

[shri JBhupesh Gupta.]

tervention and institute enquiry stop Orissa Accounts".

This kind of thing is taking place. I would like to know whether the Central Government knows about it. If they do not know, let them make enquiries and stop this kind of arbitrary, isrgfc-scale reversion and recall of deputationists by the Orissa Accountant General.

DR. B. GOPALA REDDI: I did not quite follow, but if there ia any great injustice done to any of them, he can always write to us and we will certainly look into it.

SHRI BHUPESH GUPTA: I shall pass on the telegram to him.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill to provide for ths withdrawal of certain sums from and out of the Consolidated Fund of the State of Orissa for the services of a part of the financial year 1961-62, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

MR. DEPUTY CHAIRMAN: We shall now take up the clause by clause consideration of the Bill. There are no amendments.

Clauses 2 and 3 and the Schedule were added, to the Bill.

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

DR. B. GOPALA REDDI: Sir, I move:

"That the Bill be returned."

The question was put and the motion was adopted.

THE INSURANCE (AMENDMENT)
BILL, 1961

THE DEPUTY MINISTER OF FINANCE
(SHRI B. R. BHAGAT): Sir, I beg to move:

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

The Bill deals with 'reinsurance' in general insurance business. In general insurance business 'reinsurance' is a necessity. This is because the sum insured by one policy may be very large in general insurance. One insurance company alone cannot undertake such a big risk because when the claim arises it may not be able to pay all that money. Therefore, an insurance company enters into an arrangement with other insurance companies so that each of these companies has a part of that particular insurance. This arrangement is called reinsurance. The first company is said to reinsure with each of the other companies. As a corollary, the first company pays to each of the other companies proportionate share of the premium on the policy. This process of reinsurance goes on all the time in general insurance business.

The present position is that insurance companies operating in India reinsure with companies abroad a large amount of the business. If we take only the part of the business which is reinsured, then the bulk of the business goes abroad and only a small part is reinsured within India. The foreign companies are big and strong and have been built over a long period. Generally speaking, therefore, in the reinsurance transactions, companies in India make a loss and the companies abroad make a profit. The weakness in India is that there is no strong market in India to handle reinsurance business.

There is a loss of foreign exchange every year arising out of these reinsurance transactions abroad. There is a loss of income-tax because the foreign reinsurers who make a profit on the Indian business do not pay income-tax to the Indian Government but to their own Governments.

It wiH readily be seen if the handling of reinsurance business inside the

country is encouraged as much as possible, it will be to the advantage of the country. Exchange of reinsurance business between one insurance company operating directly in India and another so operating takes place only in a small way. This is because there is an undercurrent of suspicion between such companies. A purely reinsurance company stands on a different footing and it does not issue direct policies to clients, but takes only reinsurance business from insurance companies. Therefore, there is no ground for any suspicion or fear when a direct operating company reinsures with the reinsurance company. In fact, this position was realised by Government some years ago and a reinsurance company called the India Reinsurance Corporation was brought into existence and is functioning since 1957. The Government used its good offices in this connection. Most of the companies operating in India, Indian as well as non-Indian, have entered into a voluntary agreement with the reinsurance company so that each company gives a share of its business by way of reinsurance. This experiment has proved a success and this reinsurance company is on a stable footing. Some three years passed and the potential for general insurance business in India expanded with our plans. It was, therefore, felt that another reinsurance company should come into operation. Since 1960 the Indian Guarantee and General Insurance Company, which is a subsidiary of the Life Insurance Corporation, is functioning as a purely reinsurance company. Efforts were made as before to persuade the insurance companies in India to support this second reinsurance company in the same way as they are supporting the first. For some reason or other, the co-operation on a voluntary basis was withheld by some of these companies. We have to think of the interest of the country and decide on the right course. As general insurance business is expanding fast, it is in the interest of the country to channel it in the most advantageous way.

The object of this Bill is to build reinsurance business in India by strengthening reinsurance companies. We are proposing that a second reinsurance company also be built up by getting an appropriate share of the Indian business from all the companies. Such a share from all companies in India gives a very strong position for reinsurance companies so that one can confidently expect it to flourish.

The proposal is that every insurance company should place a certain share not exceeding 30 per cent., of its business in India with Indian reinsurers. This is a middle course between the one extreme of leaving the reinsurance business completely unregulated and the other extreme of requiring all reinsurers to be placed within the country. This is a moderate proposal and I hope it will commend itself for acceptance to this House in the same way it commended itself in the other House.

I may add that this is a rather technical business and the provision of the Bill have been examined from the technical angle both by Government and representatives of the trade. The Bill also provides for the constitution of an Advisory Committee consisting of not more than five persons having special knowledge and experience of insurance business. This Committee has to be consulted by Government, before exercising its powers such as fixing the minimum percentage to be re-insured with Indian reinsurers; allocation between such re-insurers, and the terms and conditions.

I need not say much more except to commend the Bill. Sir, I move.

The question was proposed.

SHRI SURESH J. DESAI (Gujarat): Mr. Deputy Chairman, Sir, the Insurance (Amendment) Bill which is before the House seeks to foster the growth of Indian reinsurance companies and to check the drain on foreign exchange. There are five main provisions in the Bill. Firstly,

[Shri Suresh J. Desai.] every insurer will have compulsorily to re-insure with an Indian reinsurance company a certain percentage of the sum assured on each policy as is fixed by the Government. Secondly, the Government takes the power to specify different percentages for different classes of insurance. Thirdly, the Government will also fix the proportions in which the allocation will be made of the percentage thus fixed. Fourthly, the terms and conditions of the business to be so transacted can also be fixed by the Government. Fifthly, an Advisory Committee will be constituted in consultation with which these different percentages will be fixed.

Sir, there is nothing objectionable in the Bill as such and the object of the Bill is also commendable, but in the implementation of the provisions of the Bill some care will have to be taken. So I will take some of the provisions one by one.

Firstly, I will take up the provision about the percentage to be fixed of the sum assured on each policy which will have to be compulsorily reinsured with an Indian re-insurer. It is stated in the Bill that this percentage will not exceed 30 per cent. I would have very much wished, Sir, that it had not exceeded 20 per cent. There are big insurance companies and there are small insurance companies also. If a small insurance company is compulsorily to re-insure 30 per cent., of the sum assured on every policy, it will be very adversely affected. So, for the benefit of the smaller insurance companies it would have been better if under the rules which the Government will frame under this Bill after it is passed into an Act, the percentage is fixed to be not more than 20 per cent. In the other House the Government have accepted a very good amendment exempting the fire insurance business from this percentage which will have to be compulsorily reinsured. That amendment states that instead of a fixed percen-

tage applying to fire insurance business, the insurer will insure with Indian reinsurers "such amount out of the first surplus in respect of that business as he thinks fit, so however that, the aggregate amount of the premiums payable by him on such reinsurance in any year is not less than the said percentage of the premium income in respect of such business during that year". This is a very desirable provision and it is good that the Government have accepted this amendment. This will be very helpful to the small insurance companies. I would have wished that for the benefit of the small insurance companies the Government had given this latitude also in marine insurance business and in miscellaneous insurance business.

