Dissented later on. At that time, when the representatives of the General Insurance Corporation came before the Committee, the Committee was simply shocked at the way the GIC was working -- forget about the four subsidiaries, I am not talking about them now. Therefore, it is right that the Government has come out with a legislation to take the insurance business out of the GIC, allowing them to only continue in the re-insurance business. Even in the re-insurance business, I may assure my friend here that 20 per cent of the re-insurance

business ...*(Interruptions)*... of all the insurance companies, including the private sector general insurance companies, is going to be re-insured by the GIC. I don't support that the contention, when my colleague suggests merger of all the companies. He has not learnt from the experience of the Russian economy at all. If you think something very big is going to happen by merging GIC with the four subsidiaries -- I remember, that Report was presented to the Standing Committee, and the Standing Committee almost unanimously rejected it -- you are mistaken. I want to draw your attention to one thing. The GIC was losing Rs.1,100 crores only in one sector, i.e., motor vehicle insurance. Why should my car, which is insured by the monopoly GIC, lose Rs.1,100 crores? As someone said, if it were in the crop insurance, helping the farmers, it was okay.

After opening up the insurance sector to the private sector, the rates of premium have gone up a little, but, earlier, it was not like that. But, the corruption has come down considerably, as Mr. Kapil Sibal just now said. My Communist friends should feel happy about it. Thanks to the competition between the new 12-13 insurance companies in life as well as in other areas, the services are improving.

Have you ever, in the last thirty years, heard of any LIC agent coming to you, asking you to insure? Nobody. But, now, you see, there are major advertisement campaigns, newer and newer products being sold by the LIC, and the LIC is doing much, much better. I can tell you that. So, please don't have an idea that something very big, something monopolistic, like the GIC, together with the four subsidiaries, would have done a better job. They would not have done a better job. It is good that the Government has taken away the powers of insurance from the GIC, and has allowed the four units, which have different areas of jurisdiction, to do their own business. The four units are, the New India Assurance Company, the Oriental Insurance Company, etc., one in the North and one in the South, and all that. Their cost of administration would become less, as Mr. Kapil Sibal has rightly said. Their service would be much better. Over and above that, the loss of Rs.1,100 crores by the GIC in the motor vehicles insurance and in other insurance areas would totally vanish.

Again, I would like to congratulate the Government for bringing in this Bill, relating to the GIC.

Now, I come to the main Insurance (Amendment) Bill, 2002, the second item on the agenda. I am glad that I am participating in this

discussion today, because I chaired the Standing Committee on Finance, which cleared this Insurance (Amendment) Bill, and it was almost on the last day, when the Lok Sabha had passed the Insurance Regulatory and Development Authority Bill.

I have three-four small suggestions to offer to the hon. Minister. One is on the equity participation of overseas corporations. Out of the 14 companies, 13 are having joint ventures, as Mr. Kapil Sibal has quoted--ICICI, Tata-AIG, Bajaj Allianz, etc. All these companies are not wasting their money. They are not going to earn profit for the next 6-8 years. They have the best technology. My friend, Mr. Biplab Dasgupta, may remember. We had a lot of experts appearing before us, including a foreign expert on insurance, who specially flew to India to make a presentation. My friend was there at that time, but he didn't guide the expert at that time; it is okay; I don't blame my friend for that. What I am trying to say is, the opening up of the insurance sector to the private companies has helped our country.

My friends are talking about jobs. Do you know how many new jobs have been created? It is 51,000 today, as a result of opening up of the insurance sector to the private companies. We don't find anybody losing his job, as a result of this entry. ...*(Interruptions)*... I am not the Minister; the Minister will reply to you. An assurance was given by the Secretary (Insurance), Mr. Chaturvedi, before the Standing Committee, as well as by Shri Yashwant Sinha in the Lok Sabha. I remember that. It was said that nobody would be retrenched as a result of the private sector's entry into the insurance sector. Actually, there is no privatisation of the insurance sector. But there is private sector's entry into the insurance sector. That is very important.

I now come to privatisation...

SHRI DIPANKAR MUKHERJEE: I am only saying that you must make the GIC strong enough to compete with the private sector.

SHRI MURLI DEORA: When you have a competition, when your prices are cheaper, when your service is better, you will definitely compete, but not by merging all the four insurance companies as a single GIC.

SHRI NILOTPAL BASU (West Bengal): That is why, leave it to the GIC. Let them decide. ...*(Interruptions)*...

SHRI MURLI DEORA: Why should they decide? The Government has invested the money. When they lose money, the Government has to find the money. ...*(Interruptions)*...

SHRI NILOTPAL BASU: On the one hand, you are sitting in the Opposition Benches. On the other, you are talking in favour of the Government. ...*(Interruptions)*...

SHRI MURLI DEORA: Don't teach me about the role of the Opposition Benches. ...*(Interruptions)*...

SHRI NILOTPAL BASU: You are selectively renewing your memory. You are talking about the foreign expert. ...*(Interruptions)*... What kind of report the American Congress has brought out on insurance? Do you know? You are selectively remembering your past experience in the Standing Committee. ...*(Interruptions)*...

SHRI MURLI DEORA: We must learn. ...*(Interruptions)*... Mr. Mukherjee quoted from the Committee reports. That is why I talked about those. ...*(Interruptions)*... You are right. ...*(Interruptions)*... The experience faced by the American insurance companies was disastrous and the American Government had to do so much. We must learn from this. I am not saying that they have done something great. ...*(Interruptions)*... I did not say that. ...*(Interruptions)*... No, no. ...*(Interruptions)*... Not at all. ...*(Interruptions)*... On the contrary, I do not have any records. I can assure you, please. ...*(Interruptions)*... The present Bill has three salient features - allowing the cooperative sector to come into the insurance business, giving training to the brokers or agents and institutions of a new concept called the insurance brokers to provide efficiency at cheaper and lower price. I welcome all these three ingredients of this new Bill. Here I would like to warn the hon. Minister of one thing which we learnt in our Committee. ...*(Interruptions)*... If you do not like the name of the Committee, I do not name it. ...*(Interruptions)*... That is the concept of capital adequacy. There was so much debate and then we decided that Rs.100 crores should be the paid up capital of all the companies. I read somewhere that in the cooperative sector there is a move to cap the capital adequacy, the minimum equity of Rs.100 crores. Somebody says 'exemption' and somebody says very highly reduced, means, from Rs.25 crores or Rs.30 crores. This is my personal opinion. ...*(Interruptions)*... I want to warn the hon. Finance Minister who is seeing what is happening in our cooperative

