Then, Sir, there is another point also. All this shows how the business of the Government is being planned and how the time of the House is also wasted. In 1954, when we discussed this Bill, we pointed out certain lacunae, as for example, the Bill was purported to confer the elective element, but we pointed out that the chiefs of the villages will continue to be hereditary, and that was the most undemocratic feature. That was one of the crying needs for reforms. Then we also pointed out that there were certain other very obnoxious feafures in the Manipur State Hill Peoples (Administration) Regulation, 1947. Now, Sir, if those criticisms had been taken seriously by the Government, and if the whole thing had been seen from that point of view, I think this could have been done long long ago. That is why I say that our criticism in this House should not be treated so lightly, and the time of the House should not be wasted in tnis manner.

MR. CHAIRMAN: I think, apart from this technical point, there does not seem to be much objection. Any-way, I am putting the question.

The question is:

"That this House concurs in the recommendation of the Lok Sabha that the Rajya Sabha do agree to leave being granted by the Lok Sabha to withdraw the Bill to amend the Manipur State Hill Peoples (Administration) Regulation, 1947, for the purpose of making provision for elected village authorities and for matters connected therewith, which was passed by the Rajya Sabha on the 21st September 1954 and laid on the Table of the Lok Sabha on the 23rd September 1954."

The motion was adopted.

MR. CHAIRMAN: But let us be a little more careful hereafter.

THE LIFE INSURANCE CORPORATION BILL, 1956—*continued*

SHRI B. C. GHOSE (West Bengalj: Sir, I was discussing the problems of audit and accountability to Parliament at the time when the House adjourned yesterday. I said that these wo problems should be treated separately. On the subject of audit, l had mentioned yesterday that there was unfortunately developing a fashion in authoritarian circles to pillory Parliament and its financial committees for the splendid job that they were doing in preventing wasteful expenditure and remedying other irregular procedures. On the subject of audit, I had also stated, Sir, that the Finance Minister had not made out a case as to why the audit should not be done by either the Auditor-General or, as was suggested, by an auditor, in consultation with the Auditor-General and under his supervision. I also mentioned, Sir, that the argument that is advanced, that the freedom of initiative or the discretion is hampered, if there is an audit by the Auditor-General, is not borne out when we consider the two largest public undertakings, the Railways and the Posts and Telegraphs Department, which are departmentally run and which are audited by the Auditor-General. The argument advanced by the Finance Minister that it is a financial institution, and therefore, it should not be subject to audit by the Auditor-General, but should be audited instead by a commercial auditor, does not also hold water for two reasons. Firstly, the Auditor-General himself has a commercial wing, so that commercial audit might also be undertaken under the auspices of the, Auditor-General, and secondly, actual experience has shown that auditing by commercial auditors has not always been satisfactory. The Finance Minister has related stories of malpractices of private companies, but these companies were all audited by commercial auditors, and yet malpractices could not be avoided. As is well-known, a

[Shri B. C. Ghose.] commercial auditor has not the independence which the Auditor-General is likely to have. He has not the independence because he depends for his appointment on the company or the Corporation concerned. And if he does not satisfy the company or the Corporation concerned, he may not be re-appointed, although under the Company Law there is a provision that the auditor should continue unless he is changed. But here it ls not a company. So, it stands to reason that instead of audit by a commercial auditor, it should be done by the Auditor-General. I see no reason advanced by the Finance Minister so far, which would carry conviction to a reasonable person that audit by the Auditor-General could be bad in principle, or would, in any way, affect the independence or the initiative of the management. As I made it clear yesterday, Sir, the Auditor-General is riot concerned with policy matters. The Auditor-General merely sees as to whether moneys have been spent in accordance with the rules and procedures laid down, and whether accounts have been properly kept. And therefore, I cannot see how auditing by him would, in any way, affect the efficient conduct of business by these concerns.

The second point is about accountability to Parliament. Now it was felt that unless the Auditor-General audits, Parliament would not be discharging its duties faithfully and efficiently. And the alternatives that were placed before the Finance Minister were that either audit should be done by the Auditor-General, or there should be a Select Committee appointed for supervising from time to time the activities of all public undertakings, of course, including this Life Insurance Corporation. It appears that the Finance Minister was in favour of the second alternative. ,He stated that a Select Committee of Parliament may be appointed, following the British example. The Prime Minister of Great Britain has accepted the principle that a Select Committee for public undertakings may be set up. Now, Sir, that would certainly be a better procedure. That would give us some say in the matter of seeing to it that nationalised undertakings are efficiently run. But I may also in this context point out to the Finance Minister that a mere Select Committee may not -be sufficient^ In addition to a Select Committee, there should be a provision for 'efficiency audit' at periodic intervals. That is necessary in order to see that public undertakings are efficiently managed. I may, in this connection, refer him to the suggestion made by the London 'Economist' in its latest issue, where it says that the best instruments for 'efficiency audits' are bodies like the Fleck and Herbert Committees—groups of independent experts who can collect information informally as well as around the official witness table, divide fields of enquiry into their members, and compile a report that looks eventually at the wood instead of the trees. So, what we need here is that this Corporation should be audited by the Auditor-General or by an auditor appointed in consultation with him and working under his supervision, and there should be a Select Committee of this Parliament appointed to supervise the activities of public undertakings. And in addition to that, there should be a provision that periodically, say, at an interval of five or seven years, there should be an efficiency audit of each public undertaking and a report should be placed before Parliament. If all these things are done, a machinery could have been set up which one may hope would assure that the nationalised undertakings will be run efficiently or, at least if they do not work efficiently, the defects will be brought to the notice of Parliament and remedial action could be taken in time.