Secondly, Sir, it is necessary that the reinsurance business should be broad-based. But I may point out to the hon. Deputy Finance Minister that in England there are four main professional reinsurance companies. The total reinsurance business in England is something like £1,200 million. Out of this £1,200 million, the share of the four professional reinsurers is only £24 million. That is, less than 2 per cent., is actually written by the four main professional reinsurance companies which are doing exclusively reinsurance business. The market can be broad-based even without compulsorily resorting to reinsurance with a few companies only.

I will then go to the next provision, that is, about allocation of the percentage to be fixed under sub-section (1) of the proposed section 101 A. This allocation has to be made amongst reinsurance companies which are exclusively doing reinsurance business. There are only two such companies which are doing exclusively reinsurance business in India. One is the India Reinsurance Corporation or what is called INDIA RE, and the second is Indian Guarantee and General Insurance Company. This India Reinsurance Corporation was founded a few years ago in consultation with the Government. In fact, it is a sort

of co-operative venture and all insurance companies doing general insurance business except the Sterling General are members of this India Reinsurance Corporation. The Government also exercises a sort of control over this India Reinsurance Corporation because all the directors and even the General Manager have to be appointed for the first five years in consultation with the Finance Ministry of the Government of India. All the member insurance companies contribute ten per cent., voluntarily to the business of the India Reinsurance Corporation. They are writing business to the extent of something like Rs. 2 crores every year, and their foreign reciprocity business is also more than 100 per cent. It is by hard labour and by their initiative and efficiency that the India Reinsurance Corporation have progressed. There is another company which is a Government company, the Indian Guarantee and General Insurance Company which is a subsidiary of the Life Insurance Corporation. This company is also progressing well. It gets all its business of the Government-controlled companies such as Oriental General, Jupiter and National Fire. This company is also getting a bulk of the business of the Indian Insurance Companies Association Pool, and under the Aviation Scheme also it is getting business. This company is also progressing, but the reciprocity ratio between premium and profit has not improved very much. Reciprocity ratio in the foreign business transacted by them also requires much improvement. Certainly the reinsurance market in India should grow, and there are two companies just now and even there may be a third company after some time, if necessary. We may start that. But in the allocation of ratio which the Government will do under this Bill when it is passed into an Act, the allocation should be done very carefully. It would not be desirable if the Indian Guarantee and General Insurance Company which is a Government company is made to grow at the expense of the India Reinsurance Corporation which is also a co-operative venture. The India Reinsurance

Corporation is doing very good work merely by its efficiency. I would wish that both of them should grow. A third company also may come. Allocation of ratio between the India Reinsurance Corporation and the Indian Guarantee and General Insurance Company should be made fairly and equally so that both of them can grow. I do not want to say that the entire business should go to the one or the other. Both the companies should be allowed to grow and compete in the market. But the allocation should be made fairly and equally.

The third point I would take is the question of the Advisory Committee. The Advisory Committee will be composed of five people. In consultation with the Advisory Committee the Government will fix the different ratios, the allocation and the terms and conditions of business. This Advisory Committee must consist of people who have rendered a life-long service to the cause of general insurance, people who are experienced in general insurance business, people who are also familiar with foreign insurance business, because its advice will have to be taken mostly in transacting foreign business also. So the Advisory Committee should be composed of experienced people. They may all be Indians, I hope they will certainly be Indians, but they should be all experienced people, people who have rendered life-long service to the cause of general insurance.

The next question which I will take up is the question of drain of foreign exchange because the Bill aims at stopping the drain of foreign exchange. This is a question which requires very careful consideration. For instance, in fire business, in marine cargo business and in miscellaneous insurance business there is not much of a drain of foreign exchange. Aviation business, as the hon. Deputy Finance Minister knows, largely goes to the Indian Guarantee and General Insurance Company. There is a drain on foreign exchange in this and as the hon. Deputy Finance Minister will agree, the drain on foreign exchange in aviation busi-

[Shri Suresh J. Desai.] ness will continue. You cannot go on insuring Super Constellations for two crores of rupees in India and take the whole risk. The risk has got to be spread out. The drain on foreign exchange on aviation business is likely to continue. Now in the marine hull insurance business there is also a drain. It is certainly admitted. Our gross registered shipping tonnage increased from 4 lakhs in 1948 to 6J lakh tons in 1958. Naturally, the general insurance companies were not prepared for this increase. They had not the retentive capacity to cope with this and certainly some business had to go to foreign countries. Secondly, Sir, as the hon. Deputy Finance Minister is aware, the Hull rate is governed by the Hull Agreement in the London market. It is an internationally rated market and it is governed by the Hull Agreement. Recently efforts have been made to secure better terms of commission and to lower the margin of profit so that the drain on foreign exchange on marine hull business is less from year to year. This year alone the drain will be less to the extent of about Rs. 10 lakhs. Centrainly, as years go by this drain will become less and less and better and better terms will be obtained. I would also point out here that foreign insurers in India are writing direct business to the extent of 30 per cent. But on the other hand they retain business in India to the extent of 80 per cent. About three years back they were writing direct business to the extent of 42 per cent, and they were retaining business of only 65 per cent. This year they are writing business of about 30 per cent., and they are retaining "business up to 80 per cent. So the ratio of the profit drain to the total gross premium written by them is being reduced day by day. On the other hand the Indian insurance companies are writing business in Asia and Africa. We are writing business as far as Canada. We did foreign business worth Rs. 6] crores in 1958; this year we did business to the

extent of Rs. 8 crores and we will be writing foreign business next year to the extent of Rs. 10 crores. So there is a sort of an element of reciprocity. It is an open market. It is not merely a question of stopping the I drain on foreign exchange. It is an i open market and often the risks have I to be spread over. Even Soviet j Russia has got reinsurance business with European companies and with British insurance companies. The hon. Deputy Finance Minister must be j aware of it. It is not merely a question of stopping the drain on foreign exchange. Soviet Russia is getting its big assets reinsured with European compaines and the British insurance companies because they want to spread out the risk. Indian insurance companies are occupying a leading position in Asian and African countries. As I said earlier, their operations extend as far as Canada also and that is because they have got the technical know-how, they have got the trained personnel; they have got efficiency and initiative also. Some of the Indian reinsurance companies compare with the best companies in the world. The hon. Minister might be aware of it. So it is not always a question of stopping a drain on foreign exchange by closing a market. The market is closed by certain backward countries in Asia and Africa where 90 per cent., of the business is covered by foreigners. Here it is only 30 per cent., now; next year it will be 28 or 27 per cent. Here the foreign element in business is slowly getting less and less. In some of the other countries of Asia and Africa which are backward, 90 per cent., of the business is covered by foreign companies. There they have no trained personnel and they do not have the technical know-how. Such countries have put in certain restrictions. But in the interests of the development of general insurance in India, it is no use putting more and more restrictions when we are doing so much foreign business because the other countries will also put restrictions on our business. There are only two days to stop the drain on foreign

exchange. Firstly, our foreign business must go on expanding as fast as possible and secondly, we must ask the foreign companies to do move reinsurance work in India. These are the only two ways to stop the drain on foreign exchange.