banking sector all over, especially I am ashamed that in my own State of Maharashtra we are having all this. In a way this capital adequacy of Rs.100 crores, applicable to the other insurance companies, should be reduced or should be different in the cooperative sector. I can give you a lot of examples that will help. The second thing while debating what should be the foreign participation, what should be the percentage of equity participation on the insurance sector, various groups came and said 49 per cent should be the maximum equity participation. I remember I personally opposed it. Several insurance corporation chiefs came over there. ...*(Interruptions)*... You can rest assured that the Americans cannot influence us so much as he thinks. You see our Committee's record, then you will know ...*(Interruptions)*... You were not there. ...*(Interruptions)*... They did not send you to that Committee at that time because they knew your knowledge on finance. ...*(Interruptions)*... I am sorry. ...*(Interruptions)*... You were there, that I remember. So, you know what we told them about Enron. ...*(Interruptions)*... He was there, I remember that. ...*(Interruptions)*... You know my State and Enron ...*(Interruptions)*... Very well. ...*(Interruptions)*...

THE VICE-CHAIRMAN (SHRI P. PRABHAKAR REDDY): Mr. Murlu, please address the Chair. ...*(Interruptions)*... Have you finished your speech? ...*(Interruptions)*...

SHRI MURLI DEORA: I would always give him the floor. ...*(Interruptions)*...

THE VICE-CHAIRMAN (SHRI P. PRABHAKAR REDDY): Please conclude. ...*(Interruptions)*...

SHRI MURLI DEORA: I am suggesting to the hon. Minister that now the time has come to increase the foreign equity participation - the cap of 26 per cent to 49 per cent. I would personally say that when we discussed we went deep into this. The time has come now. It will give us half a billion dollar more if we ...*(Interruptions)*... That is the direct investment. ...*(Interruptions)*... Why not? ...*(Interruptions)*... That will help the country to raise our foreign exchange. ...*(Interruptions)*... I am saying it can be half a billion dollar or more extra foreign exchange will come if you allow the cap from 26 per cent to 49 per cent. ...*(Interruptions)*...

THE VICE-CHAIRMAN (SHRI P. PRABHAKAR REDDY): Mr. Basu,

please allow him to finish. ...*(Interruptions)*...

SHRI MURLI DEORA: Sir, I would like to draw the attention of the hon. Minister to in what they are doing with the insurance corporation funds, especially LIC, GIC and the four subsidiaries. We see a lot of scams and where the investments are going. I remember, Pranab Mukherjee Saheb, earlier there was a Committee, inter-institute Committee in Mumbai - IDBI, LIC, GIC, UTI and all these companies, they were major shareholders in several companies like, I remember, TISCO. ...*(Interruptions)*...Bigger shareholding was not with TATAs ...*(Interruptions)*...Do not be scared of TATAs so much, please. ...*(Interruptions)*...Do not worry. ...*(Interruptions)*...I am saying because you are from West Bengal. ...*(Interruptions)*...Anyway, I withdraw that word, if you have nothing to do with TATAs. ...*(Interruptions)*...You are very hurt about that. ...*(Interruptions)*...I know that. ...*(Interruptions)*...What I am trying to say is that there used to be a definite directive to the directors on the board. I remember famous SPIC company in Tamil Nadu. The LIC was the biggest shareholder. In BSES in Mumbai, LIC was the biggest shareholder. In TISCO 52 per cent shares were held by the Units. Now, my friend, Shri Arun Shourie is calling it a strategic sale. So, I understand, in Mumbai, that co-ordination, amongst the PSU shareholdings, like insurance companies and the financial institutions, does not exist any more. So, I would request the hon. Minister that one day he should call a meeting, at his level, and see that such things do not occur. Otherwise, there will be another scam and the hard-earned money of the poor people invested in the LIC or the GIC will be doomed.

THE VICE-CHAIRMAN (SHRI P. PRABHAKAR REDDY): Mr. Deora, now, you conclude. There are many speakers to speak.

SHRI MURLI DEORA: Sir, I will take only a couple of minutes. So, the directors should have a definite direction as to what their role is, what their stand is and what the Board is doing.

Recently, I read about the opening up of the pension sector. I would request the hon. Minister that the pension provider should be the insurance companies. The IRDA should be the regulatory body. I read somewhere that there is a separate body being constituted for this purpose. The best thing would be that the IRDA should be asked to look after this sector.

5.00 P.M.

The current market cap of the LIC is about Rs. 35,000 crores, which has gone up from Rs. 2,000 crores to Rs. 80,000 crores and the General Insurance from Rs. 12,000 crores to Rs. 25,000 crores. More and more foreign and Indian companies are coming into this sector. And, I would say that the Government should encourage them. My friend, Shri Kapil, has just now mentioned that the time will come when we have to disinvest the insurance sector also. I give an example of Maruti to the hon. Finance Minister. Had we sold Maruti when it had a dominant position in the Indian market, we would have got four times more than what we are getting today. Today, the LIC has the biggest market cap than any insurance company in the world, because of monopoly. Today, it has a 96 per cent of the total market cap. And whether you like or not or I like it or not, the market share will reduce because more and more insurance companies are coming in. You know that.

SHRI MANOJ BHATTACHARYA: Are you recommending the sale of LIC?

SHRI MURLI DEORA: I am not saying to sell it. I am not recommending that.

THE VICE-CHAIRMAN (SHRI P. PRABHAKAR REDDY): Mr. Deora kindly conclude.

SHRI MURLI DEORA: Some shares, through disinvestment, would fetch a huge amount for the Government...*(Interruptions)*...You will think of it only after eight years when the market cap will be 30 per cent and you would not get even 1/10th of what you are getting today. You can recall me this is what exactly happened with Maruti. So, Mr. Minister, I am suggesting to you, just tell somebody to work out a strategy at today's market cap and at today's market valuation, how much can you get for disinvesting a share of 5 per cent. I am not saying to sell 49 per cent or 51 per cent. A small percentage of disinvestment in the LIC may help us a lot. Please don't think that the country is so weak, so, we have to sell the LIC. We are not selling the LIC. The LIC will continue. I served on the Board of the LIC twenty-four years ago. So, I know what the LIC is. We are proud of the LIC. But you must always understand that after the entry of private sector insurance companies in life insurance business, the business of the LIC has gone up, their competitive edge has gone up, their service has

gone up, but their premia has come down. So, there is somebody to compete. Thank you.

