

duty on any variety of cloth. The Government of South Viet Nam have also at our request agreed to grant India, on a reciprocal basis, the most favoured nation treatment in the matter of tariffs on products originating from and imported into Viet Nam.

(c) Sheetting, shirting, long cloth, drill and cotton waste blankets.

PAPER LAID ON THE TABLE TREATY OF CESSION OF FRENCH ESTABLISHMENTS

THE MINISTER WITHOUT PORTFOLIO (SHRI V. K. KRISHNA MENON): Mr. Chairman, the House will be pleased and be happy to be informed that this morning at 10 o'clock, the Prime Minister on behalf of the President and His Excellency the Ambassador for France signed and exchanged on behalf of their respective States the Treaty of Cession of the French Establishments of Pondicherry, Karaikal, Mahe and Yanam.

On behalf of the Prime Minister, I beg to lay on the Table a copy of the Treaty of Cession of the French Establishments of Pondicherry, Karaikal, Mahe and Yanam. [Placed in Library. See No. S-200]56]

ELECTION TO THE CENTRAL ADVISORY BOARD OF EDUCATION

MR. CHAIRMAN: Kakasaheb Kalelkar being the only candidate nominated for election to the Central Advisory Board of Education, I declare him to be duly elected to be a member of the said Board.

ELECTION TO THE CENTRAL SILK BOARD

MR. CHAIRMAN: Pandit Sham Sundar Narain Tankha being the only candidate nominated for election to the Central Silk Board, I declare him to be duly elected to be a member of the said Board.

THE LIFE INSURANCE CORPORATION BILL, 1956

THE MINISTER FOR FINANCE (SHRI C. D. DESHMUKH): Sir I beg to move:

"That the Bill to provide for the nationalisation of life insurance business in India by transferring all such business to a Corporation established for the purpose and to provide for the regulation and control of the business of the Corporation and for matters connected therewith or incidental thereto, as passed by the Lok Sabha, be taken into consideration."

Sir, at an earlier stage, during the discussion in this House on the Life Insurance (Emergency Provisions) Bill, I explained at length the reasons which impelled Government to take the momentous decision of nationalising life insurance business, a decision which was endorsed enthusiastically by the House. I, therefore, need not traverse the same ground again and I shall confine myself to giving a brief outline of the organisation of the Corporation as envisaged in the Bill, and shall also explain some of the more important provisions of the Bill.

All life insurance business in India will from the appointed day, be carried on in the name of the Life Insurance Corporation of India which is being brought into existence by clause 3, sub-clause (1) of the Bill. By virtue of sub-clause (1) of clause 7, the existing life business of all insurers will stand automatically transferred to it. The Corporation will have the sole right to carry on insurance business in India. Then in terms of sub-clause (1) of clause 4, the Corporation shall consist of not more than fifteen persons appointed by the Central Government. These persons will be charged with the responsibility of running the Corporation. A membership of fifteen is somewhat large for the day to day transaction of business and, therefore, clause 19 provides for the general superintendence and

direction of the business of the Corporation being entrusted to an Executive Committee which will consist of not more than five of its members. That Committee can exercise all such powers as may be delegated to it by the Corporation and in actual fact, would be responsible for the day to day administration of the affairs of the Corporation.

Sub-clause (2) of clause 19 provides for the constitution of an Investment Committee for the purpose of advising the Committee on matters relating to the investment of its funds. Looking after the investments of the Corporation, which already exceed Rs. 380 crores,—and it is a sum which will increase steadily and increasingly every year—is, as you will agree, Sir, a task calling for a great deal of responsibility and judgment of financial matters. The investments would be made, it is needless to say, primarily in the interest of the policy-holders to whom the money belongs, but the interests of the community at large which would be vitally affected by the manner in which these vast sums are utilised and invested would be an equally important consideration. And that is why the Bill expressly provides for the membership of this Committee, the Investment Committee, being opened to persons with special knowledge and experience in financial matters, although they may not be members of the Corporation. In addition to this Investment Committee, other committees may also be constituted in accordance with the necessary power given under sub-clause (3). Now, that represents the pattern at the Central Office.

In addition to the Central Office, the Bill requires the establishment of a zonal office at each of the following places: namely, Bombay, Calcutta, Delhi, Kanpur and Madras. The Bill gives the Corporation the right to open more zonal offices later on. There were suggestions that there should be more such offices straightaway and there was even a suggestion that there should be a zonal office for each State

in the Union. We gave very careful thought to this question, but finally came to the conclusion that the interests of the Corporation would be best served if, to begin with, we had only five offices, that is to say, these five zonal offices.

Each zonal office will have exclusive jurisdiction over certain areas allotted to it. I think I should indicate to you what our thinking in the matter of the jurisdiction of the various zones is. In view of the impending reorganisation of the States, it is somewhat difficult to define in terms of the existing States the areas which would be covered by each zone. But if it is permissible to draw upon the picture as it will emerge after the reorganisation, then the territories of each zone would be as follows:

The Northern Zone with its headquarters in Delhi would comprise Delhi, the proposed new State of Rajasthan, Himachal Pradesh and Jammu and Kashmir.

The Central Zone with its headquarters at Kanpur would comprise Uttar Pradesh and the new Madhya Pradesh.

The Eastern Zone with its headquarters at Calcutta would consist of Assam, Bengal, Bihar, Orissa, Manipur, Tripura and the Andaman Islands.

The Southern Zone with Madras as its headquarters would comprise the new State of Andhra including Telangana, Madras, Kerala and Mysore.

And finally, the Western Zone with its headquarters at Bombay would control the present State of Bombay, minus the areas comprised in the new Mysore plus the additional areas that may become part of the proposed new States of Maharashtra and Gujarat, that is to say, Marathwada, Mahavidharbha, Saurashtra and Kutch.

Each of the zones will be in charge of a "Zonal Manager" who shall perform all such functions of the Corporation as may be delegated to him

[Shri C. D. Deshmukh.]

with respect to the area within the jurisdiction of the zonal office. This is proposed in clause 22. As I mentioned earlier, the zonal office will have exclusive jurisdiction over the territories assigned to it.

The same clause provides for the constitution in each zone of an Advisory Board to advise the Zonal Managers in matters relating to their zones. By means of this arrangement the Corporation will be enabled to draw upon the intimate local knowledge and enthusiasm of the local people.

This clause also provides for the constitution in each zone of an Employees and Agents Relations Committee. The idea is copied from the Welfare Committees constituted under the Airlines Corporation Act. We have made an important change in the ordinary conception of such a committee; we have given representation to the agents, and that is why we called it the Employees and Agents Relations Committee. The agents, as you know, are a very important section of the insurance business. In fact, they could even be termed its pivot, and their addition to this Committee is, in our opinion, necessary. I am confident that this arrangement will help in fostering a feeling in all sections of the Corporation that they are working for a common goal, namely, the success of nationalisation.

Now, to return to the organisational aspect, the zones are, in turn required to establish a divisional office and under them branch offices and sub-branch offices. Thus the entire country will be covered by a network of offices so that every policy-holder will have some office or other of the Corporation near his place of residence or within easy access. This gives the broad outline of the organisation of the Corporation. Now, that, by itself would not give you a clear idea as to how the Corporation is to be run and I thought, therefore, that I might add what our present thinking is on the

functions of these various offices. At the outset I might emphasise that it is our intention to avoid overcentralisation at all costs. In certain matters like investments, central direction is unavoidable, but we shall delegate as much of the powers as possible to the zonal and divisional offices. In the pattern we have evolved, the divisional office in spite of the somewhat modest name will have a very important role to play. It would in most matters function as the present head offices of insurance companies and would be responsible for servicing everything, from proposal to claim.

The division of work we have tentatively in view is like this. The Central Office would concern itself with prospectus, premium rates and policy conditions, actuarial principles and basis, formulation of underwriting standards, standardisation of procedure, staff regulations and conditions of service, investment policy and actual investments, which could more conveniently be made from the Centre, control of audit and inspection, re-insurance arrangements, national publicity and co-ordination. Then the zonal offices. These would concern themselves with underwriting of sub-standard risks, and large amounts valuation and actuarial investigation, local investments, audit and inspection of divisional and branch offices, zonal publicity development, planning and review, management and administration of research and planning. The divisional offices would deal with underwriting up to specified limits, issue of policies and servicing, administrative and budgetary control of branches, planning and executing development programmes and lastly, training of agents and field staff. I must emphasise that this by no means represents our final thinking, but our objective is to combine the advantage of Centralised co-ordination with the advantages of local autonomy to the maximum extent possible.

Before I pass on to the next point, I might refer to one or two matters that have been raised by many persons.

They feel that the Central Committee as well as the Zonal Committee should have elected representatives of policy-holders. We have given a great deal of thought to it both in Government as well as in all the discussions that have taken place previously to this, and it has not yet been seen how this could be practicable even if one concedes that such a representation is necessary. The policy-holders in each zone number nearly a million even now, and if our hopes come true, this figure would increase several fold. One can imagine how difficult it would be to conduct an election, where the voters are so numerous and are spread over several States. The cost involved would be enormous with no benefit either to the policy-holders or to the Corporation or for that matter, the candidates themselves. Unlike private insurance companies, where there are sectional interests, here in the Corporation there can be no clash of loyalties. In every sense all the members either on the Corporation itself or on the Zonal Board would be representatives of policy-holders.

Then another suggestion that has been put forward is that to preserve the element of competition we must have several independent Corporations, each competing with others all over India. Now, I cannot see how this will work out in practice. When the State is responsible for all of them, the competition must be somewhat unreal. One cannot, for example, prescribe different rates of premia or different investment policies or different service conditions. The competition then might degenerate into a rebate war, and even if this does not happen, some of the Corporations might concentrate on the urban areas, where business is more easily obtained, leaving the rural areas to the more conscientious of the Corporations. The consequences might well be that the rural areas would continue to be neglected as hitherto.

Now, I shall deal with some of the other more important provisions of the Bill. The first important clause is

clause 6(2)(g) which empowers the Corporation to transfer the whole or any part of its foreign business to any other person or persons. It is one thing for a company under private management to transact business in other countries and quite another for a Government-owned Corporation to do so. It is true and there can be no doubt that the Corporation will be autonomous and run entirely on commercial lines, but this distinction will not be clear to the people in those countries and also to the Governments of those countries. Some of these Governments might take a note altogether friendly attitude, and embarrassing situations might easily arise. In view of all this we felt that it would be better for the Corporation to disembarass itself of all its foreign business. It was for this reason that the provision referred to earlier, that is, clause 6(2)(g) has been made. In case the Corporation decides not to do business in foreign countries, the transfer of such business will not be all to one company. Any Indian company with the necessary resources and organisation and which in the opinion of the Central Government would be able to carry on the business outside India successfully would be considered. As a corollary to this provision, by clause 3 we are specifically taking powers to permit Indian companies to carry on fresh business in foreign countries. Of course, business in India would be run on a monopoly basis.

The next important clause is clause 7, which provides for the transfer of the assets and liabilities pertaining to the controlled business of insurers to the Corporation. Clause 8 is a corollary to this and provides for the transfer of the pension, gratuity and like funds to the Corporation.

The next clauses I come to are clauses 11 and 12, which are important as they deal with the staff. These embody Government's approach to the question of the staff, which approach, I can claim, is a liberal one. All whole-time employees of insurance companies are automatically taken

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over by the Corporation on the same terms and conditions as they enjoyed before nationalisation.

SHRI H. C. DASAPPA (Mysore): Are they salaried employees?

SHRI C. D. DESHMUKH: I am coming to some distinction between salaried employees and others. Sub-clause (2) of clause 11 gives the Central Government the power to rationalise pay scales, and if any person is not willing to accept the revised terms, the Corporation is entitled to terminate his services on payment of compensation equal to three months' remuneration, in addition to any pension or gratuity or provident fund which he might be entitled to under his contract of service. This kind of rationalisation will probably be more prominent only in the case of posts which are in the nature of sinecures.

We have made it clear on more than one occasion that it is not Government's policy to embark on a policy of retrenchment as such, though the staff we may be inheriting from the companies would be larger than what we would need. The best way of tackling the problem of surplus staff, in our view, is to increase the business rapidly and thus be in a position to find work for all. On an earlier occasion an assurance was given that if any Member felt that any whole-time employee had been retrenched, he could always bring the matter to our notice for necessary action. Apparently, this assurance has been interpreted to mean that inspectors and other field staff would be retained even when they are not able to keep up their part of the contract. Now that would be most unfair to nationalisation and also to other categories of workers.....

SHRI S. N. MAZUMDAR (West Bengal): So the assurance does not extend to them?

SHRI C. D. DESHMUKH: That's right. And it would be unfair particularly to agents who are remunerated

strictly on commission. I should perhaps explain for the benefit of those who have no detailed knowledge of insurance business the distinction between the desk workers and the field staff. The desk workers are given some work and there is no question of their doing more or less. The field staff, on the other hand, are expected to bring in a certain amount of business and in fact the utility of the inspectors, etc., to the insurance companies depends entirely on the amount of new business they bring in.

They are like "special agents" but on a salary basis. This, whatever claims might be put forward to the contrary, has been the hard core of the arrangement. To permit these inspectors to continue on the same terms and conditions irrespective of whether they fulfil their part of the contract or not would obviously be unfair to the Corporation. In fact it would be fatal to the success of the Corporation if we allow a feeling to grow, that now that nationalisation has come, people could sit back and draw their salaries. I do realise that we should be more liberal than private insurers and that contracts and figures of expectation should be interpreted with sympathy. Sympathy there will be, but I hope everyone would agree with me that we should not agree to these posts being converted into sinecures which many are doing. Though strictly speaking, the Corporation has no obligation to take over the staff of chief agents, they are doing so in the same manner as employees of insurance companies themselves with some slight and necessary change in order to test the *bona fides* of these arrangements. I am sure that you would agree with me that this would be a liberal treatment to these employees.

Then I turn to clause 14 which has very great importance from the point of view of policy-holders. Suggestions have been made that since Government is nationalising the business it should guarantee policy contracts with insolvent companies also in the same manner as other contracts. While I yield to none in my sympathy for the

policy-holders who had the misfortune to take out policies with these companies, I cannot accept the underlying principle. The acceptance of such a principle would lead to no end of complications and embarrassments later on. I quoted the other day the instance of our taking over banks. Should we repay all the deposits even though the bank is insolvent? While this represents our approach in principle, our attitude towards this problem would in practice be one of sympathy. The ultimate reduction that may be decided upon might well be less than what strict actuarial considerations would suggest, and in fact less than even what the policy-holders themselves or their advocates would have the right to accept. Therefore, to sum up, our attitude would be strict in principle but generous in practice.