With these remarks, Sir, I conclude. Thank you.

SHRI M. P. BHARGAVA (Uttar Pradesh) : Mr. Deputy Chairman, Sir, the present amending Bill was introduced in the Lok Sabha on the 14th February, 1961, and the Statement of Objects and Reasons reads :

"Re-insurance is an essential part of general insurance business. At present insurance companies operating in India are dependent on companies outside India for a very large part of their requirements in this connection and more often than not enter into disadvantageous arrangements. Moreover reinsurance with companies outside India results in the loss of foreign exchange. The present Bill is intended to foster the growth of Indian reinsurance companies and also to save foreign exchange."

It further reads :

"The Bill seeks to provide that every insurance company operating in India must re-insure a certain percentage of its business with Indian re-insurance companies approved in this behalf by the Central Government. Power is being conferred on the Central Government to fix this percentage but this power will be exercisable only after consultation with the Advisory Committee constituted of five persons having specialised knowledge and experience in insurance business. Power is also being conferred on the Central Government to allocate the percentage so fixed amongst the approved Indian re-insurance companies."

When this Bill was introduced in the Lok Sabha, it had three clauses.

The second clause had only six subclauses at that time. The Bill came up for discussion in the Lok Sabha on the 17th March, 1961 and before it was finally adopted on the 20th March, the Government had slightly changed their position and they introduced two more amendments which are sub-clauses (3) and (4) of the present Bill as passed by the Lok Sabha. Now sub-clause (2) which has been added reads:

"Notwithstanding anything contained in sub-section (1), an insurer carrying on fire insurance business in India may, in lieu of reinsuring the percentage ..."

And sub-clause (4) is a consequential clause. Now my main contention is why only fire insurance has been exempted under this clause. As the House knows, general insurance includes marine, fire, burglary, motor car and other kinds of insurance. Now my friend, Mr. Suresh Desai, pointed out that the gross tonnage of Indian shipping has gone up considerably from 1947 to 1960 and it is on the increase. Now most of the marine insurance business at present is being reinsured in foreign companies. If exemption can be given to fire insurance business under sub-clause (3), I see no reason why similar exemptions should not be given to marine insurance business. The implication of this amendment is that the insurance companies have been given the option to reinsure, instead of a share of each and every policy, a share only of the surplus after the company's net retention. At present this facility is extended to fire business. I want this facility to be given to marine insurance also.

Now the two main reasons why I want this is firstly that on smaller policies the companies do not effect any insurance and they should have the liberty to keep these small amounts for their own net retention. This will benefit the insurers generally and secondly, the reinsurance company will not stand to lose as the provision

[Sri M. P. Bhargava.] under sub-clause (3) which I read out earlier provides for that to be compensated by making it obligatory for the aggregate premium to be not less than what they would have paid had they insured each and every policy. So I have tabled an amendment to that effect and I hope that the hon. Deputy Minister will consider the amendment and would see that it is accepted.

SHRI B. R. BHAGAT: Where is the amendment?

SHRI M. P. BHARGAVA: In List No. 2. It has been circulated this morning. I was not in town earlier; so I could not send it earlier. It has been circulated. It must be with you and it is No. 2. So this is my point number one.

Point number two about which I want to speak is the compulsory nature in the matter of re-insurance. This means that the re-insurance company will have to accept both good and bad business and will have no choice in selection. The proper thing would have been for the Government to set up a second Re-insurance Corporation as contemplated in the Objects of the Bill and to give the Indian re-insurers freedom to place their re-insurance to the extent each company wishes to avail itself of it. If ultimately it so happens that the insurance companies were not supporting the Re-insurance Corporation, the Reserve Bank could always issue a directive—before permits for remittances of foreign exchange in payment of re-insurance premia were allowed⁴ that evidence should be produced that the facilities offered by the two Re-insurance Corporations in India were utilised. Now it is well known that re-insurance in foreign countries is not very beneficial to the Indian companies. They enter into all sorts of agreements, and if they re-insure in India, they can certainly get better terms. By practice they would have seen that it is

to their advantage that they re-insure in India and not outside. So if the freedom was there, probably things would have taken better form and better shape than anything by compulsion.

Now the Bill envisages an Advisory Committee and provides that Government will consult the Advisory Committee about allocation and all that before they take a decision as to what percentage of re-insurance should be made obligatory. From the insurance blue book it can be seen that there is very little foreign exchange drain in the accident or marine cargo business, but whatever drain there is of foreign exchange relates either to fire or hull insurance. My contention is that when the Government take up the question of constituting the Advisory Committee, it should not be manned only by specialists having knowledge of one aspect of general insurance, say, fire or burglary. They should be representative of all aspects of general insurance. There should be experts having full knowledge of fire insurance, there should be experts having full knowledge of marine insurance, there should be experts having full knowledge of burglary insurance. What I mean to say in brief is that the Committee should be a truly representative Committee representing various modes of general insurance, and should not be limited to any particular branch of general insurance.

These are some of the points which I wanted to place before the hon. the Deputy Minister. About the rules, they will come before us, and I hope we will have an occasion to look through them. My main point is that great restraint should be observed in forming the Advisory Committee, and we should see that all kinds of people are represented there.

SHRI BHUPESH GUPTA (West Bengal): Mr. Deputy Chairman, Sir, I do not want to say very much, because the main points that I would like to make, rather the sense of

them is contained in the amendments that I have given. Generally, this measure would be welcome in this House as it had been in another place, and I think various aspects of the matter have been explained by Shri Desai, although I do not agree with some of his approaches in the matter.

Now, Sir,—as we see—as the developmental activity goes, this business of re-insurance will also expand. We have taken over the life insurance, but the general insurance is still in the private sector, and that is not a small matter for the simple reason that, firstly, this is mostly in the control of the foreign concerns and, secondly, a lot of foreign exchange is lost to India on account of the existing arrangement. Therefore, Sir, it is right that Government should have sponsored such a measure as this to ease our foreign exchange difficulty and to acquire more business in the field within India itself. Just it has been pointed out that we are functioning under certain agreements with the financial interests in England, as a result of which the moneys earned here by them are not liable to be taxed in this connection so long as it is a foreign company with its head office abroad—overseas. I do not see how this arrangement continues for such a long time. Whatever may be their position in their own country, or their laws, it is within our right to change our law; whatever relevant laws are there can be changed with a view to making all such earnings liable to taxation here. There are of course the various agreements, the double-taxation avoidance agreement, and so on—I need not go into them. But why should we permit that the foreign concerns should be earning money here by taking advantage of a certain position which they used to occupy before independence and that we would not be in a position to tax even their earnings here? Now that it requires a bigger approach. You cannot just do away with this a state of affairs by this provision of re-insur-

ance or by taking a percentage of re-insurance under the umbrella of the Government or within the State sector. That partially will solve the problem, but much of the problem will have remained even so.