SHRI P.G. NARAYANAN (Tamil Nadu): Mr. Vice-Chairman, Sir, I rise to support these two Bills moved by the hon. Finance Minister.

The General Insurance Corporation of India was formed as a Government company under the General Insurance Business (Nationalisation) Act, 1972, and was looking after the task of superintending, controlling and carrying on the business of general insurance.

On the formation of the GIC, the shares of the Indian insurance companies, which were vested with the Central Government, were transferred to the GIC and all the insurance companies became the subsidiaries of the Corporation. Thus, Indian companies got merged with one another and, ultimately, four Indian companies namely, the National Insurance Company Limited, the New India Assurance Company Ltd., the Oriental Insurance Company and the United Indian Insurance Company Limited came into existence. As per the provisions of the Insurance Regulatory and Development Authority Act, 1999 and the Insurance Act, 1938, the GIC can carry on exclusively re-insurance business, or, general insurance business. To achieve this, the present Bill -- seeking delinking of the four subsidiaries of the GIC from the parent company -- is a welcome one. The reason to delink is to convert the GIC into a re-insurer. The delinking is done in the light of the opening up of the sector to the private institutions.

After the delinking, the four subsidiaries of the GIC, namely, the National Insurance, the New India Assurance, the Oriental Insurance, and the United India Insurance would continue to take care of general insurance business, but the ownership of the subsidiaries will be transferred back to the Central Government. Along with the ownership, the powers of the GIC to regulate its subsidiaries would be transferred to the Central Government and the Insurance Regulatory and Development Authority.

The amendment is on the lines of the Poddar Committee's recommendations which had been set up to define the roles and responsibilities of the GIC. In the era of competition, policies, strong monolithic structure is not necessary. Employees fear that in a delinked environment a cut-throat competition between the four subsidiaries in non-tariff areas, such as marine cargo, would impact their financial health. The Government should, keeping in mind the concern expressed by the

employees association, frame policies and strategies to improve the financial health of the companies.

India is a grossly under-insured country, and while this will help the new entrants to acquire market share without much effort to start with, they should not forget that, in the end, it is a reputation for probity and promptness that will determine their degrees of success. It is up to the regulator now to ensure that there is no hanky panky. Precisely, the IRDA's real work has just started and what it had done in the past was a very easy part of it.

Keeping the competitiveness in mind, we should compete with the competitors with products geared to market needs, more flexible packages, which must include corruption-free service.

The argument against the delinking and stresses on need for merger is, it will have greater financial strength, higher risk retention capabilities, bigger network, pooling of resources as well as optimum utilization of reserves and investment strengths, needs a big push in the era of severe competition from multinational companies.

To prevent flight of capital from India in the form of re-insurance premium, and to ensure the development of our own strength and resources to retain the risks within the country itself, the General Insurance Corporation has been made to operate only in re-insurance area, under section 101(A)(8)(ii) of the Insurance Act, 1938. Moreover, this measure is also in tune with the provisions contained in the IRDA Act, 1999.

So far as the cargo insurance and the Crop Insurance are concerned, the Government should not be biased towards crop insurance. Basically, our primary occupation is agriculture. It is the backbone of the Indian economy. The agriculture crop insurance should be the part of business in any one of the subsidiary companies. All the four subsidiary companies are competing for cargo insurance, and none of them is interested in the crop insurance. A separate company for crop insurance might be on the cards of the Government. But, till it comes into existence, crop insurance should form part of the business of all the four companies, and they should redress the needs of the farming community at large. Thank you, Sir.

SHRI M.A.KADAR (Tamil Nadu): Mr. Vice-Chairman, Sir, as a Member of D.M.K. I am happy to speak in Tamil. I thank you, Sir, for giving me this opportunity to speak on the General Insurance Business (Nationalisation) Amendment Bill, 2002. While welcoming this Bill, I wish to make a few observations on this Bill. The General Insurance Corporation of India has grown over the years and is in a good shape. This corporation is also the holding company of four subsidiary insurance companies namely, National Insurance Company Limited, the New India Assurance Company Limited, the Oriental Insurance Company Limited and the United India Insurance Company Limited. This Bill proposes to entrust re-insurance business to GIC and delink the four subsidiary companies from it. The Parliamentary Committee on Public Sector Undertakings had opined that all these companies should function in close coordination in the larger interest of the nation. So, I would like to know from the Hon'ble Minister as to why that recommendation has not been accepted by the Government. Why they are being delinked? This should be explained.

Sir, the employees of the General Insurance Corporation are apprehensive of this decision of the Government. They are afraid of losing their job. The Government should protect the employees at all cost. About 650 persons are working in GIC out of which 400 are officers and the rest of 250 persons are class III and class IV. That is why the delinking of four companies has raised apprehensions in the minds of these employees. I once again appeal to the Government to take care of the welfare of the employees and protect their job.

Mr. Vice-Chairman, Sir, civil aviation and crop insurance have been taken out of the purview of General Insurance Corporation. It is expected to bring in welcome change. Huge sums of Government money have been invested in this Corporation. This fund should be utilised to support and promote more companies so that the fund is put to optimum use. I hope the Government would provide protection to farmers through Agricultural Insurance Corporation. The creation of Insurance Sector for the farming Community should not affect the General Insurance Corporation. Both should be protected. I hope the Hon'ble Minister will do the needful. With these words I support this Bill on behalf of D.M.K.

*English Translation of the original speech delivered in Tamil.

SHRI PRITHVIRAJ CHAVAN (Maharashtra): Mr. Vice Chairman, Sir, I stand to support the two Bills, that is, the General Insurance Business (Nationalisation) Amendment Bill, 2002, and the Insurance (Amendment) Bill, 2002. Sir, many hon. Members have spoken on these two Bills, taken together; these have already been passed by the other House. So, I shall confine myself to only a few points on each of these two Bills.