The next important provision is clause 15 which empowers the Corporation to seek relief in certain cases. Where the Corporation believes that during the past five years, the persons in charge of the management of an insurer had been guilty of dubious transactions, resulting in financial loss to the policy-holders, the Corporation is entitled to seek relief before the Tribunal constituted under the Bill. Now, many persons have expressed misgivings that this might lead to harassment of others. I can assure the House that such fears are groundless. The Corporation which is entitled to apply will, I am sure, behave in a responsible manner. I can give this assurance that it is not intended to set up a sort of an inquisition and that we shall not move unless the loss to the policy-holders is significant and the transactions are not *bona fide*.

Then I come to clause 25 of the Bill which relates to the arrangements proposed for the audit of the transactions of the Corporation. At the outset I should like to explain briefly the constitutional position. Under article 149 of the Constitution, it is laid down that the Comptroller and Auditor-General—I am quoting—"shall perform such duties and exer-

cise such powers in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by Parliament". This makes it clear that in respect of the accounts of the Union he is automatically the audit authority. He does not however, automatically become the audit authority in respect of the office of statutory corporations or in respect of companies in which the Government might be financially interested. He becomes responsible for their audit only in so far as Parliament entrusts him with such audit by law. I have explained the legal position to clear the misapprehension which seems to exist in some quarters that audit of statutory corporations by the Comptroller and Auditor-General is almost a constitutional necessity.

Now, as regards the merits, with the growing activities in the public sector, the sphere of Government operations has increased and it has occasionally to take on burdens which so far were being carried by the private sector. In relation to these new activities, Government have to consider what audit arrangements would be suitable in each individual case. Generally it is the view of the Government that—I hasten to add—the Comptroller and Auditor-General exercising audit control in the manner laid down in the Company Law over the great majority of State undertakings is feasible and desirable and this has been given effect to in the arrangements made, as for instance in regard to the Industrial Finance Corporation. Now, in certain specialised types of undertakings, however, especially financial, the type of audit which the Comptroller and Auditor-General must necessarily press for, is not likely to be the best or the most useful in the public interest, and indeed might conceivably stifle initiative and enterprise, defeating its large purpose. The main consideration must be to run the enterprise in question well and efficiently so that public confidence is engendered and business expands profitably. There will be wider criteria than audit rectitude b

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which to judge results and it is these that must be applied rather than the routine standards of even a commercial audit. And it is on this consideration that the Lok Sabha came to the conclusion that nothing should be done to fetter the full and complete discretion of the members and officers of the Corporation to carry on the affairs entrusted to their charge involving almost continuous exercise of discretion and judgment in financial matters, particularly in matters of investment of funds.

The other provisions of this Chapter are provisions for actuarial valuations once in two years and preparation of annual reports. These reports are required by clause 29 to be laid before both the Houses of Parliament so that Parliament will have an opportunity of acquainting themselves with the progress of the Corporation.

Incidentally, it might be noticed from clause 28 that at least 95 per cent. of the surplus disclosed is to be allocated to the share-holders. This is only the.....

SHRI H. D. RAJAH (Madras): You mean policy-holders?

SHRI C. D. DESHMUKH: I am sorry, policy-holders and 5 per cent. to the share-holders, that is, the Corporation. This is only the minimum and I am sure later on this proportion could be increased with the result that the State's share will be correspondingly reduced.

I now turn to clause 35(1) which deals with repatriation of certain assets and liabilities of foreign insurers. The U.K. and Canadian insurers have on their registers a large number of policies issued in foreign currencies on the lives of non-Indians temporarily resident in India. Many of these policies were originally taken out in the U.K. and elsewhere and were later transferred to the Indian branches. Others were issued in India itself. Transfer of such policies from the Indian register to the U.K. or Canadian registers was quite common and, in fact, most of

these foreign policy-holders chose those companies as they had a world-wide organisation and were able to provide service all over the world. Most of these policyholders would in course of time retire and go back to their countries where it is unlikely the Corporation would be able to provide satisfactory service. It has been represented on behalf of the policy-holders that they would like to transfer their policies, together with the relative reserves to their home offices. This request seemed quite reasonable and clause 34 gives the power to the Central Government to permit such a transfer. This business, it is estimated, would be between 15 and 20 per cent. of the total business of the foreign companies in India.

Then, these foreign companies made another request. They represented that the assets which they have in India have not all been built out of the receipts in India and, therefore, they should be allowed to take back assets which are not required to meet the liabilities to policy-holders in India. This too struck us as reasonable and provision has been made for returning the excess after retaining out of the funds of these companies sufficient assets to ensure ample security on the most conservative calculations to the policy-holders in India. I do not wish to trouble the House with the details of the actuarial basis which are given in the Second Schedule; but I should like to say that the reserves these companies would leave behind would be as strong, if not stronger, as the reserves held by the best of Indian companies.

I now turn to clause 36 which provides for the termination of contracts of chief agents and special agents. Chief agents are employed by Insurance companies to procure business. They are given exclusive jurisdiction over territories not smaller than a district and their remuneration takes the form of an overriding commission on the business procured through their agency. The chief agents in turn appoint inspectors and special agents under them meeting these expenses out of their overriding commission.

Whatever might have been the wisdom or otherwise of this system of development as opposed to the more common one of having branches, chief agents cannot be retained after nationalisation. If the Corporation is to make a success of popularising insurance it cannot afford to hand over whole areas to persons, over whom it would itself have no administrative control or discipline. There may have been some justification once upon a time for the type of organisation which allowed for chief agents. It is not clear, however, that in nationalised insurance **there can be any useful place for them.** To retain them would in effect mean retention of private individuals as if they were insurance companies carrying on business in areas assigned exclusively to them. This has only to be stated thus for the House to see how absurd it would be to continue this class of functionaries. It was, therefore, decided to terminate all contracts of chief agents as well as of special agents who correspond to inspectors. Their compensation is the subject of the Third Schedule. All modifications under this clause of the Bill will have to be laid before both the Houses of Parliament as soon as possible after issue and this House will, therefore, have an opportunity of going further into the matter if need arises.

Then, I turn to clause 43 which deals with the application of the Insurance Act to the Corporation. I am sure the House will agree with me that irrespective of whether the Corporation has any system of internal control or not, an external check and control is necessary in the interests of everyone, including the Corporation itself. We thought that the best way of ensuring this would be to apply the provisions of the Insurance Act to the Corporation. It is our intention that the organisation of the Controller of Insurance should continue in the future to exercise an effective supervision over the affairs of the Corporation. The Act was originally designed for a large number of companies. We had about 160 odd. Their replacement

by one Government-managed Corporation has resulted in a vital change which has to be allowed for. The provisions of the Act will, therefore, have to be gone into section by section to see which of the sections could, with advantage, be applied to the Corporation. Except those sections like section 6A which relates to the structure of the paid-up capital, section 7 relating to deposits, etc., you will find that almost every section of the Insurance Act is being applied to the Corporation either as it is or with provision for modifications. In particular, it will be noticed that all sections of the Act which confer a benefit on the policy-holders like section 47A which entitles a claimant to apply to the Controller of Insurance for a speedy decision in disputes with insurance companies, section 113 which confers certain non-forfeiture benefits, etc.—just to give two instances—have been made applicable. The modifications that will have to be made will not be such as to detract to any degree from the benefits conferred by the Act.

I take this opportunity of referring to section 44 of the Insurance Act which is listed among the sections of the Act which would be applied with modifications, that is to say, sub-clause (2). The agents seem to be apprehensive that this might result in their losing their accrued rights. I may assure them that this would not be the case. Any change made in agency terms will only be in respect of policies to be booked in the future and even there we shall make only such changes as may be necessary to put the agency terms on a more rational basis.

Then, I turn to the exemption. You will notice that among those exempted are the Post Office Life Insurance Fund and schemes of compulsory nature established by State Governments for the benefit of their employees. These are in the nature of amenities provided by Governments to their employees and we did not think it proper to abolish these schemes by this law.

SHRI H. P. SAKSENA (Uttar Pradesh): Sir, there is no mention made of the employees of the railways who have their provident fund system.

PROF. G. RANGA (Andhra): Railway employees' insurance.

SHRI C. D. DESHMUKH: The hon. Member can raise whatever points he wishes to make afterwards.

I now turn to clauses 44(c) and 45. I take these clauses together as they touch on the same subject. Owing to mismanagement, in many cases of a very serious nature, Government had to appoint Administrators under section 52A of the Insurance Act to many insurance companies.

[MR. DEPUTY CHAIRMAN in the Chair.]

Such action had saved the policy-holders from ruin. It may be noted that this section applies only to companies carrying on life insurance business. In the absence of a special provision, on the appointed day all composite companies, that is, companies carrying on both life and non-life business, would become purely non-life companies and any Administrator appointed to such a company would come *functus officio* on that date. Now, this would be exceedingly unfortunate as it would mean that the companies would go back to the very persons from whom they were rescued and would also seriously impede the progress of any civil or criminal cases that might be pending against the managements. These clauses provide, therefore, that the life business of composite companies under Administrators would not vest in the Corporation on the appointed day, but would be transferred by the Administrator later on. Steps would be taken to safeguard the interests of the policy-holders and also of the staff belonging to the life department.

[I next come to clause 48 which deals with the rules. They need no comment except to say that these rules will be placed before both Houses of Parliament. Then I turn to the question of compensation. I must confess

that Schedule I, particularly Part A, looks rather complicated, but I make no apology for it because it is entirely due to the fact that we wanted to devise a formula which would be fair to everyone. Evolving a formula which would fit the large number of companies so widely different from each other was by no means an easy task, but we feel that we have succeeded in evolving a scheme which would be fair to all. The first thing to be noticed is that market value does not figure anywhere in all these calculations. The reasons are entirely practical. In the case of Indian composite companies and all foreign companies, we are taking over only a part of their total business. Therefore, in their cases, the market value, even if available, would not afford us any help. Market value could, therefore, be of assistance only in the case of an Indian insurer carrying on only life insurance business. I believe there are but two companies out of these, whose shares are quoted regularly on the Stock Exchange. Even in respect of these two, the quotations were, during the last few years, affected by considerations other than the intrinsic value of the shares. The market value had, therefore, to be discarded and we had to devise other means of estimating compensation.

First Schedule is divided into three parts. Part A deals with proprietary insurers which had disclosed a surplus at their latest valuations and had distributed the whole or part of the surplus to the policy-holders by way of bonus. Part B deals with other proprietary companies, that is, those which were either in deficit or had only a nominal surplus. Part C deals with mutuals, co-operatives and unregistered bodies. Now, taking up Part A first, this Part is by far the most important. Though the companies coming under this Part number only 79 (60 Indian insurers, 10 foreign insurers and 9 Provident Societies), they account for the bulk of the business done in the country and as a corollary for the bulk of the compensation payable. Broadly, the approach

to the question of compensation in this Part is that the share-holders should be compensated for loss of earnings on the same scale as in the past. The problem, therefore, divides itself into two parts—first, determination of the average earnings of the share-holders in the past and second, their commutation at an appropriate rate of interest to arrive at the equivalent capital sum.

Now, taking the first, that is to say, determination of the average annual earnings, insurance companies, like others in this world, have their good years and bad years and we thought it fair to the Corporation as well as to these companies to go by the average during a six-year period, that is to say, usually two evaluation periods. To preserve equity *inter se* among the companies, it was decided to go by the same period in all cases, the period chosen being 1950-55. Now, while this principle of having the same period for all had undoubtedly its merits, it introduced certain difficulties. To arrive at the exact allocations to the share-holders during the calendar year 1950-55, it is necessary that the companies should have been valued at the beginning and at the end of the period, that is to say, on 31st December 1949 and 31st December 1955. But only a few happened to have had their valuations as on the 31st December 1949, and as regards the latter date, we decided, as a matter of policy, not to undertake fresh valuations as on the 31st December 1955, because undertaking fresh valuations would mean diverting our attention from the big task ahead at a time when we can ill afford it. We, therefore, searched for a method which could give us, approximately at least, the share-holders' share of the surplus arising during the uniform six-year period chosen, that is to say, 1950-55, without the necessity of having fresh valuations. The solution that suggested itself to us was first to take the annual average of the share-holders' share of the surplus at the last valuations (whatever the period covered by those valuations might be) and then to multiply that figure by a

factor which would allow for the growth in business. The factor would be the average business. The factor would be the average business in force during the years 1950-55 divided by the average business in force during the period covered by the two inter-valuation periods. Now, we do not claim that this method is exact, but under the circumstances, we feel that it can claim to be fairly scientific and indeed, the most scientific that we could adopt.

While taking the actual allocations to share-holders, we thought it necessary to make some adjustments in the interests of equity. The Insurance Act provides that out of the surplus disclosed at actuarial valuations not more than $7\frac{1}{2}$ per cent. could be distributed to the share-holders. The majority of the insurers allocated $7\frac{1}{2}$ per cent., the maximum that the law allowed. There was, however, a minority which took an enlightened view of their responsibilities and allocated to the share-holders much less. Now, basing the compensation on actual allocations would mean rewarding those who had taken a narrow view of their responsibilities and penalising those share-holders who had shown a commendable concern for the interests of the policy-holders. To avoid this, we thought of taking a fixed percentage of the surplus, but abandoned it as shares would have been bought and sold on the basis of actual allocations made. Therefore, as a compromise, we finally decided to impose a maximum limit of 5 per cent. and a minimum of $3\frac{1}{2}$ per cent. If a company had allocated more than 5 per cent., then it would have been deemed to have allocated only 5 per cent. If the allocation was between $3\frac{1}{2}$ and 5 per cent., the actual allocation would be taken. If this is less than $3\frac{1}{2}$ per cent., the company would be deemed to have allocated $3\frac{1}{2}$ per cent. Now that, I hope, the House would agree, is a fair compromise.

Having thus arrived at what might be deemed to be the average annual allocations to share-holders during

[Shri C. D. Deshmukh.]

the period 1950—55, our next task is to commute it at a suitable rate of interest to arrive at the figure of compensation. If we assume a rate of 5 per cent., we get the commutation factor as 20 years' purchase and that again seems fair in all the circumstances.

Having compensated the share-holders for loss of dividends, the Corporation would be entitled to appropriate the paid-up capital. There is no need, however, to mention this specifically in the Schedule as clause 7 (1) already provides for the capital also vesting in the Corporation.

Now, while this formula gave satisfactory results in the case of bigger and well-established companies, it gave anomalous results in the case of a few companies, where we found that 20 times the annual allocation to share-holders worked out to even less than the paid-up capital we are appropriating. It is necessary to remember that all companies coming under this Part had declared bonuses to the policy-holders, and yet under this formula they would get less than paid-up capital, whereas, if they had been taken to liquidation or on transfer of their business to another insurer, they would have got their paid-up capital intact plus a share of the valuation surplus. Therefore, the House would agree with us that it would be unfair if our formula should place these companies in a position worse than what they would be in under liquidation. We thought of giving them the option to claim compensation under Part B, but we found that it would only result in adding to the disputes and delays that are bound to arise where assets have to be valued carefully, without any great difference in the figure of compensation. To meet these cases, it was provided that insurers would have the choice to take 10 times the annual allocations to share-holders plus the right to retain the capital.