Now, Sir, as far as general insurance is concerned, everybody knows that we are practically nowhere in this matter. We have got certain good firms but undoubtedly, if you see the various statements that are made from time to time, they are mostly foreign concerns, British concerns especially. Therefore let us not try to take comfort in the fact that we have got some good Indian concerns and that we are in a position to handle this business as efficiently as the others are handling. After all it is they—the others—who occupy an important position, and they take full advantage of this thing. We have been suggesting in every Session, on every available occasion and at every opportunity that the time has come for nationalising the entire general insurance in the country. It cannot be delayed having taken over the life insurance. I do not see as to why we should stop short at that and should not go a little step further to take over the general insurance in the State sector and finish with it as far as the public sector is concerned which, in this case, is now a foreign-held public sector. Unless we do that, we would not be in a position to save our foreign exchange and acquire the benefit that should accrue to us. There is no mistaking about it. Why must we go in for concessions? Why must we go in for nibbling at the thing all the time? Why cannot the country take a big stride in this matter and take over this general insurance also? The amount, by itself, is small. It is not a very huge amount, say, Rs. 30 crores or Rs. 40 crores. I agree it is a small amount, but certainly it is in terms of crores of rupees, and when we are short of foreign exchange, well, we cannot ignore it when several crores of rupees will have been lost in the course of,

[Shri Bhupesh Gupta.] shall we say, the Third Five Year

Plan. It has an effect on our 1 P.M. Third Five Year Plan. Shall

we say, if we save Rs. 20 crores or Rs. 30 crores—you can make an estimate—that will enable us to buy Rs. 30 crores worth of machinery abroad, and if we can help the process of industrialisation of the country, to that extent, we can also relieve pressure on our foreign exchange requirements abroad or on the deficit. Therefore, it is not a small amount as it is sought to be made out in the other House. Just because you compare it with Rs. 200 crores or Rs. 300 crores, therefore, one, two, three, four or five crores of rupees do not seem to be very much. Anyway, this is not the right way of looking at figures or the economics of the problems. They are important because it is thus how you save money.

MR. DEPUTY CHAIRMAN: You will take more time.

SHRI BHUPESH GUPTA: Yes, Sir.

MR. DEPUTY CHAIRMAN: You will continue at 2-30.

The House stands adjourned till 2-30 P.M.

The House then adjourned for lunch at one minute past one of the clock.

The House reassembled after lunch at half-past two of the clock, MR. DEPUTY CHAIRMAN in the Chair.

SHRI BHUPESH GUPTA: Sir, I do not wish to take much time of the House because we would like to use the remaining time profitably for the Orissa State Legislature (Delegation of Powers) Bill. But the point that I want to stress again here is this that the control in this matter should be in Indian hands. Firstly, Sir, through my amendment I have sought

to raise the figure of "thirty" per cent, to "ninety-nine" per cent, and I am sure when my friend, Mr. Dahyabhai Patel, speaks, he will offer a diametrically opposite point of view.

SHRI AKBAR ALI KHAN (Andhra Pradesh): You are in a fortunate position to cancel each other's point of view.

SHRI BHUPESH GUPTA: He is one of the few here who is openly Swatantrite. There are secret Swatantrites and everybody knows where they are. I would not be surprised if I am some day told that Mr. Akbar Ali Khan is one of them.

Therefore, Sir, I put it at 99 per cent. It is only a discretionary power proposed to be given to the Government. It does not mean that in every case up to 99 per cent, of the sum assured will have to be brought under the re-insurance scheme. That is not at all the idea. I am trying to give more power to the Government expecting that the Government will use its discretion to utilise this power in fixing the percentage. Yes, I agree that there would be smaller companies whose percentage would have to be lowered because they would not be in a position to do so. But then, again, there would be certain big companies who would be in a position to be brought under the scheme of re-insurance to the extent of, say, 60-70 per cent, or so. Therefore, this is a matter for the Government to decide from case to case provided they have the proper approach and orientation.

Now, why do I say this thing? This insurance business goes to big business generally. I do not think the small traders, who carry on business within the country, go on for this kind of insurance and so on. There are, I do not deny, medium industries and so on. They do go in for this thing. But generally the business is

concentrated at the top level, those who are in a position to go in for business for very heavy amounts and so on. Naturally, in such cases the percentage should be high. These concerns which deal with them are also big concerns. Therefore, they should be in a position to re-insure with a Government undertaking for a much larger percentage. That is why I have given the amendments.

There is another reason why I want to restrict this figure. Many of the foreign concerns here, who operate, have the lion's share in this field of business. I want it to be made 99 per cent, so that we can ask them to re-insure to the extent of 99 per cent, with our public sector undertakings and with other Indian concerns. This whole thing has to be taken up with my other amendment because I do not allow re-insurance with a company which is a foreign company beyond one per cent, of the sum assured.

Now, you can say why it should not be 100 per cent. Somebody asked me that question. Even I also thought that there was some logic behind this question. Why should it be 99 per cent? Why should I not make it 100 per cent., and why should I allow even one per cent, re-insurance with foreign concerns? Well, since they are taking a long time, they may feel that a certain virtue will disappear. Therefore, I give them a token consolation of 1 per cent. You can take one per cent, for the foreigner. Let them keep it and manoeuvre and manipulate within that figure. Beyond that I do not want to be given to foreign companies.

Now, the question will arise: Is it possible to handle such a volume of re-insurance in our country all by ourselves? Well, it would be a defeatist position to take if we think that it is not possible. It is quite possible. We are handling very voluminous business in the matter of life insurance. There was a time when

it was thought that it would not be possible to handle this business in our country and, as you know, a number of foreign concerns like the Orientals and others participated in this business and had a very big say in it. Now we have entered this field in the State sector and are taking more and more business and a time will come when foreigners will have gone from life insurance business and the entire thing will be taken over by us. Well, if there are two companies in the public sector, a third or a fourth can be started. I have no objection to it. But in any case reinsurance companies, engaged in the-insurance business, should be Indian.

I make always a distinction even in the private sector between an Indian concern and a British concern for the simple reason that an Indian-concern, after all, is an Indian concern while the British is a foreign concern. Secondly, the monies earned by Indians, even if they remain with Tatas and Birlas, they remain with some Indians and they are accessible. If the Government is so-minded, we can tax them. We can get at that money. We can get them under the Indian Penal Code or the-Criminal Procedure Code. We can bring them under the Indian taxation laws and other fiscal measures. Now, a good Government, a better Government than the one that is there, would be in a position to go after that money and catch it. But if the money is sent out of the country, to the United Kingdom or the U.S.A., we cannot reach them.