I will first take up the General Insurance Business (Nationalisation) Amendment Bill. What is sought to be done through this Bill is this. The GIC will now become the sole national re-insurer. As per the IRDA Act, the GIC is envisaged as the company to be either a re-insurer or to be in the general insurance business. We have, with these set of amendments, made the GIC into the sole national re-insurer. This has been done with the hope that most of the re-insurance funds will remain in India, and the foreign exchange outflow will be restricted. The other feature of the General Insurance Business (Nationalisation) Amendment Bill, 2002, is the demerger of the four insurance companies. Mr. Vice-Chairman, Sir, with the opening up of insurance sector, many large multi-national companies are entering in this field, as a result, huge competition is anticipated. In a way, it will be good because the competition will, hopefully, provide better service to the customers and also increase the depth of insurance. Probably, more people will be insured. But, in the emerging scenario, what will happen to the four demerged nationalised insurance companies? Perhaps, these four companies may not be able to withstand the competition thrown by the multi-national companies. Therefore, the point that has been made by various Committees and some of the hon. Members, who participated in this debate, is that these four companies should be allowed to be merged into a large national insurance company. I think, it is a valid point and needs to be considered. It need not be done tomorrow, but the hon. Minister must assure us that he will try to consolidate the four demerged insurance companies, maybe, to begin with, into two companies, and later on, if need be, into one large public sector insurance company. Because in insurance business, size does matter. Then alone, a large company will be able to withstand the competition. It is important for a nationalised public sector company to remain in business, to provide competition, so that there is no cartelisation by the private sector companies. We are going by the assurance that was given by the then hon. Minister of Finance, in December, 1999. He had said that he had no intention of divesting the equity of the nationalised companies. He had also assured us that he was

going to take many steps to strengthen the nationalised insurance companies, and that there would be no retrenchment of staff. I would request the present Minister of Finance, the Leader of the House, to reiterate those promises that he has no intention of divesting the equity of the four demerged nationalised insurance companies. As a matter of fact, he should tell us that he would definitely consider merging them together so that the size, as well as, the critical mass to compete with the foreign companies increases, so that they could play an important role, particularly, in the field of social insurance. A point has been made by several hon. Members that certain areas, which are not very profitable, are not being looked at by the private companies. These areas will have to be catered to by the public sector companies. Therefore, existence of a viable and strong public sector company is essential. Therefore, merging of four companies, which are now being demerged, into a large insurance company, is something which needs to be considered.

Now I come to the other Bill, i.e. The Insurance (Amendment) Bill, 2002. This Bill tries to attempt certain things. Some of them are not very significant. The five main items that the Insurance (Amendment) Bill tries to attempt are, the entry of cooperatives, defining the allocation of surplus between shareholders and policyholders, allowing more flexible mode of payments, which is welcome. It also defines the eligibility and qualification for brokers, corporate agents and introduces brokers. There are only two points that are important that is, entry of cooperatives and permitting the brokers into the field.

On the entry of cooperatives, *prima facie*, there is nothing wrong with the cooperative institutions' entering into the field of insurance, because cooperatives work close to the rural masses, they are close to people. And, if you have to increase the depth of insurance, you have to take insurance to the remotest areas because, India is a highly under-insured country. There is a tremendous scope for taking insurance to the rural areas, and cooperatives can play an important role in this regard. But, then we have the recent experience of cooperatives in banking sector, and what we have seen is, the duality of control between the Regulator (in case of banks, it is either Reserve Bank of India or NABARD, depending on whether they are urban cooperatives or rural cooperatives) on the one hand, and the Registrar of Cooperative Societies (who is generally controlled by the State laws because, cooperatives is a State subject) on the other, has caused problems. This duality of control has caused problems in the banking

sector. And, the country is greatly agitated at the recent scams in the cooperative banks. Over Rs. 500 crores have been stolen because of duality of control, because nobody is owning up the baby, one Regulator is pointing a finger at the other Regulator. I am afraid that unless the role of respective Regulators, *i.e.*, the Registrar of Cooperative Societies in such a way that the Insurance Regulator in this case, IRDA, is very clearly demarcated, where insurance business is strictly looked at by the IRDA and the Registrar of Cooperatives looks only at the administrative part of cooperatives, *i.e.*, membership, election, and so on, there will again be a problem, and we will again be looking at a scam similar to one which is unfolding in the banking sector, in the insurance sector. That is why the safeguards that have been suggested such as not to reduce the entry barriers, the equity barrier of Rs. 100 crores which is there for private sector insurance companies should be retained for cooperatives also. That is a good suggestion. I support that. But unless and until the division of responsibility is clearly demarcated between the Insurance Regulator and the role played by the Registrar of Cooperative Societies, I think we are again playing into a similar situation, as we have faced in the banks.

The other point which I would like to touch upon is the introduction of brokers. This is highly a contentious issue. We have the experience of Western countries. Sir, most of the Western countries work with the system of brokers. As a matter of fact, it has been said by some experts that foreign companies would not come in India unless the law is changed whereby the broking companies are allowed. We are now taking steps to allow broking houses, brokers and it is, perhaps, done because the foreign companies have insisted that broking should be allowed, large broking firms should be allowed. We are allowing that. Now, there is a problem. We already have a system of agents, development officers who are generally connected with one insurance company and they are loyal to that insurance company, and they only look at the interest of that company. Now, a broker is supposed to be an intermediary who will work for a best possible option for a client, and try to give him the best possible insurance product available from any of the existing insurance companies. Now, where will his loyalty lie? Will his loyalty lie with the client or whether his loyalty will lie with the insurance company? If it is with the client, it is good. But, we have cases in the United States, where these broking firms, large companies, sometimes even larger than the insurance companies themselves, have caused the huge failures in insurance sector because the broker, after selling an insurance product to a client from one of the existing

companies is not loyal to that company, cannot have any hold on that company and if the company goes under and if it fails, then the client or the person who is insured is left holding the bag. So, we have to be very, very careful when we re-introduce brokers. My colleagues have talked about different committees. The Standing Committee has recommended this Bill without any amendment. But, at the same time, the Committee on Public Undertakings, chaired by Shri Malhotra, has had grave reservations about introducing 'brokers'. Therefore, while supporting this Bill, I would like to caution the Government that when we introduce the system of intermediaries, brokers and commercial agents, we have to be very careful. This is what has caused problems abroad. This is what can cause problems in India also. When we make rules, we have to be very careful about commissions and responsibilities of brokers so that the insuring public is not duped.

As I said earlier, it is often found that majority of the failure of companies abroad is because of the brokers. They are called the 'deal makers'. That is what can happen here also. This is one way where insurance companies are avoiding the responsibilities and are passing on the responsibilities to somebody else - broking houses. There are a large number of brokerage firms which are interested to come to India.

There is also the question whether we should allow the international broker firms to come to India, and whether the 26 per cent cap on the investment will also apply to these corporate brokers and foreign companies.