I now turn to Part B which deals with proprietary companies which

did not declare bonus to the policy-holders. Broadly, the basis of compensation in this Part is 'assets minus liabilities'. The Schedule itself lays down the principles for valuing both assets and liabilities. It also provides that if the valuation of the life assurance fund shows a surplus, 96 per cent. of the surplus would go to the policy-holders, leaving as the share-holders' share only 4 per cent.

While this is the basis of compensation payable to other proprietary insurers coming under this Part, a special provision has been made for displaced insurers. Representations were received on behalf of displaced insurers that some consideration should be given to the fact that the partition of the country in 1947 had caused serious losses to them and their inability to declare a bonus (and thus getting compensation under Part A) was due solely to these losses. Strictly speaking, any special relief that may be given should come out of the revenues of Government and there is no ground for the Corporation being asked to bear it. The Corporation is taking over certain assets and liabilities and the compensation should depend on the present position. However, it was thought that payment of an *ex-gratia* amount would not be inappropriate.

The *ex-gratia* payment would be arrived at as follows:—

To the life assurance fund (as well as to the assets) would be added the losses incurred in Pakistan under the several heads referred to in the Bill, and on the basis of the revised figures compensation would again be calculated in the usual manner. Half the difference between the figures of compensation on the normal and revised basis, or half the paid-up capital, whichever is less, will be paid.

I now turn to Part C. The compensation payable under this Part is to the policy-holders, being a small addition to the sum assured by way of bonus.

This finishes the First Schedule.

I do not think I need take much time over the provisions of the Second Schedule which lays down the principles for valuing policies for determining the 'excess assets' of foreign insurers. I do not think I need go into the intricacies of the valuation basis. All that I need say is that the reserves on the basis laid down in this Schedule would be stronger than the reserves on the basis adopted by the foremost Indian company.

I now turn to the Third Schedule, which deals with compensation to chief agents and special agents. I had earlier explained the reasons for the decision to terminate the contracts of chief agents. Chief agents received an overriding commission. The commission is not all net income, as out of that commission, they will have to meet the expenses of maintaining an office, salaries of inspectors and commissions to special agents. Their contracts run for a period not exceeding 10 years. After taking all aspects into consideration, it was thought that we would be dealing very generously indeed with them, if their compensation is fixed at 75 per cent. of the overriding commission that they would otherwise have received from time to time, limited to a period of 10 years. The compensation payable to special agents is one-eighth of their annual income over a period of years.

Sir, the enterprise which Government are undertaking is gigantic in its dimensions and momentous in its bearing on the fulfilment of the plans for the country's economic development. I shall be the last to claim that experience will never show any room for improvement in this legislative sanction for what we propose to undertake. But I feel confident that we have here an apparatus of organisation which will enable us to make a good beginning by enlisting the enthusiastic co-operation of all concerned. Sir, I move.

MR. DEPUTY CHAIRMAN: Motion moved:

"That the Bill to provide for the nationalisation of life insurance business in India by transferring all such business to a Corporation established for the purpose and to provide for the regulation and control of the business of the Corporation and for matters connected therewith or incidental thereto, as passed by the Lok Sabha, be taken into consideration"

Now, there is an amendment to be moved by Mr. Rajah. Will you please move it? No speech.

SHRI H. D. RAJAH: Sir, I beg to move:

"That the Bill to provide for the nationalisation of life insurance business in India by transferring all such business to a Corporation established for the purpose and to provide for the regulation and control of the business of the Corporation and for matters connected therewith or incidental thereto, as passed by the Lok Sabha, be referred to a Select Committee of the Rajya Sabha consisting of the following Members:—

Shri Jaspat Roy Kapoor
Shri Chandulal Parikh
Shri S. Venkataraman
Shri Chattanatha Karayalar
Shri V. K. Dhage
Shri S. Mahanty
Shri B. C. Ghose
Shrimati Violet Alva
Shri. G. Ranga
Shri. A. R. Wadia
Shri Kishen Chand
Shri C. D. Deshmukh, and
Shri H. D. Rajah (*the mover*)

with instructions to report by the first day of the next session."

SHRI C. D. DESHMUKH: Sir, on a point of order. We considered this

[Shri C. D. Deshmukh.]

question of the possibility of referring this Bill to a Joint Select Committee, because nowadays, we think that that is the best procedure. But in view of the proviso to rule 92 of the Rules of Procedure and Conduct of Business in the Lok Sabha, it was felt that the Life Insurance Corporation Bill could not be referred to a Joint Select Committee, because clause 37 of the Bill attracts the provisions of article 110 of the Constitution, making it a Finance Bill.

SHRI B. C. GHOSE (West Bengal): Sir, since the Finance Minister has raised that point, I should like to say something, because I can understand the Finance Minister saying that the reference of the Bill to a Joint Select Committee contravened some of the provisions of the Rules of Procedure of the other House. But when he says that it attracts the provision of article 110 of the Constitution, I think he is not quite right, because article 110 of the Constitution does not say that a Finance Bill cannot be referred to a Joint Select Committee. I should even say that the Constitution does not say that a Money Bill as such should not be referred to a Joint Select Committee. There is no special provision to that effect in the Constitution, as far as I remember. But we might agree that if a Bill is a Money Bill, then it should be within the exclusive jurisdiction of the other House. But so far as the Finance Bills are concerned, the powers of both the Houses are the same, except that they must be introduced in the other House. We have got a right, so far as Finance Bills are concerned, to disagree with the recommendations of the Lok Sabha, and if there is any disagreement, a joint sitting is to be held.

1 P.M.

MR. DEPUTY CHAIRMAN: Is it the contention of the hon. Minister that this is a Money Bill? But so far as financial Bills are concerned, this House has got as much power as the

other House has for referring them to a Select Committee, and our rules also provide that, when there is no Joint Select Committee and the Bill has been referred to a Select Committee in the other House, this House has got power to refer it to a Select Committee of its own. There is no point of order, but of course the hon. the Finance Minister may oppose the motion, and I will put it to the House.

SHRI H. D. RAJAH: I must explain my motion first.

MR. DEPUTY CHAIRMAN: First I am putting your motion. Motion moved:

"That the Bill to provide for the nationalisation of life insurance business in India by transferring all such business to a Corporation established for the purpose and to provide for the regulation and control of the business of the Corporation and for matters connected therewith or incidental thereto, as passed by the Lok Sabha, be referred to a Select Committee of the Rajya Sabha consisting of the following Members: —

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Shri G. Ranga
Shri A. R. Wadia
Shri Kishen Chand
Shri C. D. Deshmukh, and
Shri H. D. Rajah (the mover)

with instructions to report by the first day of the next session."

The motion and the amendment are for discussion. Mr. Rajah will speak in the afternoon.

The House stands adjourned till 3.30 P.M.

The House adjourned for lunch at two minutes past one of the clock.

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

SHRI H. D. RAJAH: Sir, I have moved the motion for the appointment of a Select Committee of this House after very serious consideration regarding the rights and privileges of his great House. I will now read out article 79 of the Constitution of India:

"There shall be a Parliament and two Houses to be known respectively as the Council of States and the House of the People."

MR. DEPUTY CHAIRMAN: All that is not necessary. You may come to the merits of the motion. The notion has been admitted.

SHRI H. D. RAJAH: Therefore, the question of calling this House an Upper House and the other House a Lower House does not arise. With regard to the privileges and functions, both the Houses are on par with each other.

MR. DEPUTY CHAIRMAN: I think that is not disputed.

SHRI H. D. RAJAH: Therefore, what is it that is being done with regard to this Insurance Corporation Bill which affects millions of our countrymen? A very big financial credit institution, built up over a number of years by stalwarts and patriots of this country, is sought to be nationalised overnight and they have done it in a very stealthy manner which is not only open to very serious objections but the provisions of the Bill themselves are very seriously to be considered by this House. I would have been most happy if this Bill had been referred to a Joint

Committee of the Houses and in that case this motion of mine for reference of the Bill to a Select Committee of this House would not have become necessary. I am aware that the objection to reference to this Bill to a Joint Committee was probably due to a proviso contained in rule 92 of the Lok Sabha Rules which says that no motion for reference of a Bill to a Joint Committee of the Houses shall be made with reference to any Bill making provision for any of the matters specified in sub-clauses (a) to (f) of clause (1) of article 110 of the Constitution.

Now, it is quite clear that this Bill is not a Money Bill but is only a Finance Bill. It is also open to doubt whether this is really a Finance Bill. A Money Bill cannot be introduced in the Rajya Sabha and the special procedure in respect of the passing of such Bills has been provided in Article 109 of the Constitution.

MR. DEPUTY CHAIRMAN: All these remarks are unnecessary Mr. Rajah. The motion is now allowed.

SHRI H. D. RAJAH: So you have now agreed.....

MR. DEPUTY CHAIRMAN: You come to the merits of the motion.

SHRI H. D. RAJAH: When all these are accepted by this House, what is it.....

SHRI JASPAT ROY KAPOOR (Uttar Pradesh): Your battle is won without fighting it.

SHRI H. D. RAJAH: I thank you very much for it.

Now, with regard to this, if the Government is very anxious to proceed with this Bill, let them accept my motion. Let us have a Select Committee and we shall return the Bill even on the 30th if necessary, to this House.....

AN HON. MEMBER: Report.

SHRI H. D. RAJAH: We shall report by the 30th. Therefore, the fundamental thing cannot be disputed with regard to this motion.

Now, I shall go into the details of this Bill. Before the nationalisation of this insurance was thought of, what was this business and how did this run in this country? It will be interesting for you to know that the best, the cream of society, the best patriots of this country to whom you owe your existence today as an independent nation, namely, Pandit Motilal Nehru, Dr. Ansari, Shri Subhash Chandra Bose, Hakim Ajmal Khan, Dr. Muthuranga Mudaliar, Shri S. Srinivasa Ayyangar and a host of them, have been responsible to develop and build up this industry in this country. Finding that this was a source of continuous exploitation by the Britishers, they thought of introducing national insurance. They started companies in this country and they started writing this business. Now, in 1935 the total life insurance business in force in India was for about Rs. 250 crores. I am now going back to only a decade of history with regard to this insurance business. Its increase to Rs. 557 crores in 1945 and to over Rs. 1,100 crores in 1955 was essentially due to patriotic elements of this country who had preached them the saga of the necessity to save on a long-term basis and introduced an element of saving in this country.

The Insurance Amendment Act of 1950 gave the Government all the powers that were necessary to regulate and conduct this business. And what was one of the important provisions in that Act? They had visualised the appointment of a Government Director in every company which was running life insurance business. Moreover when they had the power to appoint Administrators on account of mismanagement of certain companies, Administrators were appointed and they were carrying on this business in the name and under the control of the Controller. There

were certain embezzlements in certain insurance companies which were brought to the notice of the Government. So are there embezzlement in every walk of life. If you read the various reports of the Auditor General, your own Department stand condemned for the continuous embezzlements that have been taking place all these years. If you read the various other audit reports of the Government, you will know how many crores have been wasted and sunk of the poor tax-payer's money in the matter of misappropriation by Government servants. There is a rat but because there is a rat in your house, I don't think you will set fire to the house. What they did was, in order to eliminate a rat, they completely set fire to the house and the element of business and the element of competition has now been removed and they visualised by this Bill a single Corporation consisting of 15 wisacres to guide the destinies of 360 millions of people. That is what is thought of an *imperium in imperio* a State within a State. Moreover when Pandit Nehru said the other day that this bureaucracy was spreading, the tentacles were becoming wider, that we required decentralisation, this Bill which is just opposite to that, visualizes a different situation where an autocratic bureaucracy is being thought of. These 15 people under the Bill, are only subject to the orders of the Central Government and they are not even subject to an audit by the Auditor General of our country. That is one important objectionable feature of this Bill.

Then coming to the separate provision with regard to the growth of this business, there are clauses which visualise that provision must be made for the employees of the companies which are going to transfer their business to this Corporation. The employees are to be assured guarantee of service. I know, when once that assurance has been given, what is now happening in various companies in the country. They are just like the Government clerks. They come exactly

at 10-30 or 11 in the morning and they go back at 5 in the evening and wait when the month will be over in order to draw their salaries. This kind of a position in a bureaucracy is what we see today in this insurance industry. You know how difficult it was to build up this industry. Have you ever seen an insurance canvasser? I know, you were only a lawyer before you came here. I was an insurance canvasser. I can recount to this House the experiences and difficulties of an insurance canvasser in this country. When I go to a house and approach the lady of the house and say, "In case your husband dies, what will be our future", she takes the broomstick and sends me out. After all sentiment is sentiment; whatever may be your way of looking at these problems in a stereo-typed bureaucratic manner, the ladies of this country will not give up their sentiment. Whatever may be the facts—the husband may be even ailing—but she will not countenance the idea of any man coming to her and telling that "In case our husband dies, what will you do?" Then I have to adopt a different technique to canvass the business of that house. The next day I go with some peppermints in my pocket and make love with the little children who surround that house, take them on my shoulders, whether they are ugly or nice looking. Then the lady is tremendously impressed that I am a friend of that house and then she comes to some extent as to what my mission is. Then I have to convince her by saying "Apart from your logic and love for your husband, accidents do take place in this world and you could be protected against the future and it is better that you take out a life policy and make a little saving out of your money so that you will be covered for the future."

Sir, in a country where socialism is only a vulgarisation of language and not real socialism, insurance is a capitalistic enterprise. If this Government today brings in a law that every man in this country will be given two square meals a day, that he will be

provided with the clothing he needs and a house to live in, free of all liability, then all these people can be put to the work of developing the country and for its progress, then you can get insurance in the proper way. That is one form of socialism. But you are disowning your responsibility to the citizens of this land and, therefore, all talk of socialism is only a vulgarisation of language. It is not a socialist state of society. If you want a socialistic state, will you give Rs. 8,000 tax-free to a man who insures his life? If a man can spare Rs. 8,000 for the benefit of being free from paying tax on his income, he has to earn Rs. 50,000 a year, for only one-sixth is provided under the income-tax law to be tax free if the man pays it as insurance premium. But how many are there in this country who are earning Rs. 50,000 a year and who can afford to pay this sum of Rs. 8,000.

Then by this Bill, what have you done? These fifteen persons are going to replace 159 executives and insurance company men and these fifteen men have to decide about the way in which business is to be secured. Our Finance Minister has also said that in every area, a zonal arrangement will be made which will be given as much autonomy as possible and they could work and procure business. The people who are now in a sort of a semi-controlled bureaucracy will not have any initiative to develop this business. Sir, by one stroke of the pen they have destroyed an industry. New Zealand, more progressive as it is, tried this experiment for a period of fifty years and in utter desperation they gave it up. France which tried nationalisation of insurance took up only two or three companies and allowed private competition. Except one small country whose population is only eight lakhs of people, namely Costa Rica—or was it Puerto Rico I cannot remember its name—there is no country in the world which has taken up insurance business on a national level. And what happened in Russia? You will find that even in Russia which nationalised industrial insur-

[Shri H. D. Rajah.]

ance, they had to run it through co-operative societies.