SHRI ABHIMANYU RATH ("Orissa):
What about the U. S. S. R. ?

MR. DEPUTY CHAIRMAN: Please go on.

SHRI BHUPESH GUPTA: Therefore, it is very important. Which company? As between the private sector companies, my preference hundred per cent, goes in favour of Indian concerns. Even if Mr. Dahya-bhai Patel, a Swatantra Member,

[Shri Bhupesh Gupta.] happens to be a director of that company, I have no objection to it, because I would rather have Mr. Patel than have Peter or somebody

■ else from England. That is the position. That is why I have suggested this thing.

Then, Sir, the Advisory Board. Our friend, Mr. Suresh Desai, was saying that expert people should be there on it. I do not question that expert people should be there. In my amendment I have suggested anyone, whether he be an Indian national or a foreign national, who has got any connection with a foreign company shall not be eligible for its membership. I want the Board to be above board, Indians—and, of course, no foreigners—should be there.

Secondly, I do not want such Indians who have connections with foreign concerns. You might have seen in the press today that Messrs. Mackinnon, Mackenzie & Co. has appointed Mr. Mohiranjnan Das as the Chairman of their Board of Directors. I tell you it is a new style. Everybody knows who they are. There are Indians, of course, but they generally serve this concern in order to give it an Indian look. Now, what are they doing there in those important positions? On their Board of Directors you find some Indians are there today. Now I find even the

■ Chairman of their Board of Directors is an Indian, and it is advertised in the press that after a hundred years we find an Indian in that position.

SHRI SANTOSH KUMAR BASU (West Bengal): May I inform my friend, and through him the House, that when there was a large-scale reduction in the Indian staff of the British India Steam Navigation Co. because of their closing down their business in some sectors, it was for the first time that an Indian chairman came to office and took up their cause and tried very hard to find for them alternative appointments for the first time?

SHRI BHUPESH GUPTA: Evidently. That is my fear. His jubilation is my fear. You see, Sir, what he said. He took up the position for the first time.

SHRI SANTOSH KUMAR BASU: Because my friend does not want people to avoid trouble and get out of trouble.

SHRI BHUPESH GUPTA: Mr. Basu, you are a wise man. Your jubilation is my fear. You have been taken in by this bluff. You have been and you are jubilant about it. Why? He helped in getting in the retrenched people. I know, connected with the labour movement, how retrenched people get reinstated. It is not because of a certain gentleman at the top but because of the resistance of the employees and workers that they are compelled to take back. We compelled the Calcutta Tramways Company to take back the people. The Board of Directors was mostly of English people; otherwise, the trams will not run in Calcutta. The credit does not go to them. Therefore I say this. This is precisely the thing because my fear is this that some such Indians may be brought in. I do not think that Englishmen will be brought in. Therefore it is this new style that I am afraid of. Indians may be brought in here who are actually acting as agents of foreign concerns or whose fortunes in the future are inextricably tied up with the foreigners.

SHRI ABHIMANYU RATH: This much of spirit my friend should generate in connection with the Chinese encroachment on India.

SHRI BHUPESH GUPTA: I think he will talk of Edmund Hillary now. Why is heat generated?

MR. DEPUTY CHAIRMAN: It is a mutual compliment.

SHRI BHUPESH GUPTA: China is in their minds. If you discuss birth control, China; if you discuss elephant, China; if you discuss

- questions, China; if you discuss drinking water, China; if you discuss nothing, he says China. That is the trouble.

SHRI ABHIMANYU RATH: He is saturated with China.

SHRI BHUPESH GUPTA: China need not be brought in here. It is understandable that one must be true to his political position but there are occasions for it. That is why I say that these people should not be in any manner associated with it. Life insurance business was nationalised. We, on the floor of this House, made it very clear that when the Board of Directors or those who would be controlling the life insurance business, the personnel, was chosen, the people who had been associated with the life insurance concerns and had built up their fortunes through private concerns like that, should not be given the key positions and control in the management of the life insurance affairs and we know that the Government did not pay heed to what we said. As a result we see some people who, before nationalisation, wrote articles in commercial journals criticising nationalisation, were taken into leading positions. The result was not very good. The same thing should not be repeated here. Take experts by all means but there may be experts among employees and other officials, among Indian concerns and also economists. Take them and seek their advice. But through the back-door these people should not be allowed to come into the Advisory Committee because the Advisory Committee, according to us, will play an important role in this matter and the Government is likely to be advised by the Committee almost on all matters of details and practical measures that they take. Therefore I would like to have from the Government a clear and categorical statement as to the kind of people who would be taken in the Advisory Board, and whether they have any policy of progressively taking over re-insurance from the foreign sector even if they would not

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accept our proposition of nationalisation today and thirdly, whether they propose to expose the private sector in order to recover the re-insurance business and encourage re-insurance with the public sector in our country. These are some of the questions which naturally arise in our mind in this connection and I hope the hon. Minister will give a satisfactory answer. We want the foreign insurance to completely disappear from India and it must be brought entirely and exclusively under national control.

SHRI DAHYABHAI V. PATEL (Gujarat): Mr. Deputy Chairman, Sir I must congratulate the Government on bringing about this Bill. This is a very wholesome measure, there is no doubt about it. I support whole-heartedly the provisions which are constructive, but looking at some of the speeches here, I thought I might say a word. My friend, Mr. Suresh Desai, made very constructive points. I am more or less in agreement with all his points. I am only in agreement with the preface of Mr. Gupta's speech that we may be brief so that we can get on to the other half of the business before us. I entirely disagree with the substance of his speech on the Bill. The reasons are these. He wants to utilise this as the thin end of the wedge for the State to get control of re-insurance business and through that, all general insurance in this country. It was, I think, last year that this House negatived a Resolution that my friend had moved of that type and I hope the Government is not contemplating any such measure but one does not know what happens in the Government and how they change their mind. This Government were talking to life insurance companies, the best of them, on how the companies should be mutualised so that the benefit would go to the policy-holders and not to a handful of shareholders as they thought and while the negotiations were going on, suddenly they issued an Ordinance and nationalised the insurance business. So one does not know how the mind of his

[Shri Dahyabhai V. Patel.] Government works. On the one hand they are talking of one thing and on the other hand they are talking of others. So what they actually do is very often contradictory to what they talk. Therefore I rise to sound a note of warning that this measure should not be utilised for getting hold of the general insurance business and nationalising it. While this Bill can be utilised to strengthen re-insurance business and general insurance companies in this country, it would depend on how the Government treat the general insurance companies in this country as to whether this will succeed or not. For the information of friends who are enamoured of State enterprises and State taking over insurance, let me warn them not to rush where angels fear to tread. There is very grave danger. The marine insurance business even today is a business which is fraught with very grave danger. The losses sometimes run upto 200 per cent. The Government has only to look into the accounts of the steel plants that they imported to see how much losses occurred to the insurers, whether it was Government or anybody else who carried those losses. There I would sound this note of warning.