There was also some thought about increasing the cap in the insurance sector beyond 26 per cent, to 49 per cent. At this stage we should not do that. I was a member of the Standing Committee which recommended a cap of 26 per cent. At that time, also we had considered keeping the cap at 49 per cent, and the Standing Committee wisely decided against it. Later, the Government also accepted the cap of 26 per cent. We should retain this cap till the private sector really starts operating. We should see how it works with the cooperatives and with the corporate agents. Then only we should consider whether there is a need to increase the cap further.

I conclude my intervention here by requesting the hon. Minister that he should reassure us about the promises that his predecessor gave in December, 1999, about not divesting the equity in the insurance companies,

about strengthening the insurance companies, about the welfare of the agents, about the welfare of the staff, and that the public sector companies will play a dominant role in the de-regulated insurance market and that they will be allowed to compete, and, will break the cartelisation that may occur with the entry of private companies. With these words, I conclude.

THE VICE-CHAIRMAN (SHRI PRABHAKAR REDDY): Shri C.O. Poulouse not here.

श्री सतीश प्रधान (महाराष्ट्र) : धन्यवाद उपसभाध्यक्ष महोदय, मैं सिर्फ तीन-चार सूचनाएँ देते हुए इन दोनों बिलों का समर्थन करने के लिए खड़ा हुआ हूँ। यह बड़े संतोष की बात है कि ये चार कंपनियाँ इकट्ठा की जा रही हैं। मैं जब से राजनीति में आया हूँ सोशल वर्क कर रहा हूँ। मैं तभी से एक बात देख रहा हूँ और सुन रहा हूँ कि हम कभी सैंट्रलाइजेशन करते हैं, कभी डीसैंट्रलाइजेशन करने की बात करते हैं। अभी डीसैंट्रलाइजेशन था तो अब फिर से सैंट्रलाइजेशन की तरफ झुक रहे हैं। हमने यह सब किया है। मैं यह जानना चाहता हूँ कि क्या जो पहला प्रयोग था वह फेल्योर हो गया, उसमें कुछ कमियाँ हो गईं या उसे दुरुस्त करने का क्या यही एक तरीका था या कोई दूसरा तरीका ढूँढ़ने की आवश्यकता थी? आज इस विषय पर विचार करने की आवश्यकता है। मैं बड़े ही संक्षेप में इतनी सी बात मंत्री जी के ध्यान में लाना चाहता हूँ। वे समझदार हैं, बुजुर्ग हैं, इसे बहुत अच्छी तरह से समझेंगे। यहाँ बहुत से लोगों ने बोलते हुए, विशेषकर वामपंथी दलों के सम्माननीय सदस्यों ने बात करते हुए एक बात पर जोर दिया था कि इससे बहुत बड़ी मात्रा में लोगों का रोजगार चला जाएगा। हम भी, शिवसेना दल वाले इस विषय पर चिंतित हैं। मैं मंत्री जी का ध्यान इस ओर लाना चाहूँगा कि इस विषय पर बात करते समय आपने आम्वासन दिया है। आपने आम्वासन दिया है, प्रधानमंत्री जी ने भी आम्वासन दिया है। हमें आप पर पूरा विश्वास है। मैं आपको यह बताना चाहता हूँ कि आज बड़े स्तर पर सभी जगहों पर वी.आर.एस. योजना अमल में लाई जा रही है। उद्योग चलाना है तो मुनाफे में चलाना है, उसके लिए कोई आपत्ति नहीं होनी चाहिए। लेकिन उसमें एक बात ध्यान में रखने की आवश्यकता है जोकि मैंने इस सदन में पीछे भी बात करते समय कही थी। वह बात यह है कि एक जगह तो हम खाली हाथों को काम देने की बात करते हैं और जिन हाथों को काम दिया गया है या जिस दिमाग को काम दिया गया है, आफिसेज़ में वे लोग काम करते हैं, वहाँ वीआरएस या सीआरएस लगा कर उनको बाहर निकालने के बाद हालांकि पैसा तो उनको काफी मात्रा में अवश्य मिलेगा, लेकिन उनका दिमाग खाली रहेगा और वह खाली दिमाग फिर डैविल डांस करना शुरू करेगा, जोकि महंगा पड़ेगा। इसलिए उस खाली दिमाग को दूसरा काम देने की आवश्यकता है। इसलिए इस बात पर भी ध्यान देने की जरूरत है। मंत्री जी, एक बात और मैं आपके ध्यान में लाना चाहता हूँ। हमने बैंकों पर एक बंधन लगा रखा है और वह बंधन आज भी है कि 18 प्रतिशत वे खेती के विकास के लिए, खेत मजदूरों के लिए, किसानों के लिए मदद करें और उसके लिए अलग से पैसा रखा जाए। ऐसा हमने उनको कहा है। आज हिन्दुस्तान में सार्वजनिक उपक्रम का एक भी बैंक ऐसा नहीं है जोकि इस कंडीशन को पूरा करता हो। परसों आते समय मैं अपने जिले में इस बात को छेड़ कर आया हूँ और वहाँ का ही नहीं, मेरा सभी जगह का अनुभव ऐसा ही है। अभी मैं यह विषय भी साथ में जोड़ रहा हूँ कि इंश्योरेंस सेक्टर में भी हमारे यहाँ जब प्राइवेट कंपनियाँ आ रही हैं तो ये शहरों में ही व्यवसाय करने के