Sir, after all, we have to understand something of this insurance business. Insurance is compulsory saving in present day life for a future benefit, in terms of money. If you are really socialistic, why should I worry about my future? My children, as also everybody's children are the responsibility of the State. There are creches to bring up my children. There are the schools to educate my children and there are the institutes where they will become magnificent engineers for you to build up a renaissance India. There are the colleges where our technicians will attain the highest form of efficiency so that we may be able to utilise our brains and energy for the purpose of developing this country. But then there is this money concept which you are increasing day by day by printing out notes in the Nasik Press and releasing them to the public. This money concept is part of this insurance business. Is this an industry? Is it a productive industry? Is it an industry which is going to create wealth for our country? Is it an industry which will help us in the regeneration of the masses and in the economic betterment of our life? No. Therefore, do not have any regimentation. You do not have enough men to man your industries. You do not have enough technicians to understand your problems. You do not have enough power at your disposal to develop other aspects of our life under the Five Year Plan. Why do you waste all your energy and time in doing this kind of thing?

Sir, all those pioneers of this industry who have been responsible, as I told you, were hundred per cent. patriots. They gave up everything for their country and built up this industry. When these men turn in their graves and look at these pigmies, they will only wonder how by one stroke of the pen these pigmies were able to destroy the industry.

If you want development, what should you do? Look at Russia and allow competition. Let co-operatives be formed. Let industrial insurance enterprises be taken up on a basis where you allow competition. Let there be direct approach to the villagers and to all those who are in a position to save money by employing a number of people with initiative and enterprise, free from all regimentation and bureaucratic control. Allow them to develop the business and mop up the fortunes of these people put them on a proper basis and have control over their total investment. You have control over the investment. Just because there was one thief you cannot say that the whole country is full of thieves. If there are thieves, you have your police force. There certainly will be malevolent forces in every aspect of life. I need not refer to the Bhakra Nangal project. Still there are scandals here and there. I need not refer to other aspects of governmental undertakings.

In this connection, may I tell you Sir, an important thing? You believe in private enterprise and you believe in public enterprise also. Now, if you believe in both private enterprise and public enterprise, then the two must go together. If that is to be done, you should allow the existing private enterprises to be run in such a way that it will help you to augment your enterprises. If that again is to be done, you should have to leave these enterprises to themselves and then you should seek their co-operation to increase your wealth. There is provision in the Insurance Act, as you know that 55 per cent. of the money should be invested in Government securities. If you want, you may make a rule that 100 per cent. of the investments should be in Government securities, or you can say that 75 per cent. must be in Government securities and 25 per cent. in a number of approved investments such as the central loans or debentures and so on. If you analyse the investments of these 159 companies, you will be surprised that more than 70 per

cent. are being invested in Government securities or approved investments. Some faults might have been found out. Something might have gone wrong. I am not denying that. But I say compared to your Rs. 350 crores of total life business, if it is found that some Rs. 4 crores are not properly invested, what would be the position? Even that, in all humility I suggest, you can collect back. I am reminded of an old story of a king to whom some of his subjects went and complained that a particular officer of his was corrupt, that he was taking a lot of money from the public exchequer and building palaces and buying up lands and so on. The king simply turned round and asked them, "where is he doing all these things?" They said that the officer was doing all this in his own place in the kingdom. Then, said the king, "That is part of my domain and the whole of it belongs to me." Similarly, it is quite possible in this case also. The Government of India has not become so powerless that it cannot get hold of any man anywhere in the Indian Union. If they want, they can lay their hands on him, ask him to put back the money and send him to eternal imprisonment, if he misbehaves. Therefore, this argument that because one or two misbehaved in this country, therefore, the Government have decided on this nationalisation, will not hold water. Then they have decided on the thing, they should do it in a decent manner. Sir, all through their propaganda and speeches have you heard one sentence of praise to the builders of this industry? Could you ever think that this pernicious campaign of vilification by a group of people of this country is the most heinous and objectionable form of your propaganda? Will you succeed? Now what happened? You have the nationalised State Bank. What happened? Now you see—I will read out;

"The State Bank has also admitted that, apart from the general economic conditions, the nationalisation of the Bank might have also

contributed to its decline in deposits."

THE DEPUTY MINISTER FOR FINANCE (SHRI B. R. BHAGAT): As a matter of fact the deposits of the State Bank have gone up very much.

SHRI H. D. RAJAH: They might have gone up recently, but this is a statement made by the Chairman of the State Bank over six months back. Therefore, he is correct; I am correct. Therefore when I have.....

SHRI B. R. BHAGAT: This is an older statement. Mine gives the latest position.

SHRI H. D. RAJAH: There has been a drop in the deposits with the Scheduled Banks. So far as the State Bank of India is concerned, there has been a big fall in the amount of its deposits and the Chairman of the State Bank has also admitted that, apart from the general economic conditions, the nationalisation of the Bank might have also contributed to its decline in deposits. That statement is not controverted. That Chairman has said it. Today by your propaganda machinery.....

MR. DEPUTY CHAIRMAN: He is saying that deposits have increased.

SHRI H. D. RAJAH: Good; I welcome it; there is no harm, but my argument stands as it is.

Now, Sir, the Government started a Small Savings campaign to mobilise all forms of savings. In spite of the publicity and tom-tom and momentum given to this campaign and the coercion used to force people to subscribe to the Government, they could collect only Rs. 30 crores in 1954, but in the same year life insurance companies had collected a premium of more than Rs. 55 crores. Let them challenge me that I am wrong; I will accept the challenge.

Now, Sir, the point is this again. It is the *per capita* income, the capacity of the people to put aside a little saving which matters. And do you know what happened recently in my State,

[Shri H. D. Rajah.]

Madras? The non-gazetted officers had all assembled in a conference. One evening a Secretary or a Deputy of my Government went to address them and he said: You people who are in large numbers distributed all over the country, you as Government servants must contribute for the Small Savings Fund. Their agitation all through has been that their salary must be on par with the Government of India, Central Secretariat level of salary. When that man spoke and exasperated them—there is a limit to exasperation—they removed the mike and threw him out of the platform. Therefore, what I am now trying to tell you is this. When people cannot have two meals a day and a decent house to live, two nice pieces of cloth to wear, you talk about taking these pernicious authorities through bureaucratic methods, and I know that these children and these women who are uneducated and illiterate and cannot understand why these people have come run off and hide in their houses. That is our economic set-up. Secondly, these people always like, as I told you, a life of enjoyment. Now, the conditions are that the average men have not got enough food, enough requisites and if at all you force them to take to insurance, it is on the basis which I told you recently. Therefore, you have to give that element of competition, the element of a genuine desire not only to that man to canvass business but an element of conviction, which will go into the minds of the people that it is necessary that they should take an insurance policy. That is necessary and that must be there. Under the bureaucratic set-up you will never get it. Today I am telling you that their ambition is falling short of what they thought would happen.

Now, Sir, when that has been the case of the common people I will now come to the condition of the policy-holders. After the Custodians have taken charge of these companies in various parts of India, I know how the policy-holders are suffering today. Formerly, when a loan had to be had,

the man had to go to the office of the insurance company and tell the manager or the next man near him, "I want so much loan on my policy; I have brought this policy." It used to be done in five minutes. There was no regimentation, for a file to move from that table to this table and this table to the other table and from the other table to the Manager and to the Custodian and then for the loan to be sanctioned. In two hours at the most the man formerly could get his loan and go home. Today you know what happens; it takes ten days, and not only that. Our grand N.G.Os. of the insurance section have now the feeling that they are all Government servants and if the file has to move from that table to this table, not only the poor man's palm has to be greased by this policy-holder but he has to be taken twice to the hotel so that something solid can get into his stomach before that file comes from that table to this table. Will they challenge me it is not happening like that? I will prove to them. So with regard to the loans that is the condition.

Then with regard to the settlement of claim I know myself when once five rupees go into the coffers of the Government by reason of fact or by reason of compulsion how difficult it is to get it from their coffers back into your pocket and how many years it takes. For any refund which you can expect to come from the Government it will take three years—not less than that. There is no question of any ready-made voucher being signed and your money being received. Therefore Sir, people are naturally very apprehensive when they in their own lifetime are not able to get a loan within the course of ten days and they think in horror how when they are no more, their wives will be able to get their claims settled promptly and efficiently. Is there any provision in the Bill that they have contemplated that, on the presentation of a claim, within three months, when things are satisfied, no formal objection will be raised and immediately the money will be paid? Is there any provision that the settlement of claim will be effective and

prompt? Is there any provision in the Bill that the man need not wait when the policy becomes a payment by virtue of he himself living and that he can just take this and give it to the Corporation and take back his money? I know how pensioners are feeling about certain difficulties that they are experiencing. Now this is not a pension. This is my own hard earned money, which I have given in the form of insurance premiums and fortunately if I survive the period and live still to collect back the money in an endowment policy, do I get it in time? Will I get it? That apprehension must be cleared from the minds of the people.

Now, Sir, about these policy-holders again Mr. Deshmukh was telling that it was a cumbersome job to give representation to policy-holders. Now I ask you: what is that cumbersome job? Why should not the policy-holders, who had representation in the 159 companies in India today, all of whom you are going to take over in your Insurance Corporation, have representation in the Corporation? What is your difficulty? Five million policy-holders are there today. Let it be fifty million. I wish you all luck, and if there are fifty million policy-holders we have got 180 million voters, democrats, sovereign republicans, residents and citizens of this country. If you can think of a machinery for getting into Parliament by giving them the right to vote, I do not see any reason why you cannot give to these five million policy-holders the right to vote in their regions on an electoral college basis and have their representatives added to your 15 wiseacres? I ask you.

SHRI AKBAR ALI KHAN (Hyderabad): It will be at the expense of the policy-holders.

SHRI H. D. RAJAH: They themselves bear. You are living on them. They provide money; they pay to the Corporation as premia; you are living on them. Your 15 people, whom you are going to appoint, will be

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living on them. The money is not coming from anybody else and on their own moneys if they do not have a right, naturally we are going back on the old principle of no taxation without representation. They should be represented in your Corporation. They should have a voice to shape their own affairs and their work.

Then, Sir, you provide for only 95 per cent. of the actuarial valuation to be given back to the policy-holders. Why? Are you a super-capitalist on your five crores of rupees? You don't want to give anything; you are a socialist State. Why do you want to give Rs. 5 crores and then swindle these policy-holders to the extent of 5 per cent. of the surplus? You have been chary in paying compensation to people and now you say: No, no, no, he is a drunkard, but give me two bottles of whisky. You have, for nothing, 5 per cent. of their surplus to yourself. Why should you have it? I want you to pay the entire surplus to themselves. You may say: We are paying from the Consolidated Fund Rs. 5 crores. Again it is chimera; this is pure chimera. These people need not pay Rs. 5 crores to the Corporation from the Consolidated Fund simply because money is not required. It is equivalent to my pinching your pocket and taking away a thousand rupees and then my telling you, "You take Rs. 950 from me; let the Rs. 50 remain with me". All that money that comes will form the Corporation's fund and your Rs. 5 crores are superfluous, unnecessary; use that money for a better project elsewhere

3 P.M. and spend it nicely, properly and correctly. Therefore, the argument that these people will have Rs. 5 crores as a nucleus of the capital has no basis. It is not necessary. This sum of Rs. 5 crores need not be paid out of the Consolidated Fund to this Corporation because you are going to get Rs. 235 crores. I do not know how much is there now; the Custodians would have given them reports about the total assets which they have taken over from 159 companies. So do not pay Rs. 5 crores

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from the Consolidated Fund; the Corporation does not need it because after all you are taking only money in some form; some are in cash; some are in securities, some in debentures and so on and so forth. Therefore the question of these people keeping 95 per cent. for the policy-holders and 5 per cent. to the share-holders does not arise.

SHRI H. C. DASAPPA: That is the known method of accounting; that is all.

SHRI H. D. RAJAH: Every insurance company has its balance sheet. They themselves have said that they would go by the latest valuation report of the company as on December 1954—better consult the Controller and he will tell you—and the Controller has got documented in his possession all the features about every aspect of every insurance company. There is, therefore no question of any method.

DIWAN CHAMAN LALL (Punjab): I do not want to interrupt my hon. friend but he must be aware that when the Government takes over the assets of insurance companies it is necessary for the moneys to be handed over the Consolidated Fund and constitutionally no amount can be taken out of the Consolidated Fund without sanction of Parliament.

SHRI H. D. RAJAH: Now the position is this. When the question of payment of Consolidated Fund money does not arise, the question of taking out also does not arise. Let me explain the position clearly. The funds are with the insurance companies. A certain formula is adopted with regard to the payment of compensation. I am glad that the Finance Minister has admitted that the problem of payment of compensation envisaged by Parts A, B and C of the first Schedule are complex, cumbersome and tortuous but then it is all the more reason why we in this House must certainly know more details about it before we pass this

Bill and give them consent to pay. It deals with hundreds of share-holders who wanted to eke out a living through this profession and they should be convinced that the amount that you pay to them is fair, equitable and proper. I know that the compensation clause in this Bill today is not on the same basis as it was before when the Bill was referred to the Select Committee. The Compensation clause is materially altered on account of the wirepulling of certain important institutions in this country. Now it is my endeavour to prove here that it certainly adversely affects young companies as against the old and well-established companies. I do not ask anything from you as charity to these companies but I plead for justice, fairness and equity for which a Government is supposed to exist. If I analyse the provisions of Part A of the first Schedule, I find that it is based upon a five per cent. surplus disclosed in an actuarial valuation prior to 1955 which means the latest valuation is that of 1954, five per cent. of that divided annually and multiplied by 20 times. Now, rule 17(d) of the Insurance Rules framed under the Insurance Act deals with the position of companies. I will not take up the time of the House by reading it out but it says that in the first four years a company is entitled to spend 100 per cent. of the first year's premium and 20 per cent. of the renewals; 5—9 years, they can spend 96½ per cent. of the first year's premium and 19 per cent. of the renewals; after the 10th year, 90 per cent. of the premium and 18 per cent. of the renewals. If a company has a business of less than Rs. 5 crores but not less than Rs. 2 crores, it can spend 90 per cent. of the first year's premium and 17 per cent. of the renewals; if it has less than Rs. 10 crores but not less than Rs. 5 crores, 90 per cent. of the premium and 16 per cent. of the renewals. What does this mean? The young companies got a weightage in expenditure. If Oriental for example, can spend 15 per cent. of their renewal premium for procurement of business

from the public, a young company can spend 20 per cent. of the renewal premium. It simply means this that a young company is allowed to spend more money to compete with the well-established companies in the market and to establish their business in the hope that later when they become stabilised like Oriental or other companies, they will have the fruits of their labour. But today by one stroke of the pen, by nationalising this business, their hopes are dashed; their aspirations are killed; and their ambitions go unfulfilled. Therefore, if this formula is applied, the young company which has spent all its money, must necessarily have less money when the actuarial valuation takes place. If I spend 20 per cent. out of my pocket and another man spends only 15 per cent. then it stands to reason that he will have more money and the five per cent. of his surplus will be more than the five per cent. of the surplus which I am able to show in my company. Rightly, the hon. Minister said that they were only paying compensation with regard to past business. I want him to adhere to that principle. Having adhered to that principle and having by law allowed the young companies to spend more money in order to secure business, is it fair and proper, I ask, that they should be dealt with on par with the giants in the insurance world? Whereas a giant will get a crore of rupees, a small man who had put all his eggs in the basket to develop the business will get nothing. Is this the socialist pattern? Is it equity? Is this the basis of your working for an egalitarian society in the country? Why do you discriminate between one set of share-holders and another set in the matter of payment of compensation?