As regards the life insurance business that was nationalised, to which reference has been made, if a little more caution had been taken, perhaps nationalisation and the progress of life insurance business would have been saved and I am mentioning this only in the hope that the mistakes would not be repeated when this is done. As somebody who had spent all his life in insurance, I had warned the Government by writing to the Secretary to the Government pointing out certain things that should have been done. Unfortunately my letter was not heeded. I was not a Member of Parliament at that time and so they could have ignored absolutely the letter but we see today what I had warned against. The element of competition that exists between the different insurance com-

panies, whether they be life or general, is the thing that puts spirit into them, that puts life in them and they go after business and try to render better service. Even if the business of life insurance has been nationalised, if the different units had been allowed to function independently and there was a certain amount of competition between them, they would have worked better. There is a lot of delay in payments and claims. People have to go about from door to door and knock at different places. They do not get any answer. These inefficient and un-businesslike ways would not have come about if the different units, though nationalised, functioned separately. There would then have been an element of competition and this would have kept them straight. Sir, I had given them this warning before, when they were embarking upon it but they would not listen to me., I am too small a man for that. See how this Corporation works. You talk of experts. They have nominated Directors. What sort of Directors did they nominate? They did nominate money bags, quite right, but men who had never known what life insurance was. men who had never understood what life insurance was. They nominated them because they ran after the Congress and they were the men behind the Congress Party. Mr. Vadilal Lallubhai, a Member of the other House for a short time, was nominated. He did not get elected and they nominated him. He runs a textile mill; he does not know the head or tail of the insurance business.

MR. DEPUTY CHAIRMAN: Do not mention names.

SHRI DAHYABHAI 'V. PATEL: Though he failed to get elected, they renominated him. It is an atrocious thing to do and that is why I am mentioning the name. A man is allowed to vacate the seat, the seat is made vacant and then, they

MR. DEPUTY CHAIRMAN: You should not mention the name of any person who is not a Member of this House.

SHRI DAHYABHAI V. PATEL: I am merely mentioning the name. I am not casting any aspersions. I am saying certain things against the policy of the Government that looks after insurance. They should never have done that. They are doing all these things in the name of nationalisation. They are only strengthening their party. If nationalisation was for the good of the insurers, one could have understood it but they are utilising the power of all the insurance companies put together to confer patronage on their favourites which is very undesirable, very reprehensible. That is what I am trying to say and that is why I mentioned the name. I have nothing personally against him. He is a good friend of mine. He is a very nice gentleman but the manner in which this is done is very wrong.

SHRI ABHIMANYU RATH: They drag your friends to a wrong position.

SHRI DAHYABHAI V. PATEL: They are dragging him still further. He should realise that.

SHRI ABHIMANYU RATH: Why not come to his rescue?

SHRI DAHYABHAI V. PATEL: You can only rescue a man who wants to be rescued. If he does not want to be rescued, what can you do?

Sir, the other point that I want to make here is that this Bill is restricted to re-insurance. Sir, I hope that this measure will not be so managed as to exclude questions in regard to it in the Parliament as is the case in respect of the Life Insurance Corporation. Whenever I want to ask questions concerning the affairs of the Life Insurance Corporation, I get a notice saying that this is not a matter directly under the control of Government. This is a very funny situation. When the insurance companies were functioning, the shareholders could ask questions, and in some good companies policy-holders

could ask questions and also attend annual meetings. When this business has come under Government, they are shut out because Government is all wise, omnipotent and knows everything and nobody can ask any question. We can ask questions, as for information on anything concerning the Government but not anything relating to the Life Insurance Corporation because it is an autonomous Corporation which is managing its affairs. It is only questions by Members of Parliament that keep the affairs of Government straight, and that keep Government vigilant. If you exclude Parliament from the picture, then many things which are happening in the Life Insurance Corporation and which are not above board will continue to happen. I assert, Sir, that many things that happen in the Life Insurance Corporation are not above board because we cannot ask questions, because the policy-holders cannot ask questions. Look at the manner in which claims are paid. See how long it takes. Look at the way the people have to knock about from door to door. Look at the number of offices. See how they have spread themselves out in Delhi and Bombay, and for what purpose?

MR. DEPUTY CHAIRMAN: We are not concerned with the Life Insurance Corporation.

SHRI DAHYABHAI V. PATEL: I am warning the Government, and I am requesting the Government not to apply this law in that manner.

MR. DEPUTY CHAIRMAN: This Bill is not for the nationalisation of general insurance.

SHRI DAHYABHAI V. PATEL: I am not saying that it is, but I am warning this House that this may be the thin end of the wedge, as my hon. friend on this side has urged, and I want that whatever they do under this Bill should not to be excluded

[Shri Dahyabhai V. Patel.] from the purview of questions in this House. That is what I wanted to say.

SHRI B. R. BHAGAT: Mr. Deputy Chairman, although some of the points made by the hon. Member who spoke last are not relevant to the main provisions of this Bill, I would like to join issue with him only to say that Government is not afraid of any questions on the Life Insurance Corporation

SHM DAHYABHAI V. PATEL: I will send you the list. Answer them.

SHRI B. R. BHAGAT: ... or any statutory corporations run by Government. On the other hand, we welcome any constructive or helpful suggestion and we are ready to accept it. The general restrictions imposed on such questions is prescribed under the rules of Parliament itself, and over a period of several decades, not only in this Parliament but all over. Members are precluded from asking questions which might, instead of helping such Corporations, hinder their work, but that is a self-imposed discipline by the Members of Parliament. We are not imposing any discipline, and if the hon. Member—of course, this is not the occasion—is keen on raising the issue, he can do so. There are various occasions, for example, the discussion on the Report 'of the Life Insurance Corporation year after year. There are also other occasions. I am surprised to hear the complaint that we do not answer questions on the Life Insurance Corporation. Scores of questions have been answered both in this House and the other. I only want to say that the fears that the hon. Member has expressed are totally unfounded. On the other hand, the progress of the Life Insurance Corporation's business, the work it has done, the way it has expanded far out into the rural areas and the low income groups go to show that if at all, nationalisation of the life insurance business is justified not only on

socialistic principles but . . .

SHRI DAHYABHAI V. PATEL: It has expanded hi spite of Government. It would have expanded much further if it had not been under Government.

MR. DEPUTY CHAIRMAN: Order, order.

SHRI B. R. BHAGAT; I think, Sir, the hon. Member is perhaps the loiiie voice which is still of a different opinion.

SHRI DAHYABHAI V. PATEL: Makes no difference.

SHRI B. R. BHAGAT: All the others who expressed, like Cassandra, the doom that the nationalisation of life insurance was going to spell have been proved wrong. I think the hon. Member should take lessons from the facts of the situation.

SHRI DAHYABHAI V. PATEL: That is for you to do.