Before I finish, I would like to emphasise that, although the questions of audit and compensation have monopolised attention, it is the. question of

the structure oi organisation which is more important, and I hope that the Government wiH establish a structure which will be able to conduct life insurance business efficiently, that they will not clamp the initiative of that Corporation by red-tapism and other kinds of things, that they will select the right type of personnel which is very important, because favouritism and bias have a play, and undertakings which could run efficiently do not run so because the proper men are not placed in charge.

Finally, I would like to have figures from the hon. the- Finance Minister, of the business written and business completed up to April since the nationalisation ef life insurance and also the corresponding figure for last year, because this information will give us an indication as to how the business has been functioning under the Custodians.

SHRI H. N. KUNZRU (Uttar Pradesh): Mr. Chairman, the principle of nationalisation was discussed during the debate that took place during the last session and I shall therefore not raise again the questions that were discussed then, but I should like *to* point out that the reasons given by the Finance Minister for the creation of nationalised life insurance, however sound they may be, create certain problems which require very careful consideration. The insurance companies, as everybody knows, were probably the largest investing bodies, and as a result of lending money to some of the joint stock companies, including the most important of them, they had become shareholders in them. Now, the Government, because of the nationalisation of insurance companies, will automatically become a shareholder in joint stock companies. I do not know whether this question was carefully considered when Government decided, to nationalise life insurance business. Is it in the public interest, is it consistent with democratic principles, that Government should have a hand in the management of a fairly large number of joint stock companies? I should like therefore to know what policy the Government is going to follow in regard to this matter. Does it propose to continue to hold shares in a number of joint stock companies and to have its representatives on the Board of Directors, or does it propose to sell its share to the public as soon as practicable? It will not of course be possible to sell all the shares that it will control in the joint stock companies immediately, but it should be possible for it to do so in the course of a few years. This is a matter of great importance. It is necessary that the Government should make its position on this point absolutely clear. At present, it is true that when Government lends large sums of money to any undertaking in which it is particularly interested, it stipulates that it should have a certain number of its representatives on the Board of Directors. It even stipulates that it should hold a majority of shares of that concern, but surely all the joint stock companies cannot fall under the category of companies in which Government would as a matter of principle or in the public interest like to hold shares. The power that it wiH wield because of its ability to lend large sums of money will be immense; if it adds to it the power that it wiH enjoy by virtue of having its representatives on the Board of Directors, 'then it wiH mean that in course of time all joint stock companies and virtually all economic activity of any important character will come within its control.

SHRI LALCHAND HIRACHAND DOSHI (Bombay): That is the idea of socialism.

SHRI H. N. KUNZRU: There are many countries which have gone much farther than -India has in making provisions for social security and yet they have not found it necessary to nationalise all industrial concerns or all joint stock companies. I therefore see no reason why India, even when accepting the aim of having a socialistic pattern of society, should think.

[Shri H. N. Kunzru.] of controlling all industrial business, indeed all economic activity, in this country.

Another question that I should like to raise is with regard to the manner in which control should be exercised over the Insurance Corporation. When the Companies Bill was under consideration, I ventured to suggest that insurance business should be brought within the purview of the Department of Company Law Administration which had been established or which was going to be established. The Finance Minister agreed that my demand was not illogical but he preferred to keep insurance business for the time being outside the purview of the Department of Company Law Administration. But he said that the decision might be reviewed as we go along. These are his own words and I think that the time has come when this decision ought to be reviewed. I shall now state the grounds on which I base this opinion. I have already stated that because of the nationalisation of insurance, Government will become a shareholder in some of the most important joint stock companies in this country. The Department of Company Law Administration has been created in order to deal with joint stock companies. Is it not therefore desirable that the Insurance Corporation which will be a shareholder in joint stock companies and which will have its representative on the Board of Directors, should also be dealt with by the very same authority that will deal with joint stock companies and even with all nationalised undertakings? Unless Government can give any special reason for continuing to deal with insurance companies in the way in which they are dealt with now, I think the control over the Insurance Corporation should, in future, be the business of the Department of Company Law Administration and not of the Controller of Insurance. I pointed out during the last session when we discussed the Ordinance relating to the taking over af control over the insurance companies by the Govern-j ment and its replacement by a new J law, that Government had completely I neglected the Department of the Controller of Insurance. The Controller had to look after a large number of these companies and yet, so far as I remember now, the total expenditure incurred on his Department was in the neighbourhood of Rs. 9 lakhs and the number of officers at his disposal was pitifully small. It was much less than could be counted on the fingers of one hand and yet Government come forward and complain of the irregularities resorted to by only some of the insurance companies. Had they been half as serious in regard to the exercise of control over the insurance companies as they are with regard to the controlling of the joint stock companies, the position would have been immensely better than what it is today and if it is not so, the responsibility for it must be shared, to no small extent, by the Government with the companies found guilty of irregularities. There are other reasons too why the Department of Company Law Administration should in future, deal with the insurance business.