Again, you have conceded by the amendment in the Lok Sabha that a discriminatory treatment is desirable and called for so far as refugee companies are concerned. I do not complain about that; if they have lost their properties and if their valuations

do not disclose a satisfactory surplus, the 5 per cent. formula will be a chimera. You are quite right in giving them *ex-gratia* payment. All what I demand is: apply the same theory to the young companies of less than 20 years standing or who have less than Rs. 5 crores of business and who were allowed to spend more money. Naturally, they will not have much surplus. They have sacrificed everything; they have done their best to develop the insurance industry. Please do not do an injustice to them. That is an important matter that I would stress upon; in the process of nationalisation or vulgarisation, do not mete out injustice to one class of people as against others. By the amendment of the Constitution our Parliament is supreme. It is both a judge and an instrument of giving compensation. It is not justiciable. Therefore, the responsibility devolves upon our Members in this House that they should not be parties to a law which makes a discrimination in favour of the rich man who can become richer and in favour of a poor man who can become poorer.....

SHRI H. N. KUNZRU (Uttar Pradesh): Against the poor man.

SHRI H. D. RAJAH: This is against all canons of justice and our Parliament should not be a party to that.

Now, Sir, with regard to investments. Who are going to invest the funds of this colossal octopus? There is going to be an Investment Committee which will guide and control these fifteen members. Now, this Investment Committee.....

SHRI B. C. GHOSE: Not control, guide.

SHRI H. D. RAJAH: That is worse. If this Investment Committee is going to guide the Corporation of fifteen people, and if such investments become bad—we have illustrations, the Industrial Finance Corporation investments and

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other investments sponsored by the Government—and if such investments due to the manipulation of certain powerful forces become unrealisable or bad, what provision this Bill has made to bring those fellows to book? You will see in a clause of this Bill that any action done by anybody in that wonderful organisation in good faith, cannot be questioned or challenged. Now, Sir, is it fair? For the public, for the benefit of the people, a huge sum is going to be at the disposal of this bureaucracy and what will remain if they, in the same way as certain company managements did, mismanage the affairs, mis-spend and mis-invest the moneys? You had naturally every complaint against the company management for having misappropriated funds. I entirely agree with you that you should hang them. But why should you remove the right to hang these people? You will allow them to mis-apply the funds of the Corporation, you will allow them to do what they like with the funds of the Corporation and you will not have any method by which these fellows can be brought to book. You want me to be a party to have a Bill of that nature so that it will become law. I will refuse to do so. Therefore, the matter of investment, the method or machinery that is contemplated under this Insurance Bill regarding the investment must also be gone into. Therefore, it is all the more imperative that our House must be consulted. Then, Sir.....

MR. DEPUTY-CHAIRMAN: Time is limited.

SHRI H. D. RAJAH: There is no time limit for a Bill, excuse me, Sir. Let me have some more time....

MR. DEPUTY CHAIRMAN: Seven hours for the discussion.

SHRI H. D. RAJAH: Seven hours, but is there any rule in Parliament that I cannot speak for another ten

minutes? I have to give vent to my feelings here so that hon. Members can know what it is.....

MR. DEPUTY CHAIRMAN: Please finish.

SHRI H. D. RAJAH: Therefore, this monolithic Corporation with fifteen people to run and manage it will have an Investment Committee and if that Investment Committee mismanages the affairs of this Corporation there are no methods by which they can be challenged. Now, Sir, another important matter is this. Mr. Deshmukh was very correct when he said that this Corporation with its establishments would do business in this country. Naturally, the one ray of hope which I found in this Bill which was to my heart's content was eliminating these foreigners from this country with regard to insurance business at least so far as life insurance is concerned. It is the only silver lining in the entire Bill. But they have put in sub-clause (1) in clause 31. That is, if any company registered in India wants to carry on business of insuring people outside India, it must go to the Central Government for permission. I do not understand why. Why should I take permission when I am to be governed by the laws and regulations of the foreign country, if they permit me at all to write business and to keep the funds in those respective countries by this process of exchange controls? Once you have taken away my business, my company can deal with anything I like in this country. I can buy and sell brinjals and eke out a living. I have learnt at the feet of Mahatma Gandhi that no work is mean work. So, I will start a shaving saloon and clean up my friends and colleagues externally at least and when that becomes a prosperous concern, let the Government interfere and nationalise it. It is my right, it is my inherent right, I may again tell this House, by the constitutional provisions which they are traducing every day, it is the inherent right of every citizen in this country—to carry on any avocation I

like and eke out my living so long as I do not become a part of the bureaucracy. Therefore, the fundamental right of a citizen to carry on the business as he likes cannot be trampled upon and in order to beat my mother-in-law I do not want their permission. If I want to write and start some business in Ceylon, if I want to have an institution established in Indonesia, the rules and regulations of that country are going to guide the establishment of my company there. Why should I seek their permission? And he has grandeloquently said such companies which want to do business outside India must go to him and seek his permission and then go and write business.....

SHRI P. D. HIMATSINGKA (West Bengal): Foreign exchange control.

SHRI H. D. RAJAH: Don't confuse issues. What happens when I am doing business in those countries is that those countries are governed by their foreign exchange controls. And I tell you to what difficulties these people have been put to—the business enterprisers who have gone out and who want to eke out a living and bring money into this country. I will give a simple instance. A certain amount which belonged to a company in a foreign territory was to be transferred from one firm to another in that foreign territory. The Reserve Bank's permission was needed. Then the company wrote to the Reserve Bank, it took four months for them to issue an order saying you can transfer that fund. How do you control? That fund belongs to the company in the foreign country and if that country allows by their foreign exchange regulations then only you can bring that much money into this country. You cannot bring it otherwise. But what happens is when they have allowed that money and when that is to be credited into the account of this country, I must come and seek their permission. Therefore, they are not

only an impediment in the growth of business, they do not want to bring profits from other companies. And even when they are to be credited into the accounts of Indian nationals, we must seek these people's permission. Circumlocution, red-tapism, authoritarian regime and want of perspective on the part of these red-taped bureaucrats have hampered the progress of this country more than they developed it in any other way. Therefore, Sir, I do not understand why we should have clause 31 (1).

Then, I am reaching the last point of my argument. Sir, this Bill visualises fifteen wiseacres to be appointed to be in charge of this Corporation. Mind you, Sir, again. They have not said in their Bill that these fifteen people should be Indian citizens. I strongly object to your softness for Europeans. I ask a categorical question and expect a reply from the Treasury Benches. Do you expect to appoint non-Indians among these fifteen wiseacres? And if you do any such thing, plague on you and nothing more. Let the self-respect and honour of my country be maintained and let us prove to the world that Indians can manage their own affairs. We need not require these foreigners even in this insurance big game.

Thank you, Sir.

✓ **SHRI P. S. RAJAGOPAL NAIDU**: (Madras): Mr. Deputy Chairman, Sir, I am in favour of nationalisation of insurance, but I am not in favour of co-operative insurance also being nationalised. Last time when the other Bill came up before the House, I spoke vehemently that these co-operative insurance societies should not be treated on par with those capitalistic insurance societies.

Sir, let us look at the objectives of this Bill. It says: "to spread insurance much more widely and in

[Shri P. S. Rajagopal Naidu.] particular, to the rural areas and as a further step in the direction of more effective mobilisation of public savings." This task, in my opinion, can be accomplished only if proper co-operative agencies are utilised to spread life insurance in rural, semi-urban and industrial areas. For this purpose, the ordinary insurance agent is of very little use. It will not be worthwhile to spend his time and energy in rural areas in booking policies of small value. Further, it will be a very difficult task for him to persuade the villager to insure his life. The manner in which the Government can realise this objective should be by pressing into service, in my opinion, the numerous co-operative societies functioning all over the country. The motto of every co-operative organisation, whatever its nature of activity,—be it a credit organisation or a producer co-operative organisation or a consumer co-operative organisation—is to promote thrift and saving amongst its members. It is a fact we have to admit that in the insurance line, co-operatives are not very much developed. It is a fact that during the past 25 or 30 years of service of these co-operative insurance societies in this particular field, only three or four co-operative insurance societies have been able to build up an aggregate insurance of about Rs. 12 crores and a life insurance fund of about Rs. 4½ crores. This, of course, has been achieved in competition with big joint stock companies and this would not have been possible but for the co-operation and assistance of several co-operative institutions in the country. Co-operative societies are in constant touch with the rural folk. They can carry the message of life insurance, that is, thrift and saving, to their homes more effectively than the ordinary life insurance agent.

Now, the question that has to be considered by us is whether co-operative institutions also should be taken over by Government. Is it the policy of the Government to nationa-

lise co-operative institutions also? Government seem to think that there are only two sectors, namely, the public and the private sectors. They are lumping co-operatives, in my opinion, with the private sector, conveniently overlooking the fact that the co-operative sector is distinct from both the private and public sectors and it avoids the dangers of exploitation at one end as in the private sector and over-centralisation of authority at the other, as in the public sector.

Sir, this lumping together of co-operative life insurers with joint stock insurers and similarly, lumping in future the entire co-operative activity with joint stock activities is likely to result in a great set-back to the co-operative movement in the country. It is, therefore, desirable that a vigorous plea should be put forth in this House that Government should come out with a clear distinction between the private and the co-operative sectors and some of us who are interested in the movement in the country should prevail upon Government, at least at this stage, to convert the private sector into a co-operative sector rather than taking it over to the public sector.

Co-operative insurers have been mainly concentrating on the rural areas. By virtue of the provisions of section 4 of the Insurance Act, it was a special privilege granted to some of these insurance societies to insure persons for anything—Rs. 500 and below that. Joint stock insurers have not approached the villager as will be evident from the fact that the average sum assured in the case of joint stock insurers works out at Rs. 2,300 as against the average co-operative insurance of Rs. 1,400. Further, for this purpose, co-operators are able to obtain the services of their village societies as well as co-operative societies of labour by virtue of common ideology and interest, unlike the joint stock companies where only individuals are appointed to do the

canvassing business—agents or chief agents or whoever they may be. In the case of co-operative insurance societies, it is mostly the village credit societies that act as agents of co-operative insurance societies. And by virtue of this peculiar advantage the village society has been able to function very ably as the agent of the co-operative insurance society.

What will happen now by not exempting co-operatives from the provisions of this Bill is this. These numerous village credit societies which have been operating as agents of co-operative insurance. Societies will hereafter cease to function as agents and when that is the case, I wonder how this object of spreading insurance into the villages can be achieved more effectively without the assistance of those village credit societies. I do not at all find any provision in the Bill being made for any institution—not necessarily a co-operative institution—to act as the agent of the insurer. And I wish a provision is made here to enable an institution—at least a co-operative institution—to act as the agent of the insurer. If insurance is to be developed effectively in all the villages, we have to take the guidance and help of the village societies.

We all know that under the Second Five Year Plan, it is aimed to absorb 50 per cent. of the population into the co-operative field and one-third of the villages in the country. That means, every third village in the country will have a co-operative society. And we will be losing the advantage of utilising the services of such village credit societies if we do not make a provision in this Bill to enable these societies also to act as agents of the insurers.

Co-operative insurers are having dual control, as everyone of us knows. They are registered not only under the Insurance Act, as is the case with all the joint stock insurance compa-

nies, but are also registered under the Co-operative Societies Act, either under the Central Act or under any of the State Acts. They have this double check, namely they are under the control of the Controller of Insurance, and at the same time they are under the control of the Registrars of Co-operative Societies, who are mostly senior civilians, either belonging to the Indian Civil Service or belonging to the Indian Administrative Service. There is the other advantage, Sir, in the case of co-operative insurance societies, namely that apart from the funds that will have to be invested in the approved securities—50 per cent. or whatever it might be—the balance will have to be invested mostly by all the co-operative societies only within the co-operative movement. Sir, I do not want to tire this House by giving figures and all that, but I know it for certain that almost all the co-operative insurance societies had invested the remaining amount only within the movement. As my hon. friend, Mr. Rajah, also said, they invested the remaining amount in co-operative land mortgage, bank debentures, or in some other co-operative societies. That means, Sir, that the surplus amount that is available is utilised within the movement, and it is utilised only in investing on co-operative paper. That advantage again is now gone for co-operative institutions.

Sir, it is the main purpose of nationalising the business of life insurance to see that the advantage of life insurance reaches the masses, particularly in the rural areas, which sector has been neglected by the joint stock insurers all these days. Impetus has been given to the development of co-operatives in the rural areas and putting them on a sounder basis by implementing the recommendations of the Rural Credit Survey Committee. Sir, I ask one question. Is it the way in which the Government is implementing the recommendations contained in the Rural Credit Survey Committee's Report? Does not that

[SHRI P. S. RAJAGOPAL NAIDU.]

Report say "Strengthen the co-operatives by participating in the management of co-operative institutions"? The Rural Credit Survey Committee's Report says "If you want to improve the co-operative movement, have participation in it by way of share capital; have two or three directors nominated, and give a fillip to the movement." But, Sir, what are the Government doing under this Bill? They are taking away the very existence of the co-operatives; they are wiping them out completely from the picture. Sir, I emphatically protest and say that that is not the way in which co-operatives ought to be treated.

Life insurance, Sir, as I have always stated, is an economic service, and it is based on the fundamental and co-operative consideration of one for all and all for each. Co-operative methods and co-operative principles, Sir, admirably fit into the organisation of the service of life insurance. Therefore, it should be seriously considered—it may even be late now—whether the proposed Life Insurance Corporation should not be a Co-operative Life Insurance Corporation.

THE MINISTER FOR REVENUE AND CIVIL EXPENDITURE (SHRI M. C. SHAH): Everything is 'co-operative'.

SHRI P. S. RAJAGOPAL NAIDU: My hon. friend, Shri M. C. Shah, says that everything is co-operative. But I would like to say, Sir, that he is non-co-operative in this matter. If it is decided that it shall not be called a co-operative corporation, it is to be considered seriously why a separate co-operative corporation should not be set up by amalgamating all the existing co-operative insurance societies in the country.