SHRI B. R. BHAGAT; With these words, Sir, I would like to come to some other hon. Members who have spoken and have made some valuable points. Shri Suresh Desai, who initiated the debate, spoke in a knowledgeable manner and made very helpful suggestions but one point of his needs a little explanation from us. He said that the limit should be reduced to 20 per cent, instead of 30. I do not know how he would justify this. He based his suggestion on the fact that this would help the smaller companies. Sir, the facts are that it is only the small insurer who retains a small share and re-insures the rest, a larger share. On the other hand, a big insurer can retain a larger percentage and re-insure only a smaller percentage. To say that reduction in the percentage would help smaller companies is not true to facts. Probably, it will be more true to say that any reduction of the percentage from 30 to 20 will benefit the bigger

insurers more than the smaller insurers. Sir, our intention is to start with 20 per cent, straightway. If the Act also provides for only 20 per cent., then the Advisory Committee will have nothing to advise on the percentage to be re-insured by insurers concerned in the future. We must also remember that general insurance business can be divided into a number of classes and sections and it may be that in one particular section it may be advisable to give higher than 20 per cent, at an early date. Further, the actual working of the re-insurance companies may be such that it may be in the interest of the insurers themselves if a higher percentage than 20 per cent is required from them, at least in respect of certain sections of the business. At that stage the Government and the Advisory Committee should not feel helpless. So any measure of this kind cannot, should not and need not provide any rigid limit. It is always advisable not to make any legislation too rigid but to allow some little margin for its operation so as to achieve the object better. In view of all these the 30 per cent, in the Bill should be retained.

The hon. Shri Bhargava who spoke with such knowledge about marine insurance—he has taken a keen interest in it and the House is aware of that—pleaded for the case of the marine insurance to be treated on the same lines as fire insurance. In this respect without going into the very technical nature of this business I can only point out very broadly that so far as the India Re-insurance Corporation is concerned, it has a voluntary agreement with the insurance companies operating in India which are its shareholders. To start with, the agreement provided that both in respect of 'fire' and 'marine' insurance business an insurer may give to the reinsurer either a percentage of every policy or a share of the business after his own net retention. After a short while, both the reinsurer and the insurers found that the system was not satisfactory as far as marine insurance

business was concerned. So the agreement was changed to give this option of one or the other basis only in respect of fire insurance business. This was done purely on experience. The option given in respect of marine insurance business was withdrawn. It must be stressed again that this is only a voluntary agreement.

Again, during the discussions which the representatives of the Indian Insurance Companies Association, Bombay, had with the Government of India, the representatives pressed for the option being given only in respect of fire insurance business. They did not ask for this option in respect of the other classes of business, particularly 'marine'. Further, any change now in respect of marine insurance business will mean that the India Reinsurance Corporation will be affected in its line of working, and we will be putting it back in the position which it found by experience to be unsatisfactory. And that is the reason that 'marine' and 'fire' cannot be treated on the same basis.

Now, the hon. Shri Bhupesh Gupta who spoke so eloquently on this measure raised a number of points. Some are general and ideological in nature which pertain to all aspects of economic policy; that is, that no foreign company should be allowed to have such business. So far as that larger issue is concerned, as I have stated while moving the motion, instead of following the two extremes, that of leaving the business completely unregulated and allowing free competition between foreign companies who have a dominant role in this business and the Indian companies and the other extreme of having a State monopoly, we have tried to follow the middle course and that middle course is that 30 per cent, of this business should be com-pulsorily reinsured with the two companies and for the rest the companies should be free to do business with others. We have done this on purely pragmatic grounds because this business is of such a technical nature that We have to go step by step and it is

[Shri B. R. Bhagat.] our objective that both the Indian companies as well as the foreign companies who have such a long experience should all conform to the national interest. It is not our policy to restrict the functioning of any foreign companies in this respect in India.

Similarly his amendment about which he spoke more or less in an indirect way meant the same thing. He said that only one per cent. business should be left over and for the other 99 per cent. the companies should have no option. What he means is to restrict foreign companies in this respect but it has certain anomalies which go to defeat the purpose which he has in view. According to the present Bill, not more than 30 per cent. of any policy may be required to be reinsured with Indian reinsurers. If on a policy, the insurer concerned keeps for himself 70 per cent. of the policy, then he will be reinsuring with Indian reinsurers the whole balance of that policy. If he keeps for himself only 40 per cent. of the policy, then one-half of the balance he will be reinsuring with Indian reinsurers and the rest with other companies. The insurer concerned will act as a company carrying the risks of insurance only to the extent of one per cent. which is a negligible part, and for the entire 99 per cent. only the Indian reinsurers will be carrying the risks of insurance. Further, this does not achieve anything as the reinsurers will have to go abroad after foreign companies to reinsure in their turn a major part of this business. So if they have a larger risk, they will have to redistribute it and they will have to go to the foreign companies more. That is the anomaly in this. This does not solve anything. What we are trying to do is to strengthen the reinsurance market in India vis-a-vis similar markets abroad so that in respect of Indian business we will be able to drive a better bargain. Hon. Members should bear in mind that we can tackle his problem if the reinsurance market in India is strengthened. We are suffering because our reinsurance market

is weak and therefore our Indian companies which have reciprocal arrangements also suffer on that account because they get bad business, but they have to give good business. The only answer to this problem is that the reinsurance market in India vis-a-vis similar markets abroad must be strengthened. We cannot get away from the position that the big insurances have to be spread far and wide so that exchange of business with foreign countries is essential to this business. The hon. Member pointed out that even the Soviet Union has such business with the European countries. That is the exigencies of the situation in this respect. We have to have connections with foreign companies so as to distribute the risks. We have to encourage exchange of business within India as much as possible—that should be our primary objective and actually that is the primary objective of the Bill—and also build up channels through which we will be able to deal with foreign markets and companies from a position of strength and experience. That is how we should approach this problem.

Then he said that, the drain of foreign exchange should be stopped. Actually this point was made by the hon. Shri Bhargava also. He said that there was some drain in aviation and marine hull business and this was likely to continue. This may be correct as far as it goes. But the amount of drain involved is only small compared to the drain arising in the case of fire insurance business. Two-thirds of the drain are in the fire insurance business.

SHRI BHUPESH GUPTA: What do you say? Two-thirds of the drain?

SHRI B. R. BHAGAT: Two-thirds of the drain are in the fire insurance business.

Sir, while it is true that foreign insurers write only one-third of the business in India and while it is also true that their net retention is about 75 per cent., there is no getting away from the fact that the drain of foreign exchange caused by reinsurance trans-

actions abroad is almost equal in amount to the drain caused by the operations of Indian insurers on similar transaction. This fact should be taken into consideration that we are having business outside and we are losing on that business. Indian companies, having business outside, instead of earning foreign exchange, are losing it. Though the direct business outside India of Indian insurers is growing year by year, the painful fact remains that on this business, the Indian insurers are losing year after year, thus causing a drain on the foreign exchange, and not a gain. This is a matter which will be fully gone into by Government with a view to taking suitable remedial measures. We are looking into this matter. But this point is not strictly relevant to this Bill. We want to take the House into confidence and say that we are alive to this and we try to take suitable measures to check this, as far as we can.