लिए आयेंगी। ये कंपनियां रूरल एरियाज में, ग्रामीण क्षेत्रों में जाने के लिए तैयार नहीं होंगी। आज हमारे यहां भी बैंकिंग सेक्टर ग्रामीण क्षेत्र में जाने के लिए तैयार नहीं है। उनको जबर्दस्ती भेजना पड़ता है। आफिसर लोग भी ग्रामीण क्षेत्रों में काम करने के लिए तैयार नहीं हैं, उनको भी वहां भेजना पड़ता है। ऐसी परिस्थिति हो रही है। प्राइवेट सेक्टर के आने के बाद ये सिर्फ शहरों में रहेंगे, देहातों में नहीं जायेंगे और फिर मुश्किल खड़ी होगी। जो आज का हमारा एल0आई0सी0 का या जी0आई0सी0 का इंश्योरेंस का व्यवसाय है, वह कुल मिला कर - सब चारों कंपनी के टक्कर के जो भी कुछ व्यवसाय है, उसमें से जो परसेंटेज शहरी भाग में है, उसका जब हिसाब करेंगे तो पता चलेगा कि ग्रामीण क्षेत्र में इसका परसेंटेज बहुत कम है। तब हमारी जो सरकारी कंपनियां हैं उनको सिर्फ ग्रामीण क्षेत्रों में ही व्यवसाय करने के लिए जाना पड़ेगा और शहरों में वे प्राइवेट सेक्टर वाले मुनाफा कमायेंगे। ग्रामीण क्षेत्र प्रॉफिट में चलता नहीं है और शहरी क्षेत्र प्रॉफिट में चलता है। इसलिए इन दोनों बातों को ध्यान में रखते हुए आप क्या कुछ प्रावधान रख सकेंगे। इस विषय पर जरा सोचेंगे तो यह अच्छा रहेगा। सर, संक्षेप में मैं दो ही बातें बताना चाहता हूं। एल0आई0सी0 का हमारा अनुभव ऐसा है कि हमारे यहां जो नए-नए बच्चे स्कूल-कालेज से पढ़ कर बाहर निकलते हैं वे इसके एजेंट बन जाते हैं और उनको एजेंट बनाया जाता है। वे एजेंटशिप ले कर व्यवसाय करने की कुछ कोशिश करते हैं और कुछ व्यवसाय हासिल भी करते हैं। लेकिन उनको जो कोटा दिया जाता है उसे वे पूरा नहीं कर पाते हैं और अपनी एजेंसी बीच में ही छोड़ देते हैं। उसकी वजह से दो चीजें होती हैं। पहली तो इंश्योरेंस जिनका निकाला हुआ है, जो पालिसी है वह पालिसी ऑफन हो जाती है और दूसरी बात यह है कि अभी उसका ख्याल एल0आई0सी0 करती है, हम करते हैं, कंपनी रेसपांसिबिलिटी लेती है, लेकिन प्राइवेट सेक्टर में यह सब नहीं होगा। यह आशंका मुझे प्रतीत हो रही है। दूसरी बात, ऐसा होता है कि यह ऑफन पालिसीज या यह नया इंश्योरेंस निकालने के बाद दो इन्स्टालमेंट भरे जाते हैं। फर्स्ट एंड सैकंड इन्स्टालमेंट ज्यादा करके भरे जाते हैं, बाद में उसके आगे भरे नहीं जाते और तब वह इंश्योरेंस पालिसी लैप्स हो जाती है। सर, आप सिर्फ एल0आई0सी0 का रिकॉर्ड अवश्य देख लें। मैं आप को बताना चाहता हूं कि उस की इंश्योरेंस पॉलिसीज की संख्या लाखों की है जिस में एल0आई0सी0 को करोड़ों रुपया मिलता है। सर, उस में एक प्रॉफिट यह है कि उस के ऊपर इनकम टैक्स नहीं दिया जाता है और यह रुपया एल0आई0सी0 के पास रहता है। मैं इसे भी मानने के लिए तैयार हूं कि वह देश की कंपनी, भारत सरकार की कंपनी एल0आई0सी0 के पास रहेगा, यहीं देश में रहेगा, लेकिन जब दूसरी कंपनी आएगी और वहां भी यह हुआ तो यहां का पैसा बाहर जाएगा। इसलिए इस विषय पर भी विचार कर कुछ निर्णय लिया जाय। मैं यही बातें आप के सामने रखना चाहता था। धन्यवाद।

SHRI S. VIDUTHALAI VIRUMBI (Tamil Nadu): Mr. Vice-Chairman, Sir, thank you for giving me this opportunity to speak on the two Bills. Sir, the National Insurance Company Limited, the New India Assurance Company Limited, the Oriental Insurance Company Limited and the United India Insurance Company Limited have now been delinked from the General Insurance Company. Sir, I would like to refer to Bill No. 24 and Bill No. 74. Bill No.24 regarding delinking of the subsidiaries from the GIC, and Bill No. 74 is regarding introducing some new system. I would like to make two points before this august House. The first point is regarding the job security,

and the second point is regarding the money security. As I said earlier, through Bill No. 24, we have delinked the four companies from the GIC and through Bill No. 74, we have introduced the brokerage system and the corporate agents. The General Insurance Public Sector Association of India, which is looking after the subsidiaries, has opined that 30 per cent reduction in the staff strength may be necessary after this system is introduced in the country. Sir, I would like to quote the statement made by the Chairman, LIC, before the Standing Committee on Finance: "Our agents, who have been meeting me and my colleagues in this regard, have been mentioning like this—

'If the corporate and broker channel is allowed, they will use their influence to book business. They would also see that the rewriting of policy takes place. They will also feel that the creamy layer of the business will go out of their arena. These are the three major fears that the agents and development officers have been expressing. We may not be able to provide a value judgment because this has not been in place so far. But certainly, this will cause quite a bit of discomfort among the rank and file of the agents.'

These observations have been made by the Chairman of the LIC. Sir, the General Insurance Public Sector Association has expressed the opinion that there will be 30 per cent reduction in the staff strength. If my memory is correct, when the IRDA Bill was being discussed in this House, the then hon. Finance Minister had given an assurance to the nation, through this august House, that there won't be any retrenchment. I hope, the assurance given by the Finance Minister, will be honoured. We want liberalisation. But, at the same time, we also want to say that there should be job security for the labourers and workers.

Another thing is that, as per the provisions of this Bill, the designation of the chief agent and the principal agent is going to be abolished. A new thing has been added in this Bill; that is, you have prescribed some qualification and training in this Bill, and you are going to conduct the examination also. That is a welcome measure. At the same time, so far as the question of money security is concerned, the job of collection of premium, the issue of documents and the settlement of claims will be left to the agents. What do we mean by an agent? An agent means a broker, as well as, a corporate agent. In that case, in order to ensure accountability, we have to consider this aspect carefully. There is one

system in the U.S.A., which is called the Managing General Agents System. Under the Managing General Agents System, the brokers themselves are collecting the premium, and they are deducting their commission from it.

They themselves will deduct the commission, what, they feel, is due to them, and the balance would be sent to the insurance companies. I want to know whether the Managing Agency System will be introduced by the IRDA here also. Once it comes, that may also come. There was a report, three years back, that four hundred billion dollars had lost because some insurance companies were declared bankrupt. That should not happen.

The last point is regarding the commission amount between the agents who are working now as LIC agents or GIC agents. About the brokers, one school of thought says that, now, the commission is below three per cent. If the brokerage system is introduced in India, it may be above 15 per cent; maybe, 17.5 per cent. If the commission that they will give to the brokers, is between 15 and 17 per cent, automatically, the premium will go up. That will, ultimately, affect the public. Before I conclude, I want to say that the assurance given by the Finance Minister about job security should be fulfilled. The jobs should be secured for the workers. This is number one.