SHRI M. C. SHAH: There will be two insurance corporations.

SHRI P. S. RAJAGOPAL NAIDU: Sir, according to the present Bill, there is going to be only one insur-

ance Corporation. What I am suggesting is this. Let us have a separate co-operative corporation by amalgamating all the co-operative insurance societies, so that this corporation, howsoever small it might be, may be able to do this business in competition with that huge and monstrous Government-sponsored Corporation.

Now, Sir, coming to the provisions of this Bill, I have to make only one suggestion with regard to the compensation that is to be paid in the case of co-operative insurance societies. Sir, some co-operative insurance societies like the South India Co-operative Insurance Society are collecting a membership fee of one rupee whenever they enlist a policyholder. This is in lieu of the share capital, because the co-operative insurance societies do not have any share capital at all. Now, Sir, the compensation clause provides for payment of one rupee per thousand to policy-holders. Now in this connection, I wish to suggest that that one rupee that is now being collected as a membership fee may also be added to the policy along with the compensation that is proposed to be paid to the policy-holders of co-operative insurance societies. This is the only one point that I wish to suggest, Sir, while considering the payment of compensation in the case of co-operative insurance societies.

Then, Sir, it is the declared object of the Government to develop co-operative movement in this country on a large scale. Nobody denies that. And there is the ultimate aim of establishing a co-operative commonwealth in a socialist pattern of society with the development of co-operative movement in this country and with the expansion of rural credit system now undertaken by the Reserve Bank of India, it should be possible, Sir, to mobilise all the small savings in the rural areas through co-operative channels by effective planning. These are the most suitable agencies, in my opinion, for the

development of life insurance among certain specialised groups of persons. There are also certain organisations especially set up to look after their welfare, such as social organisations of women, *harijan* welfare organisations, and organisations of weavers and artisans, and of sugarcane growers etc. These groups embrace among themselves, Sir, several millions of citizens, and insurance of even small amounts would amount to hundreds of crores of rupees. Sir, there are going to be zonal, divisional, and all kinds of branches under the new Corporation that is going to be set up. I submit that they should not only be regional, but also functional in character, and in the new set-up, there should be co-operative wings at each level, and it should be the responsibility of these wings to effectively plan and develop life insurance in rural, semi-urban and industrial areas, and the general set-up of branches on a purely regional or geographical basis should correspond, let us say, to the general banking business of the Reserve Bank of India. The proposed co-operative wing in the Life Insurance Corporation, Sir, can be compared to the agricultural wing of the Reserve Bank of India that is situated at Bombay. That would be my suggestion.

Lastly, Sir, before I conclude my speech, I would say one thing regarding the auditing of the accounts. The hon. Finance Minister—as is clear from his speech this morning—was of the opinion that the accounts of this Corporation need not be audited by the Comptroller and Auditor-General of India. Sir, in this connection, he quoted article 149 of the Constitution. What does this article say? It runs as follows:

“The Comptroller and Auditor-General shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by Parliament.....”

Sir, what I now at any rate want is that a provision should be made in this Bill to enable the Comptroller and Auditor-General to audit these accounts. The auditing of this Corporation which will be doing business amounting to several crores of rupees should not be left into the hands of the private auditors. One of the reasons for taking over life insurance business in the country is the maladministration of some of the insurance societies and the malpractices indulged in by them. Who are responsible for these malpractices? If these malpractices were not detected in time, who were responsible for that? It is these auditors who are going to be appointed hereafter also to audit the accounts of this Corporation, the very people who failed to detect the malpractices of these insurance companies. It is for that very reason that I urge very strongly that the accounts of the proposed Life Insurance Corporation should be audited by the Comptroller and Auditor-General of India and provision for that will have to be made in this Bill.

Sir, I have nothing more to say. Though I would like to go into the provisions of this Bill, in view of the shortness of time, I resume my seat.

SHRI S. N. MAZUMDAR: Mr. Deputy Chairman, Sir, the nationalisation of life insurance has been welcomed by all sections except the big bosses of the private sector, the magnates. I find that my hon. friend, Mr. Rajah, also is to some extent opposing this. Mr. Rajah has mentioned certain names who were pioneers in life insurance, but that is past history. Till recently, the life insurance business was controlled by monopolists. The monopolistic grip was very strong there, and the same group of names which we find in connection with the other branches of the private sector,—in industry and banking—viz., Tatas, Birlas, Singhanias, Jains and Dalmias, had a monopoly control of the life insurance

[Shri S. N. Mazumdar.]

business, and this fact was not sufficiently in prominence before public opinion. During the discussion of the Bill nationalising life insurance, these facts were brought out in the other House also but the Press which is controlled by the monopolists did not give sufficient publicity to these facts. Now, during that discussion I was not present, but I have gone through the speeches of the hon. the Finance Minister in both the Houses, and there I find that all sorts of malpractices are mentioned, and even I with my views of big business was really shocked and astonished to find to what extent malpractices were practised, and the only question that arose was why Government allowed these malpractices to be practised there for so long—all sorts of malpractices under the sun, playing with the money of the policy-holders, playing with the money of poor people. This fact, viz., monopoly grip of the insurance business must be borne in mind today also, because it has a very important bearing in connection with some of the provisions of the Bill, particularly in regard to compensation, the quantum of compensation. I shall deal with it a little later, but before I come to discuss these aspects of the Bill, I would like to say one thing. Mr. Rajah has rightly pointed out that a good measure can be turned into the very opposite of it by how you handle it. Some of the Custodians who were appointed were people who were opposed to nationalisation, and some of them behaved with the employees who had welcomed nationalisation in a very arbitrary and autocratic manner. I know a particular case—and my hon. friend, Mr. M. C. Shah perhaps remembers it—where some employees of the General Insurance Society were transferred from Calcutta to Ajmer at short notice—poor people whose families were there—without giving them any time to make arrangements for their families. Without their being given any travelling expenses, they were asked to go from one part of India to the other, and

after they reached there, some of them were asked to go back again. Similarly about the field workers. I find from the speech of the hon. the Finance Minister that about the field workers, there is a difference of opinion between him and me, but I shall come to that question later. What I want to say at this stage is that I had raised the question in this very House about the non-payment of remuneration to the field workers. My hon. friend, Mr. M. C. Shah, replied that they were being paid their remuneration. Fortunately or unfortunately, this was published in the newspapers, and from the very next day I was flooded with telegrams and letters from different parts of the country from the field workers or their associations that what the hon. Minister said in this House was not correct, that Custodians were not properly behaving with them. The Agents did not get the prospectuses before May. If they do not get the prospectuses, they cannot go to the policy-holders, and if they cannot go to the policy-holders, naturally they cannot get any business. As a result, the field workers were being penalised. After depositing the premium, it took much time to get their claims, and because of this not only the agents but the inspectors and organisers are penalised. This sort of behaviour should certainly be changed. If nationalised insurance is to progress, all these things should change.

My next point is that, though the life insurance business has been nationalised, still general insurance has been completely left out. I find no justification for it, though I find that the hon. the Finance Minister has tried to give some arguments in favour of it. The grounds given for the nationalisation of life insurance were two: malpractices and monopoly grip. From these two angles, there is no reason why general insurance should not be nationalised. Malpractices are still more rampant there; monopoly control is still more rampant there.

In life insurance, five big companies account for 54 per cent. of the business and 50 per cent. of the total funds; in general insurance, one company accounts for 19 per cent. of the premium paid and 34 per cent. of the funds. Then, again, in general insurance foreign interests predominate. There are 61 Indian companies and 88 foreign companies. In marine and miscellaneous insurance the foreign companies enjoy a monopoly. As regards resources, a memorandum was submitted by the Insurance Employees' Association that by nationalising general insurance, a sum of Rs. 4 to 5 crores will become immediately available and that, if malpractices are eliminated and some measures of economy are adopted, then the resources which will come to the hands of the Government will be much more. Not only that; if general insurance is taken over, our country will save crores of rupees which are given by way of remittances to these foreign concerns. Now, general insurance is not being nationalised. The hon. the Finance Minister said that there was a difference between life insurance and general insurance, and that general insurance was mainly a matter for the private sector. Now, we are not against the private sector. The private sector will continue to exist for some time, but what is necessary is that the public sector should command strategic heights. It should have strategic control over the industries, over the economy of the country, and insurance is one of the strategic heights, and, therefore, it should be controlled by the public sector and it should be nationalised.

The hon. Minister also said that only the big businessmen or the big people were concerned with general insurance. But if general insurance is nationalised and run by the Government in a proper way, then small businessmen and other people may also come in there.

Then there is a proposal for the State Governments to take up motor

insurance. So, that question of it being a matter mainly of the private sector does not come in. I am saying this with particular emphasis. If the general insurance is not taken up, what will happen is this. In many of the cases companies, which are practically composite companies, used to run their general side with the funds of the life side. When the life side is taken over, the general side will either have to close down or they will retrench their employees. The bosses of the insurance industry will, in order to spite the nationalised sector of the industry, resort to certain tactics which will result in the closing down of concerns and retrenchment of the employees. That will create a lot of difficulty. Government have already, through their administrators, control over some companies. So, there is no reason why it should not be taken up. In this connection, I may say that Government has made up its mind. So, however much we may protest and argue, there is no possibility that Government will change its mind. But then in one matter at least the Government should take certain steps, namely, that the employees of general insurance sector who will be retrenched or who will be rendered surplus, should be absorbed in the Insurance Corporation.

Then I come to the question of compensation. As regards the method or formula evolved for payment of compensation I have nothing to say, but about the quantum of compensation, about the principles on which compensation is to be made I have strong objections to take. What is the principle he had taken for saying that those from whom the business is being taken over, they will be not only remunerated for their present loss but also for the future loss. That is, they will be given a sum which will be equivalent to what they would have got if the industry was in their control. That is a principle, which is not at all justified particularly when we find that in the same breath the Government is providing that those employees of the Corporation who will

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be rendered surplus will be given compensation only of a sum equal to three month's pay. While laying down principles of compensation, we must see whether it is not excessive or disproportionate as ~~is~~ compared to what other classes and systems can expect under similar circumstances and at the same time you should see that it should not be so meagre as not to offer a reasonable chance of rehabilitating themselves, to any persons who may have been wholly or mainly depending on the income from investment for their livelihood. We know that in the life insurance industry the investors take very little risk and yet, they get much greater return as compared to investors in other undertakings. On the other hand, the amount of funds that a life insurance company controls and the return it earns is out of all proportions to the capital invested in the concern. Examples were cited in the other House also to convince the hon. Minister—though he was not convinced—that in a particular case, in the case of Oriental, the original share-holders had paid only Rs. 50. Later on, dividends at the rate of Rs. 125 per share and later on at Rs. 175 per share were paid. The original share-holders, most probably, are not in the picture now. It has changed hands. Moreover, whenever the question of taking over any concern or any sector of industry comes up, the big bosses shed tears for the poor share-holders. We heard so much about the poor middle-class share-holders when the Imperial Bank was nationalised. But let us take a census of these share-holders and find out what percentage of the shares are controlled by the monopolists. They have got enough in all sorts of ways and why should we give them disproportionate compensation? Today the growth in the insurance business which has taken place is not entirely due to their credit. It has been due to many factors, and among others, increased public expenditure. People come in to insure their lives in this way. Moreover it is all the more glaring when we find that the

employees, when they will be retrenched, will be given only a compensation of three months' pay. That is why I suggest that compensation should be given not at 20 times but at 10 times. That would also be a very high sum but still, let the Government make a beginning in the way of social justice. In the case of employees, on the termination of their services, particularly in the case of clerks and members of the subordinate staff, the compensation payable should be six months' pay or one months' pay for every year or service or part thereof exceeding six months' or if the employee is entitled to it, any gratuity, provident fund or other relief plus three months' pay. Even under the Industrial Disputes Act, they are entitled to get more. In this connection, it may be argued by the hon. Minister, Mr. Shah, that those who are likely to be retrenched or rendered surplus, are on sinecure posts. Now, sinecure posts were there—nobody denies that and nobody says that sinecure posts should be maintained. But if it is the intention of the Government only to render surplus the sinecure posts and not to touch the clerks and other sections of the employees, then a clear assurance should be given here in categorical terms. Otherwise, what I am afraid of is, later on, the retrenchment of the employees may take place—because the hon. the Finance Minister, while answering to arguments concerning the expense ratio, made certain remarks which gave rise to apprehensions in my mind in this connection. He said that the employees whom the Corporation was going to inherit, many of them, would be surplus but they would not be retrenched; but if we started with the proposition that we were having a number of surplus staff, then that would lead ultimately to their retrenchment. I contest this statement that a number of employees will be surplus. Why I say this? I would like to place before you certain facts. Since 1948 there has taken place no recruitment in the insurance concerns. The same number of employees are performing greater volume of work

and that will be seen from certain other factors also. Those companies where provisions for overtime payment is there, there a good percentage of salary is paid as overtime. In many companies there is no provision for overtime. So there, they have to work longer hours. The insurance business has been doubled in the last several years, but the employees, who in many cases, had no security of service, no clear-cut conditions of service, who suffered from very low scales of pay, had to work more on account of this double volume of business. Moreover, the maintenance of operational efficiency is a very essential thing. Insurance business will grow. The hon. the Finance Minister has also said that we can keep these employees in employment anticipating that the insurance business will grow. It will no doubt grow because the private employers themselves claim that from the present sum of Rs. 1200 crores, they can raise it in a few years to Rs. 8000 crores. If the private bosses could claim to do so, the Government can do much more. The business will certainly increase but my point is that already these employees are overworked. Vacancies have not been filled. No recruitment has taken place. Leave privileges have lapsed in many cases. So the Government should really clear its mind of the supposition which has no foundation in reality that there is a large surplus of employees.

4 P.M.

About these employees, Sir, I have to mention some other things also. There are some other important questions connected with these employees. The Finance Minister said much about the approach of Government to these employees. But I have to submit that this approach is not a satisfactory one. It has been laid down that wholetime employees will be absorbed. But a distinction has been made in this category of wholetime employees. Field workers, organizers and inspectors cannot come in, because they are supposed to work on contract. But the fact is that these field-work-

ers were a very important section of the insurance business. It is they who used to recruit the agents and to secure business. It is true they were under contract, but they were paid regular salaries, though the proper volume of work under the contract was not fulfilled. Sir, I have received several letters and representations from them. There are employees who are working in particular concerns for twenty and twenty-five years. They have done much for the prosperity of those concerns. But today they are faced with retrenchment. They are faced with starvation, whereas the big bosses, the people who played havoc with the money of the poor policy-holders, they are to get disproportionately high compensations. The field-workers, as I said, are now facing many difficulties, because the Custodians also in many cases are changing the terms of the contracts and forcing them to accept them, saying, "If you do not accept this renewal of the contract, you will not get your remuneration." The remunerations have been stopped in many cases. So, my submission is that these workers should also be included in the category of wholetime employees. There may, of course, be those who are *binami* workers, those who really have no justification to be in this category and such cases should be dealt with in a different way.