Then, I come to the last point, which was made by the hon. Member about representation on the Advisory Committee. He spoke about it and actually he has an amendment saying that no person connected with a foreign insurance company or no representative of the foreign insurance companies should be on the Advisory Committee. The hon. Member may look at it from his own angle and consider all those associated with foreign business as evil and working to the national detriment. Our point of view is not that. We are of the view that everyone will have to conform to our basic national policies. Actually the idea of having this Advisory Committee is to make available to the Government the expertise of the trade. All those who will be there will have long experience, will be men of proved worth, merit and integrity and who can bring to bear on these questions their long experience and expertise. As the foreign insurance companies, the reinsurance companies or general insurance companies are doing one-third of the business, it is but natural that that experience <

should also be represented. So, whatever be the scare the hon. Member may try to raise that all such persons will be a danger to our national interest, I do not harbour or entertain any such fear. We are capable of counteracting any such nefarious activities. We are eager to utilise the expertise or knowledge of these persons in the Advisory Committee. Also, there is no danger because the Advisory Committee is an advisory committee. We are not bound to accept the advice of this Committee, if we think that it is not in the national interest. The Government will reject it. But it will not be proper to exclude any section of persons doing business in India, who may be able, capable and we have long experience, merely on the ground that they are associated with foreign companies.

With these words I commend the Bill for the acceptance of the House.

SHRI SURESH J. DESAI: May I seek a clarification? The hon. Deputy Finance Minister referred to my speech and said that lowering of the percentage would not benefit the smaller insurance companies. He said that the smaller insurance companies, in fact, reinsured more. Now, actually it is the general portfolio out of which a certain percentage is reinsured. It is not reinsured only with the professional re-insurers. It is reinsured with other companies also on competitive terms. If the smaller companies have to reinsure 30 per cent, with the professional reinsurers—that was my point—then they will be adversely affected. They should be allowed to reinsure with other companies to their mutual benefit.

MR. DEPUTY CHAIRMAN: You cannot make a second speech now.

SHRI SURESH J. DESAI: I seek only a clarification. One more point about fire insurance which the hon. Minister mentioned. Because of the short time I did not go into it. There is a premium drain and a profit drain and you have to differentiate between the two. I do not want to go into it, as the

[Shri Suresh J. Desai.] Government are themselves looking into the matter. But I want a clarification on my first point.

SHRI B. R. BHAGAT: I only mentioned that smaller companies would like to reinsure a larger section of it. That will be a larger portion of the business of reinsurers. The bigger companies will have a smaller percentage, because the bigger companies having larger resources can bear more risk. The smaller companies having smaller risks can bear but smaller risks. That was the general point that I made. It may be beneficial to the smaller companies. That is the only point. The other point that he raised about re-insurance with other companies may be correct or not. I do not know.

MR. DEPUTY CHAIRMAN: The question is:

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

The motion was adopted.

MR. DEPUTY CHAIRMAN: We shall now take up the clause by clause consideration of the Bill.

Clause 2—Insertion of a new Part

SHRI BHUPESH GUPTA: Sir, I move:

1 "That at page 1, line 18, for the word 'thirty' the word 'ninety-nine' be substituted,"

2. "That at page 2, after line 2, the following be inserted namely:—

'(c) and further specify that under no circumstances more than one per cent of the sum assured is reinsured with any foreign company'."

3. "That at page 3, after line 4, the following proviso be inserted, namely:—

"Provided that no person who is in any way connected with a foreign insurance company shall be appointed to the Advisory Committee."

SHRI M. P. BHARGAVA: (Uttar Pradesh): Sir, I move:

4. "That at page 2, line 4, after the word 'fire' the words 'or marine' be inserted."

The questions were proposed.

MR. DEPUTY CHAIRMAN: Do you accept any of them?

SHRI B. R. BHAGAT: No, Sir.

MR. DEPUTY CHAIRMAN: Shall I put them to vote?

SHRI BHUPESH GUPTA: Only one question I would like to ask with regard to my amendment No. 3. It is quite clear about the percentage. Do I understand from the hon. Minister from what he said that even foreign nationals would be taken on the Advisory Committee? I would like to understand the position from him.

SHRI B. R. BHAGAT: I explained that. The foreign companies are doing one-third of the business and he should understand that it would not be wise to exclude them. We do not start with the presumption that we will not take them. If we find them useful, we will certainly take them.

SHRI BHUPESH GUPTA: Therefore, I take strong exception to it. The position could have been stated. Now you will see from what he has said that it is not merely that they are going to take Indian nationals who may be connected with foreign concerns, but also they contemplate taking foreign nationals connected with foreign concerns.

SHRI B. R. BHAGAT: That is true.

SHRI BHUPESH GUPTA: That is j the position. Therefore, I would ask j the hon. Members to support me in preventing the hon. Minister from i going in that direction, because I I think it is not a question of what advice is given. They may or may not take it. Everybody knows that such Advisory Committees influence the Government policies within their respective spheres. Government does not have even time sometimes to go through or examine in detail as to what the advice is. Their tendency, their proneness, is to implement such advice. I think it would be very, very wrong to have foreigners connected with it.

MR. DEPUTY CHAIRMAN: The question is:

1. "That at page 1. line 18, for the word 'thirty' the word 'ninety-nine' be substituted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

2. "That at page 2, after line 2, the following be inserted, namely: —

'(c) and further specify that under no circumstances more than one per cent of the sum assured is re-insured with any foreign company'."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

3. "That at page 3, after line 4, the following proviso be inserted, namely: —

'Provided that no person who is in any way connected with a foreign insurance company shall be appointed to the Advisory Committee'."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

4. "That at page 2, line 4, after the word 'fire' the words 'or marine' be inserted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 2 stand part of the Bill."

The motion was adopted.

Clase 2 was added to the Bill,

Clause 3 was added to the Bill.

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

SHRI B. R. BHAGAT: Sir, I move:

"That the Bill be passed."

The question was put and the motion was adopted.

THE ORISSA STATE LEGISLATURE
(DELEGATION OF POWERS) BILL,
1961

THE MINISTER OP STATE IN THE
MINISTRY OF HOME AFFAIRS (SHRI B. N.
DATAR) : Sir, I beg to move:

"That the Bill to confer on the President the power of the Legislature of the State of Orissa to make laws be taken into consideration."

Sir, this is a simple measure. At the time when the approval of the President's Proclamation was under debate in this House and in the other, an assurance had been given that a Bill would be brought forward for the purpose of forming a Consultative Committee to be associated with the President for making Presidential laws. You are aware, Sir, that on earlier occasions also this practice had been followed. Therefore, in this case also it was considered necessary I that there ought to be a small Com-I mittee for advising the President on