Number two is regarding the money security. The people invest money with the hope that it will come back with some profit. So, that aspect should be considered by enacting the Bill. With these words, I conclude. Thank you, Sir.

THE VICE-CHAIRMAN (SHRI P. PRABHAKAR REDDY): Shri Manoj Bhattacharya. We have to complete the debate on both the Bills by 6 o'clock. Please try to be as brief as possible.

SHRI MANOJ BHATTACHARYA : Sir, I assure you that I will be as brief as possible. I stand here on behalf of my party, the Revolutionary Socialist Party, to oppose both the Bills with all the force at my command. I was observing with utmost interest that the so-called *Swadeshiwallas* who were professing the victory of *Swadeshi* over the multinationals, are, further, opening the gates of the financial sector, the core sector of our country, to the multinationals, to the private parties, and, that way, they are trying to protect the interest of the nation! I assure them, through you, Sir, that their slogan of *Swadeshi* will be an utter failure, and the people of this nation who are languishing because of their policies will also understand.

Sir, I would like to make a few points. Insofar as my knowledge is concerned, the LIC or other insurance business is not a business alone. It is also a social sector. It has got a social commitment, and with that commitment, the Companies were nationalised long back. They were also in a position to offer loans to the priority sectors, as decided by the Government, as decided by the nation. Once it is privatised, once the brokerage system is introduced, can we decide the options of the Government, the options of the Parliament? Today, we can, unanimously, decide that in some drought-prone areas, for agriculture, loans will be given by the LIC or by the other insurance companies. After these Bills are passed, after the total exposure to the private parties, and after the total exposure to the multinationals, who are mostly busy--the hon. Finance Minister is, perhaps, more aware of the fact than me that the world economy today is, basically, a casino capitalism. It is a rampage of the casino capitalism, speculative capitalism. Out of a few trillions of dollars that are floating around the world, hardly a fraction of it is being utilised for productive purposes. They are trying to create a rampage in the Indian markets, and the passage of this sort of Bills will further consolidate the attempts of the multinational corporations and the attempts of imperialist forces. The ugly forces of imperialism will get encouragement from this sort of Bills, from this sort of opening of the financial sector.

Sir, I want to make another point--my friend, Shri Satish Pradhan, has also tried to point it out--that, by way of VRS and CRS, the employment is getting reduced. Sir, it is being assured that there would be no retrenchment. What does the words "no retrenchment" mean? In the sectors where there is no retrenchment, there will be no employment as well. If there is no employment, where will the young generation of our country go? In fact, there will be no employment. The LIC and the GIC are employing hundreds of thousands of people. A few lakhs of people are employed in GIC and LIC. I assert that it is not rationalisation. Somebody said that it was rationalisation and nobody was going to be retrenched. But the entry point is blocked. I fully support the views expressed by my friend, Shri Dipankar Mukherjee. He has pointed out how 30 per cent of Group-C and Group-D employees were retrenched by way of VRS or compulsory retirement. Those people have been forced out of the organisations. This will not create any employment. Shri Murlidhar Deora was pointing out that there would be 51,000 new jobs or something like that. But it is hardly feasible. This will lead to capital flight or assets flight from our country. This will happen. Why should it happen? The people, who presided over

the licence raj economy for over 35 or 40 years, are now pleading for some other economy. They are pleading for globalised economy. They are pleading for globalisation, liberalisation and privatisation. The Government is following the same economy. After 5 or 10 years, the country will be absolutely doomed. What will we do then? There will be assets flight, money flight and capital flight from the country. Unless we prevent this sort of flight from this country, this country's future will be absolutely bleak. I express my anxiety that we are opening our financial sector to the mercies and designs of the multinational corporations, to the designs of imperialism. This is simply a design of neo-colonialism. This nation has fought against colonialism, the subjugation for over hundreds of years. This Government is really helping, in the name of liberalisation, by the way of opening up the financial sector to the private parties, the multinationals. It is really helping the neo-imperialist forces to re-colonise our country. I, as a conscious citizen of this country, oppose it tooth and nail. I oppose it lock, stock and barrel. I urge upon the Government to withdraw this Bill, have a relook into the matter and come up with possible solutions. Some hon. Members have mentioned about the efficiency of these organisations. If there are any deficiencies, you mend those deficiencies. Instead of mending deficiencies, we are trying to open it up; we are trying to sell it. This is absolutely a wrong approach. I have high regards for the Finance Minister and the Leader of the House. I urge upon him to withdraw this Bill, come up with a proper Bill, have a wider discussion, come up with better solutions in the interest of the entire population of this country. With these few words, I conclude. Thank you.

SHRI JASWANT SINGH: Mr. Vice-Chairman, Sir, I am very grateful to the hon. Members who have participated in this discussion. I believe it is an important discussion and I am grateful to them for the suggestions that they have made. I will respond to, not each hon. Member's points, the broad points that have been raised by most of them. The suggestions are varied. Shri Manoj Bhattacharya said that I should withdraw the Bill. I regret that I cannot withdraw the Bill. I am here, actually, to request the House to enact this legislation. Therefore, I have to disappoint my colleague, Shri Manoj Bhattacharya.

Sir, the first speaker, Shri Kapil Sibal, raised certain points to which I respond.

SHRI MANOJ BHATTACHARYA: Sir, I am walking out.

[At this stage the hon. Member left the Chamber.]

SHRI JASWANT SINGH: The first point was that the new entrants in the insurance sector, particularly, the private companies, would not be right in third party insurance because of the high cost and high loss ratio of this particular thing. I am afraid it is not correct. No company, whether private or public, can refuse third party insurance, so long as the vehicle that is to be insured has the fitness certificate. Indeed, the IRDA has reiterated instructions for compliance, and shall take necessary action if any insurer declines deliberately or otherwise to write the third party insurance. He said that the third party premium could not be raised. This too is not correct. The third party premium can be raised by the Tariff Advisory Committee which was established under the Insurance Act, 1938 and the rationale for increasing the third party premium has to be established by facts and figures of the Motor Insurance Premium. I am not going into further details in this regard.

One point has been mentioned by a number of hon. Members in regard to employment, retrenchment and that why not bring the four together instead of demerging them. Sir, these companies are not only sustaining but they are actually leading the competition. The figures which have been provided to me say that the premium of these four companies at the end of March 2002 is Rs. 11,800 crores as against six private companies whose premium is Rs. 466 crores.