Moreover, in these insurance concerns there are other classes of employees, namely, those who are temporary or daily-rated staff. I do not know the position about them and I feel it should be made very clear whether they will be absorbed or not. They should be, because these insurance bosses have kept these people on the temporary or daily-rate rolls deliberately in order to avoid paying them higher emoluments. These *darwans* and others who have been working for 25 years or more are still kept there on daily-rate basis. If on the plea that they are not wholetime employees, they are to be thrown out and made to face starvation, that would be unjust. But there are suffi-

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cient grounds for this apprehension, because recently a form has been circulated to the employees and they have been asked to fill up certain service particulars. These forms are, I think, known as Administration Records. But these people on the daily-rate basis have not been given these forms and they have not been asked to fill these particulars. So there is sufficient ground for the apprehension as to what is going to happen to them.

It has been provided that the staff of the chief agents will be absorbed. Our suggestion is that those who are on the roll on the 19th January should all be absorbed. But the provisions, as I understand, is for absorbing those who were on the rolls six months prior to the nationalisation.

SHRI B. C. GHOSE: One year.

SHRI S. N. MAZUMDAR: May be one year. I stand corrected. The absorption of the staff of the special agent is also absolutely necessary.

Next I pass on to some other important points regarding these employees. There is a provision in this Bill that the Corporation will undertake rationalisation of the pay structure and pay-scale structure of the employees. In this connection, it should be borne in mind that the insurance employees for a long time have been asking for improvement of their pay and conditions of service. They have been agitating for an all-India tribunal. But the Government did not concede that demand. There was a conciliation arranged. But that conciliation was not completed. The employees submitted a charter of demands. So I submit that this rationalisation should mean improvement in their conditions of service and improvement in their scales of pay. It is the accepted principle, it is an international principle accepted even by the Government of India and it was also reiterated in this House at the time of the Banking Bill, that if there is any change, then the existing

emoluments and the existing conditions of service of the employees will not be changed to their detriment. That principle should be maintained. And on that basis there should be a bi-partite conference and on the basis of discussion, with employees' representatives, their scales of pay and their conditions of service should be settled. This should not be done arbitrarily by the Corporation.

Next, I come to another important question, namely, the question of the representation of the employees on the Board itself. Mr. Rajah was, I think, right when we pointed out that if this Board is manned only by bureaucrats or only by people whom the Government nominates, then the functions of the nationalised insurance concerns will be affected in very many ways. I forgot to mention that some of the Custodians are really delaying settlement of the claims of the policy-holders. Now, the employees should have representation on the Board itself. The hon. the Finance Minister was arguing at length against the suggestion of giving the policy-holders representation on the Board. But in spite of his arguments, I am of opinion that the policy-holders should be given representation on the Board. And we should not raise the bogey of expenses on elections. Some method can be found if there is a will. As regards these employees there is no question of any expenses or difficulties, because there is a well-established and recognised all-India association of the employees and they themselves have suggested that their representatives will be selected by election. That will not cost any money. That will not create any difficulties. So, they must be there. And the employees' representatives, if they are there, since they have very useful experience, they will be able to help in running the business of insurance in the proper manner. On the Zonal Councils also they should have their representatives. The argument of the hon. the Finance Minister that Government have not made up its mind is something I cannot understand. I cannot understand why Government

should take such a long time in making up its mind about the public sector, about giving representation to the employees in this sector. They speak at length and wax eloquent about labour's participation in the management and about labour's participation in the functioning of the industries and so on. It is true that provision has been made for a committee to establish good relations between the Corporation and the employees and the agents. But this committee is only for good relations. We want that the employees must have a share in the running of the Corporation itself.

There are several other points but I shall leave some of them to my hon. friends who will speak after me. I must mention one of the points. There are several disputes pending now in the insurance industry. At present what is happening is the Conciliation Officers are not taking them up and the position is very anomalous and this is leading to very many difficulties for the employees. The disposal of these disputes should be hastened. As regards their other grievances, a standing tribunal should be established where the employees could represent their grievances and their difficulties whenever necessity arises. Now, Sir, there were some other points, but I do not like to take much time and I shall leave them for the speakers who will follow me from this side.

SHRI AKHTAR HUSAIN (Uttar Pradesh): Mr. Deputy Chairman, Sir, the Bill introduced and under discussion before the House now deserves the support of every section. We however heard one of our esteemed colleagues in the opposition express his dissent with this view, but I have not been able to appreciate what alternative there was or there could be to the measure that has been taken by the Government. It has been stated times without number that the necessity for introducing this Bill and taking over the insurance companies was because of the malpractices that prevailed in the insurance companies

and that these evil practices had risen to such enormous proportions that even the Insurance Act enacted for the purposes of controlling insurance companies proved to be wholly inadequate for the purpose of putting a stop to those malpractices. When that was found to be insufficient and wholly inadequate to meet the requirements of the situation, the only alternative for the Government was to nationalise the insurance companies so that these evil practices may be put to an end for all time to come.

Now, it seems to be a very salutary thing to ensure that the business of insurance companies shall be conducted in such manner as to inspire confidence amongst the policy-holders and among the common people that the latter may be persuaded to take insurance policies so that, when the wage-earner of the family happens to be removed by the cruel hand of death suddenly, his dependents may not have to starve or be reduced to such conditions of poverty in which they may not find any means of subsistence. It is with this object that the common man usually gets his life insured. Now if the object of making adequate provision for one's dependents is difficult to achieve because the amount so saved by the man during his lifetime in the hope that it might be utilised for the benefit of his dependents might be frittered away either by unscrupulous employees or unscrupulous directors or other people in the management, who want to fill their own pockets at the expense of the poor policy-holder, then it is certainly incumbent on the Government to step in and use all the powers that it has for the purpose of putting a stop to this kind of malpractice. If this Bill is viewed in that light, then I have reason to think that there would be very few people who would be found to seriously, apart from political reasons, oppose the measure, the beneficial measure that had been introduced by the Government.

Now, in clause 6 the functions of the Corporation have been stated and

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the hope is expressed that "the Corporation shall so exercise its powers under this Act as to secure that life insurance business is developed to the best advantage of the community." I hope there will not be any two opinions that the objective so stated is one that deserves the support of all right-thinking people. So, with this we can safely treat this measure as a salutary step taken by the Government for the purpose of securing for the common man the advantages of insurance for his dependants when the proper time arises.

Then, Sir, there has been considerable controversy about conferring the right of audit on a person to be selected by the Corporation and the view has been put forward that this should not have been done but that the accounts should have been left to be audited by the Auditor-General. The hon. the Finance Minister, in introducing the Bill, has already referred to the provisions of article 149 of the Constitution and that shows that there is no obligation or statutory duty cast on the Auditor-General to have control over or supervise the working of any bodies other than the Union Government and the State Governments. Now, this Insurance Corporation does not come either within the Union Government or within the State Governments; it is an independent Corporation. Therefore, so far as the statutory duties of the Auditor-General as defined in the Constitution are concerned, this work is beyond the scope of his authority and only such additional duties can be conferred on him as may be prescribed by Parliament. So, when it is suggested that this is encroaching on the authority of the Auditor-General, it is not a correct statement. As a matter of fact, to confer these rights of audit on the Auditor-General would be extending the statutory authority conferred on him by the Constitution. We find, Sir, from article 149 that only those powers shall be conferred on the Auditor-General which are "prescribed by or under any law made by

Parliament and, until provision in that behalf is so made, shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States".*** Therefore, Sir, it is obvious that the powers of the Auditor-General do not extend to the audit of the accounts of the Corporation. This submission of mine is also supported by the next article, article 150 of the Constitution, which lays down that "the accounts of the Union and of the States shall be kept in such form as the Comptroller and Auditor-General of India may, with the approval of the President, prescribe." Now there is this provision which lays down that the method in which the accounts are to be kept shall be prescribed and laid down by the Auditor-General, and those rules shall be confirmed by the President. But there is no provision for the making of any rules for the audit of the accounts of independent corporations like the Corporation under discussion now. That is to say, if the Auditor-General were to frame rules, then those rules would not be applicable to such corporations by virtue of any power conferred statutorily by the Constitution under article 150. And there is every apprehension of such rules being declared *ultra vires* of the Constitution and beyond the scope of the authority of the Auditor-General. A brief reference to article 151 would further strengthen the view that the Constitution did not contemplate statutory control or authority over anybody other than the Union Government and the State Governments because in article 151 it is laid down that the audit reports of the Auditor-General relating to the accounts of the Union shall be laid before the President and those relating to the accounts of the States before the appropriate Governor or Rajpramukh and there is no provision for the laying of the accounts of other bodies before anybody. Therefore, it would really be straining the language of the Constitution to think that it is within the power of the Auditor-General to exercise any control over the accounts of this Corporation

Supposing the interpretation which I have placed on the various provisions of the Constitution is not agreed to, the question will further arise as to whether it would be expedient to entrust the work of auditing the accounts of a commercial concern to people who are trained in the art of mechanically auditing Government accounts, just putting some red, blue and other coloured pencil marks and applying some technical rules which cannot be modified to suit the exigencies of commercial contracts and commercial dealings. Therefore, I think that the action of Government in not including a provision for the audit of the accounts of the Corporation by the Auditor-General deserves to be supported and is well founded.

Then I have something to say about the way in which the work of the Custodians is being carried on. Of course, only a very short time has elapsed since the Custodians have taken over and it would not be right to pass any hasty judgment on their work, but I would like to state not something that I have heard from somewhere but my own experience of the expeditious manner in which the work is carried on by the Custodians who have been appointed to take over the work of the insurance companies. One of my insurance policies matured, and, believe it or not, the money was with the insured on the day the policy matured. That is a very creditable achievement. Of course, the companies would have made the payment in due course, but that 'due course' would have been very much shorter than the time taken by the Government Department where it takes years and years for moneys to be paid to the people who are entitled to receive the money. In other respects also the custodians have been proceeding with exemplary promptitude and in a manner which justifies the hope that in future also they will continue the work with promptness and alertness to the best advantage not only of the policy-holders but of the Corporation and the companies concerned.

One of my esteemed colleagues on the other side, Mr. Mazumdar, seemed to be dissatisfied with the way in which the Custodians were treating some of the employees of the companies.

SHRI S. N. MAZUMDAR: Am I to be satisfied with the treatment meted out to the employees that I mentioned?

SHRI AKHTAR HUSAIN: Maybe, my hon. colleague's views were based on something that he may have heard or something which he may have verified but they may be solitary instances; there are the general rules and even if there was any case of hardship, I think my hon. colleague would do well to take into consideration one factor. Some of those employees may have been those very persons who were hand in glove with the capitalist or the management, who were responsible for the malpractices or whose malpractices necessitated the taking over of the insurance companies.

SHRI S. N. MAZUMDAR: That is a slander on the employees.

SHRI AKHTAR HUSAIN: Therefore, it is not desirable to pass a one-sided judgment on the work of these very efficient Custodians who seem to have imbibed some of the thoroughness and the promptness of the Finance Department under which they got their training. (*Interruption*) I am sorry I could not catch the point of my hon. friend but he will appreciate that I have very limited time at my disposal and very soon Mr. Deputy Chairman will ring the bell and this discussion between him and me would only result in one thing that some of the important points that I wish to place before the House will have to be omitted.

SHRI S. N. MAZUMDAR: Then bouquets need not be given to the Custodians.

SHRI AKHTAR HUSAIN: I do not agree with the view that any occasion

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has arisen for expressing disapproval of the manner in which the Custodians are discharging their duties. Of course, the interests of the employees have got to be protected. As a matter of fact, the Bill itself provides in clause 11 for the transfer of service of the existing employees of insurers to the Corporation. They will have guaranteed employment; they will have a secure tenure of office and they will be able to enjoy the full benefits of a secure service and a good salary. But if the work of any of them is found to be unsatisfactory or if the officials higher up are satisfied that it is not in the best interests of the Corporation to retain any particular employee, I do not think a suitable occasion has arisen for that grievance to be ventilated by a person of the position and eminence of my hon. friend the Deputy Leader of the Communist Group. I, therefore, hope that he will use his great influence with those employees and help the Corporation to carry on its work efficiently and promptly and to place before the Corporation authorities all material which would lead to the discovery of those improper contracts and policies and undertakings which must be set aside, varied and modified so that the funds of the Corporation may not be squandered away in meeting liabilities of shady transactions.

[THE VICE-CHAIRMAN (SHRI S. N. MAZUMDAR) in the Chair.]

Then, lastly, I would like to express my cordial agreement with the Finance Minister about the impracticability of having representatives of the policy-holders on the management of the corporation. The question will arise as to who will be the people entitled to vote for electing the representatives of the policy-holders and what will be the position of people whose policies have matured, people whose policies have lapsed for non-payment of premium, people who have not otherwise carried out their part of the contract.

All this will have to be decided before the election takes place and there would be such enormous difficulties in having an accurate roll of the voters that the trouble will not really be worth taking. Moreover, when the very object of this legislation is to protect the interests of the policy-holders, then one need not be apprehensive that the interests of the policy-holders can only be protected by duly elected representatives, by their own body and not by the Government. The Government is taking upon itself the responsibility of placing insurance of life in this country on a safe and secure basis so that the people who save their hard earned money for the benefit of their dependents may not find, when the time of maturity of the policy comes, that that money has been swallowed up by unscrupulous managers or by other people for whom it was really not meant. Therefore, this House should wish the Corporation well and express the hope that the good and useful work undertaken by this Bill will be achieved in a short time; that the poor man will no longer have the apprehension that should he be removed by the cruel hand of death suddenly, his dependents will be found to be without any support; and that any insurance money that he puts in would, with the endeavour of the Government and this Corporation, be paid promptly and expeditiously to the person to whom it was meant to be paid.

SHRI B. C. GHOSE: Sir, it is too late in the day to argue the case for and against nationalisation of insurance. The problem before us today is, I believe, not nationalisation of insurance, because that is a settled issue, but how nationalised insurance can be conducted well and efficiently. It is in this context rather unfortunate that the discussion both here and elsewhere has so far happened to be largely focused on questions of compensation and auditing and not on

the structure of the Life Insurance Corporation or the system of management that we shall evolve. It is essential that this venture should succeed. It should succeed not only because it is necessary in the interests of the Plan, as the Finance Minister stated this morning, but it is also necessary in the interests of nationalised industries, because if this venture fails, that would cast a sad reflection on our capacity to undertake public undertakings and manage them efficiently. Now, the structure that has been visualised under this Bill is, as hon. Members have pointed out, a monolithic one. I do not think it will serve any good purpose at this stage to suggest that there should have been more than one Corporation, because it has been decided for good or evil that there must be one Corporation. Even if there is a single Corporation, the question arises: was there any necessity to have a sort of a monopolistic conduct of business? Could we not have even under one single Corporation, which would have been in the nature of a holding company, five or six units conducting insurance business? If I remember rightly, I understand the hon. the Minister for Revenue and Civil Expenditure made an observation, while intervening when another Member was speaking in the other House, that that was exactly what this Bill was doing. I believe what he had in mind was the fact that there were to be five zones under this single Corporation and those five zones were to be treated as five units which would be in charge of life insurance business. But then we have to appreciate what the position of the zones is and what it would be *vis-a-vis* each others. The question that I should like to ask, first, is whether these five zones would be competing or non-competing. It would appear from what the Finance Minister stated that each zone would be in the exclusive charge of certain territory. That means, it would have exclusive jurisdiction over the business of that territory. So, I take it that it is the intention of the Government that

these zones would be non-competing. The next question arises, if that is so, whether the divisional offices would also be non-competing and if that is so....

SHRI P. D. HIMATSINGKA: Competing with whom?

SHRI B. C. GHOSE: As between themselves. And if the divisional offices would also be non-competing, the question arises whether the district or the branch offices would also be non-competing. So, if we go down to the lowest rung, we find that the man in charge will have sole control over a certain territory. Now, would that be a good thing? Should we not introduce an element of competition at some stage or other? Even if it be not at the zonal stage, should not the divisional offices under a zone be competing? Now, one reason that was advanced against, say, five or six corporations, was that there would be no sense in having competition when the conditions are more or less the same, the same policy conditions, the same premium rates, the same sort of claim settlement and so forth. And that argument might also be applied to this suggestion, namely, that there should be an element of competition at a certain stage. Now, is that argument valid? To my mind, it appears that that argument is not quite sound. Because one might say when we go into the market—let us say, the stationery shops—the prices of all commodities are more or less the same. If you want to buy a piece of soap, the price of the soap is everywhere the same. But still certain shops have a better business than others. And that is because the service rendered by a particular shopkeeper is more efficient, is better than the service rendered by others. In that sense, I believe and I feel that it would be in the interests of better conduct of life insurance business in this country that at a certain stage the units should be made competing. The question whether that would mean extra expenditure or not is not so very vital because I do not think that it would mean too much extra expenditure. If

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you take the case today, where the companies are competing all over the country, then also there is an expense ratio provided to which the companies have to conform and I am not quite sure if even with this non-competing organisation, the Corporation will be able to maintain that expense ratio. And I do not think that there would be anything but a small difference in the expense ratio if competition between the units were permitted. I would, therefore, like to know from the hon. Minister, whoever may reply, as to what the Government's intention in this regard is, as to whether they do not consider that it would be desirable to introduce an element of competition at some stage or other in this life insurance business.

Sir, my friend who preceded just before me, Mr. Akhtar Husain, stated that insurance business was nationalised for securing to the common man the advantages of insurance. That is also, I believe, what the purpose of this Corporation is. But I have become rather apprehensive on seeing what has been already done. If you look at the prospectus issued by the Custodians who are in charge of conducting life insurance business, it will be clear. It is a small point, but I want to bring it to your notice to show as to how the common man's interest is being kept in view. As you know, Sir, when premiums are paid annually or half-yearly, a rebate is allowed. But here we also find that a 5 per cent. extra charge is to be levied on premiums to be paid monthly. I know that there is a good reason for that, because if premiums are paid monthly, the servicing of the policy means more expenditure. But if our idea is that the common man should be helped, then certainly we cannot support any proposal where, when the premium is to be paid monthly, there should be an extra charge of 5 per cent. because it is only the poor man who cannot pay the premiums annually. I might also say that, so far as existing companies

are concerned, there are many companies which do not levy any extra charge for monthly payment of premiums. So, we find that this nationalised insurance really is not looking after the interests of the common man in the way it should do and I hope that the Corporation, when it is set up, will give more attention to this question.

The next point to which I should like to have an answer from the hon. Minister is about the special position of Postal insurance. I should like to know why this business has been kept apart from that of the Life Insurance Corporation. The Finance Minister stated that Postal insurance was offering certain amenities to certain Government employees and, therefore, it was being kept separate. But I would like to ask him: Does that argument appear to be sufficient or convincing for keeping Postal insurance business separate from the business of the Life Insurance Corporation? Further, what is the justification in certain Government employees getting the advantage of ~~employees getting the advantage of~~ certain special premium rates, while people who are not under Government employment would be deprived of that advantage, even if they belong to the same pay category? Why should Government employees only get that special advantage? So, I want an adequate and satisfactory answer as to why Postal insurance should not also have been brought within the purview of the Life Insurance Corporation or else, this business should also be merged in the Life Insurance Corporation's business.

In the formation of the Corporation, a question has been raised of the representation of policy-holders and of employees. These are fair questions. I understand that the Government is not opposed to the representation of policy-holders on the Corporation if a feasible method could be found, because the Finance Minister had stated elsewhere that, if a way could be found, he had no objection

to the policy-holders being represented on the Corporation. Is it quite true to say that no means can be found by which representation can be given to policy-holders? I believe it was stated elsewhere that there would be a provision for representation of policy-holders at the divisional level. If that is true, there should be some arrangement at the divisional offices for the association of policy-holders' representatives with the organization at that level.

SHRI JASPAT ROY KAPOOR: Zonal you mean?

SHRI B. C. GHOSE: No. Below the zone is the division.

SHRI P. D. HIMATSINGKA: What will they do there then?

SHRI B. C. GHOSE: They will do the same thing as policy-holders do on the board of directors today.

Now, if you concede that there is a case for the.....

SHRI M. C. SHAH: There will be only Advisory Committees attached to the zones, not to the divisional offices.

SHRI B. C. GHOSE: There is an Advisory Committee attached to the zones, consisting of whom?

SHRI M. C. SHAH: Consisting of the members to be appointed by Government.

SHRI B. C. GHOSE: That is what I said. There is no assurance there that policy-holders' representatives will be on that Advisory Committee.

SHRI M. C. SHAH: Perhaps, all will be policy-holders then.

SHRI B. C. GHOSE: Everybody is a policy-holder. From that point of view, there is no necessity in the present Insurance Act to make a specific provision that policy-holders must be represented on the board of directors. Government have two dif-

ferent kinds of logic—when it is private companies and when it is Government companies. If the Government say now that they feel today that there was no necessity for the representation of policy-holders on the board of directors of the existing companies, and that that was a redundant provision, then there would be some logic. But if they maintain that that provision was good, I do not see how they can say today that policy-holders need not be represented on the Corporation. The only ground urged against that proposal is its feasibility. Now, I believe that some Minister—whether it is the Minister present here or the Finance Minister, I do not know—had stated that at the divisional level, there would be an attempt made for the association of policy-holders with the management. If that is done, then these divisional policy-holders' representatives may form an electoral college for the election of policy-holders on the Corporation. That is one way. If the Government really intend to give any representation to policy-holders on the Corporation, a way can be found out without very great difficulty.

SHRI M. C. SHAH: The policy-holders' interests will be supreme with the Government of India, whereas their interests are not supreme so far as companies are concerned.

SHRI B. C. GHOSE: I admit that. Even admitting that, it is not simply a question of policy-holders' interests being held supreme by the Government; it is the policy-holders who would know best what their special interests on any particular problem may be. Although the Government may hold their interests supreme, they would not know their views on many particular problems. If a representative of policy-holders was on the Corporation, he would be able to present their viewpoints on problems, as they arise, before the Corporation. That is the point in suggesting that

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there should be representative of policy-holders on the Corporation.

As far as employees are concerned, I understand that the Finance Minister stated in the other House that the whole problem was before the Government as to the representation of employees on Government undertakings as such, and that, as and when a decision was taken on that matter, that would also be probably implemented, in this matter. So, there is nothing further to be said about it. In so far as the provisions of this Bill are concerned, I should like to refer to certain points with regard to employees, to some of which, Sir, you had referred. It is true that under one clause, the employees have been assured that they would be taken over on their existing conditions—salaries and other things. But the next clause goes on to say that there would be rationalisation of pay scales and service conditions, which means that at least in regard to certain employees these things will be changed, and they may be in favour of certain employees or against certain other employees. So, there the question of compensation really becomes important. It is felt that the compensation that has been provided here for the employees who may be adversely affected is not quite sufficient. Sir, you had yourself referred to the question of permanent part-time employees. What would be their position? Their service has been renewed from year to year, but they are not regarded as permanent employees. Then Sir, another question which is agitating the employees is the question of possible transfers, which is sure to arise, as there would be surplus employees in certain localities. And if transfers are going to be effected, that will cause a great hardship to them. I do not mean to say that the Corporation should not transfer at all, because that would be unrealistic. But the people who are going to be transferred should be given certain special consideration, as and when transfers take place, because they may have to maintain two establishments. There will be the

question of accommodation at places where they are transferred. Therefore, Sir, the Corporation will, I hope, bear these things in mind. The next question is about the representation of employees on the Provident Fund or the Superannuated Funds that may be set up. I do not see any reason why there should be no representation, on the Boards of Trustees of these Funds, of both the Corporation and the employees. I think, that is the usual procedure and the Government should accept that procedure.

Then, Sir, another class of people that would be severely hit and would be completely eliminated as a result of nationalisation, as the hon. Minister knows, is the class of insurance journalists. They are a people who have been doing very good service in the cause of Indian insurance, but who live absolutely on the advertisement that they get from insurance companies. Now, these people would be thrown completely out of employment. I, therefore, hope that the Corporation will set up an organisation for carrying on propaganda and publicity in the field of life insurance and try to absorb such people in that organisation, as are now engaged in publicity work, or as are bringing out insurance journals for the propagation of life insurance.

Sir, now two more questions remain to be tackled. One is the question of auditing and the other of compensation. I do not want to say anything regarding compensation except two things. Firstly, Sir, I believe there is a strong case made out by my friend, Mr. Rajah, about young companies. I think, that deserves Government's attention. And there is another small point about the compensation to be paid to the chief agents. Sir, they want that their accounts should be settled quickly, because if they are to be settled annually, they feel that they may not get anything from month to month. And if the payment is to be made 'on account', as the Finance Minister said,

that may be too small a sum. So, unless the accounts are settled quickly, they will not get sufficient amount for their livelihood. Then, Sir, another thing that I would like to know is whether a provision cannot be included in respect of commutation of the compensation that may be paid to them, because some of them may not be willing to continue in that profession, and if they can commute their earnings, that would be of great assistance to them.

SHRI H. C. DASAPPA: There is no great objection to that.

SHRI M. C. SHAH: There is great objection.

SHRI B. C. GHOSE: That is the difference between a private Member and a Minister.

SHRI M. C. SHAH: I am just replying to the ex-Finance Minister of Mysore.

SHRI B. C. GHOSE: Yet the present Finance Minister and the ex-Finance Minister of Mysore do not agree.

Now, Sir, when you come to the question of auditing, which has been the bone of contention and which has raised some controversy, there are two things involved in this. One is the proper auditing of the Corporation, and the other is the accountability to Parliament of public undertakings. Now these two things should, in my mind, be kept separate. So far as the auditing of the Life Insurance Corporation is concerned, I have weighed all the arguments for and against, and I say emphatically that I do not find any justification for the Finance Minister to suggest that if auditing is done by the Auditor-General or if the Auditor is appointed in consultation with him, that is, with the Auditor-General, then that would mean a great hardship on the Corporation, and that would fetter the independence or the discretion of the Corporation. I do not understand how that can be so, because the

auditor does not question the principles. The auditor only goes by the rules that are laid down, as to whether those rules have been complied with. And as we all know, the Auditor-General here is developing a commercial wing. There is much sense in the argument which has been advanced elsewhere that we say that we can nationalise every sector, that we can get competent people to run those sectors, but when it comes to auditing, it appears that we cannot organise the public sector. The two seem to me to be quite contrary to each other. If we can organise the public sector as far as other undertakings are concerned, there is no reason why we should not be able to organise a competent auditing section which would be able to undertake commercial auditing also. I, therefore, say that no solid or sound argument has been advanced for not accepting the proposition that was made elsewhere, and which appears to be eminently justified and sound, that the auditing should be done either by the Auditor-General or by an auditor appointed in consultation with him.

In this context, Sir, I should like to refer to the point which I mentioned the other day, when speaking on the Plan, that there appears to be a tendency growing into fashion to condemn this Parliament and its financial committees for their activities in questioning the way in which certain undertakings are conducted. I want to say very emphatically that neither this Parliament, nor its financial committees, have ever interfered with the conduct or the business of any public undertaking. I should like to mention here that two of the largest undertakings in this country which are departmentally run are the Railways and the Posts and Telegraphs. Both of them are directly under Parliament. We ask questions so far as the Railways are concerned, as also so far as the Posts and Telegraphs are concerned. We can ask a question as to

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why a particular train had run late, or why it was five minutes late. We can ask such questions, and the Minister has to reply....

SHRI M. C. SHAH: Yes, certainly.

SHRI B. C. GHOSE: Then I would like to ask one question. Has that fact interfered with the efficiency or the working of the Railways? That is a simple question. Has that fact interfered with the efficiency of the Posts and Telegraphs? If the Government says 'yes', then let there be a Corporation set up for those undertakings.

THE VICE-CHAIRMAN (SHRI S. N. MAZUMDAR): Will you take some more time?

SHRI B. C. GHOSE: I will take only five or ten minutes more.

THE VICE-CHAIRMAN (SHRI S. N. MAZUMDAR): Then, you may continue tomorrow.

There are now two messages to be read.

MESSAGES FROM THE LOK SABHA

I. THE INDIAN INCOME-TAX (AMENDMENT) BILL, 1956

II. THE TRAVANCORE-COCHIN STATE LEGISLATURE (DELEGATION OF POWERS) BILL, 1956

SECRETARY: Sir, I have to report to the House two messages received from the Lok Sabha, signed by the

Secretary of the Lok Sabha. They are as follows:

I

"In accordance with the provisions of Rule 133 of the Rules of Procedure and Conduct of Business in Lok Sabha, I am directed to enclose herewith a copy of the Indian Income-tax (Amendment) Bill, 1956, as passed by Lok Sabha at its sitting held on the 28th May 1956.

2. The Speaker has certified that this Bill is a Money Bill within the meaning of article 110 of the Constitution of India."

II

"In accordance with the provisions of Rule 133 of the Rules of Procedure and Conduct of Business in Lok Sabha, I am directed to enclose herewith a copy of the Travancore-Cochin State Legislature (Delegation of Powers) Bill, 1956, as passed by Lok Sabha at its sitting held on the 28th May 1956."

Sir, I lay the Bills on the Table.

THE VICE-CHAIRMAN: (SHRI S. N. MAZUMDAR): The House stands adjourned till 11 A.M. tomorrow, the 29th May 1956.

The House then adjourned at five of the clock till eleven of the clock on Tuesday, the 29th May, 1956.