The third point was about brokerage; up to 30 per cent would increase the cost of doing business for the public sector companies. Sir, detailed regulations would be issued by the IRDA which would take care of all these concerns and the broker shall work on behalf of the insured as the insurer's representative and provide additional channel of distribution.

I am glad that my colleague and friend, Shri Dipankar Mukherjee, is here. He raised principally two points about the Notification which has rendered the current amendment infructuous and that the four subsidiaries of the GIC should be merged as recommended by the COPU. I can cite many expert Committees that have actually recommended delinking. The Malhotra Committee, the Geethakrishnan Committee, the IRDA, Chief Executives, unions, associations, the All-India General Insurance Employees' Association, the All-India General Insurance Officers' Association, the present Standing Committee and the previous Standing Committee, all have recommended that it should be done. I would like to share with the hon.

Member that the merger - I am not going into all the details; I will try to satisfy you on these counts to the best of my ability - of these four public sector companies would necessitate closure of a large number of Regional Offices, Divisional Offices and Branch Offices. As against the present, you are saying that it would reduce the employment and there would be retrenchment, as computerisation progresses and at the clerical level, where there could possibly be some levelling out, I do not see any difficulty of retrenchment as has been pointed out. But, currently, all the four offices put together have 92 Regional Offices, 1,337 Divisional Offices and 2,748 Branch Offices. If you merge them, if at some stage the condition so develops that they should be merged, it would result broadly, as of today's assessment, in the closure of nearly 2,500 offices and during the post-merger scenario around 1,500 offices would be required. Now, there is a social consequence involved here and this was also taken into account, because if you merge them, then, unnecessarily, you will have to re-order a number of officers, etc., and the staff also will have to be unnecessarily displaced. Then, there is a different life-style, working culture of these four companies, in terms of size, in terms of networking of companies, business, as also the human resource that these companies have developed. And, I would just share with you; this, we felt, was not an advisable course of action. Also, my old friend, for whom I have great esteem, - we had been together in the other House also - Shri Prithviraj Chavan, mentioned about the main amendments to the present Bill, like, introduction of brokers, corporate agents, mode of payment, allocation of surplus, as also the direct entry of corporates.

Sir, you had raised the issue relating to crop insurance in agriculture, and the services not going into the rural areas. I might inform you that in fact, there is an IRDA directive to all insurance companies, private and public, which mandates upon them to have a certain percentage of business in the rural sector; rising from five to seven and progressing like that, and it also mandates how many years of business they have put in those areas. Crop insurance is, currently, implemented under the National Agriculture Insurance Scheme. This was revised in the Rabi Season of 1999-2000. It is available to both lonee and non-lonee farmers and we have already decided to set up a separate corporation for crop insurance; the National Agriculture Insurance Corporation will be established with capital participation by the insurance companies; the Memorandum and Articles of Association have been formulated, and I hope very much that this Corporation will be registered very shortly.

My friend, Mr. Virumbi, spoke about retrenchment of employees in the insurance sector. I would like to inform him that there is no proposal, unlike the banking sector, for any Voluntary Retirement Scheme. The LIC has also stated that they do not intend retrenching any employees. That is the current situation. Then, the other, therefore, is the general trimming that might take place on account of enhanced computerisation which would increase efficiency; I do not foresee that possibility.

Sir, these are my responses as far as the points of the hon. Members are concerned. I don't say that everything is absolute as it ought to be in this Bill. We are entering a new territory and, as we proceed down this path, no doubt, we will gain experience of what we were doing correctly and of what we were not doing correctly, and I can assure the hon. Members that whenever we find that there is a need for improvement or alteration or when we feel that it is not being handled properly, we, in the Ministry, will have no hesitation whatsoever; we will accept the requirement for improvement, and come back to you for your help in carrying out necessary improvements either by way of amendments, or, in whatever form it is necessary. I would like to express my gratitude to all the hon. Members. I now commend to the House that these two Bills be passed.

DR. MANMOHAN SINGH: Sir, I have one query; probably, the hon. Minister has replied to it. Apprehensions have been expressed by the Life Insurance Corporation agents that the introduction of new Intermediaries like brokers is going to create an uncertain future for them. Would the Minister kindly say what his intentions are, what are the likely consequences of this Bill for the future of this category of people, that is the LIC insurance agents?

SHRI JASWANT SINGH: Sir, the existing LIC agents are of very old standing. In the LIC, as the premier life insurance corporation, they really had a monopoly. Of course, others will now enter the field. The others who now enter the field will be required to have certain qualifications. They have also been specified. I can understand that there is some apprehension in the minds of the existing LIC agents that by the entry of the new people, their future is likely to get jeopardised. But we will do our utmost to ensure that their future is not jeopardised. They have for very long been loyal agents of the LIC.

THE VICE-CHAIRMAN (SHRI P. PRABHAKAR REDDY): I will now put the motion for consideration of the first Bill to vote. The question is:-

"That the Bill further to amend the General Insurance Business (Nationalisation) Act, 1972, as passed by Lok Sabha, be taken into consideration."

The motion was adopted.

THE VICE-CHAIRMAN (SHRI P. PRABHAKAR REDDY): We shall now take up clause-by-clause consideration of the Bill.

Clauses 2 to 8 were added to the Bill.

Clause 1, the Enacting Formula and the Title were added to the Bill.

SHRI JASWANT SINGH: Sir, I move:-

"That the Bill be passed".

The question was put and the motion was adopted.

The insurance (Amendment) Bill, 2002

THE VICE-CHAIRMAN (SHRI P. PRABHAKAR REDDY): I shall now take up the Insurance (Amendment) Bill, 2002. The question is:-

"That the Bill further to amend the Insurance Act, 1938, as passed by Lok Sabha, be taken into consideration."

The question was put and the motion was adopted.

THE VICE-CHAIRMAN (SHRI P. PRABHAKAR REDDY): We shall now take up clause-by-clause consideration of the Bill.

Clauses 2 to 18 were added to the Bill.

Clause 1, the Enacting Formula and the Title were added to the Bill.

SHRI JASWANT SINGH: Sir, I move:-

"That the Bill be passed."

The question was put and the motion was adopted.

[30 July, 2002]

RAJYA SABHA

THE VICE-CHAIRMAN (SHRI P. PRABHAKAR REDDY): The House stands adjourned till 11 A.M. on Wednesday.

The House then adjourned at fifty-nine minutes past five of the clock till eleven of the clock on Wednesday, the 31st July, 2002.