[MR. DEPUTY CHAIRMAN in the Chair.] The Insurance Corporation will be a very important body whose business it will be to make investments. There are other bodies that deal with corporate finance, for instance, the Industrial Finance Corporation but this Corporation comes under the Department of Company Law Administration. Is there any reason why the Insurance Corporation, simply because it will be required to expand its business, should not be subjected to the control of. the Department of Company Law Administration? This Department deals with the question of the investment policy that should be followed by the Government. I suppose, therefore, that it issues directives on matters of policy to the bodies dealing with corporate finance like the Industrial Finance Corporation. If the Insurance Corporation has to make investments, is It not

desirable that its investment policy-should be controlled by the very same organis&lion that controls investment policy of other corporations that lend money to joint stock companies? Again the policy that the Insurance Corporation will follow will affect the future of joint stock companies and if I may say so, the joint stock exchanges. Now again, at present the Department of Company Law Administration exercises the control which vests in Government. When Government have an expert organisation at their disposal for dealing with this matter, is there any reason why in this particular case, the investment policy, which will have important consequences, should not be dealt with by the Department of Company Law Administration? It has been proposed that the controller of Insurance should continue to deal with insurance business. That he has not been able to deal effiectively with the insurance companies is clear from the complaint — that somewhat exaggerated complaint— made by the Finance Minister with regard to the working of insurance companies. Besides, he will have to deal with not individual companies but with an undertaking owned by Government. To what extent can the Controller, who occupies, I think, only a subordinate position under the Finance Ministry, control the working of the Corporation? Only a Department with a person with a much higher status than that of the Controller of Insurance at its head, can deal effectively with a corporation like the Insurance Corporation. No such Superintendent or Under Secretary or Deputy Secretary will be able to. deal effectively with the Insurance Corporation. It is only a Department which has a senior officer of Government at its head that will be able to issue instructions which will have to be followed by the Insurance Corporation. I think therefore, that the time has come when it is imperatively necessary in the public interest that the Insurance Corporation should be controlled by the Department of Company Law Administration. There are certain difficulties that will otherwise exist and which the Department of Company Law Administration will be able to deal with successfully. At present under the Bill before us, the Insurance Corporation will not be subject to many of the restrictions that the Indian Insurance Act imposes on the insurance companies. It will be free from many of the requirements that the insurance companies have to comply with. For instance, this Corporation will not be subject to the provision of the rule—I think it is a rule—relating to the premium expense ratio that is applied to insurance companies. It may spend its premium income in any manner it chooses. There will be no agency to prevent it from doing so. Take again, Sir, the furnishing of information relating to the investments made by the Corporation. So far as I can see, sections 27 and 27A will not be applied to it. Section 27 may be applied to it at some future date if the Government of India so decides, but for the present that section will not be applied to it. But it is a matter of the highest importance that we, I mean the public should have the information with regard to the manner in which it invests its funds. It is true that it will have to submit an annual report. But if this information is going to be contained in the annual report, I see no reason why sections 27 and 27A should not have been applied to it. Or they could have been applied to it, with certain modifications. But it could not have been completely freed from the requirements of these sections. The Corporation will control about Rs. 400 crores of money and an annual income of about Rs. 55 crores, even if we take that its business does not expand. Even Government, I hope, will admit that it ought to be accountable to the public for the ownership of so large a sum of money and the manner in which it disposes of it. I think all these matters will be automatically dealt with in an efficient manner if the Department of Company Law Administration is

[Shri H. N. Kunzru.] allowed to extend its control over the Insurance Corporation.

THE MINISTER FOR REVENUE AND CIVIL EXPENDITURE (SHRI M. C. SHAH): What experience has the Department of Company Law Administration about insurance business?

SHRI H. N. KUNZRU: But what experience has my hon. friend of this business of insurance that he should presume to nationalise it?

SHRI M. C. SHAH: I have much more experience than my hon. friend.

SHRI H. N. KUNZRU: I am not speaking of the capitalist Mr. M. C. Shah, as he was before he became the Minister for Revenue and Civil Expenditure.

SHRI M. C. SHAH: I was never a capitalist. 1 come from a lower middle-class family. My hon. friend does not know that. Let me explain to him that I am a very poor man, not a capitalist. I do not come from the capitalist class. I am the son of a school teacher.

SHRI H. N. KUNZRU: Sir, his poverty is apparent from his features.

SHRI M. C. SHAH: I say, I do not come from the capitalist class.

SHRI H. N. KUNZRU: The Government as a whole cannot claim to have any large experience of insurance business. They have to draw upon the experience of the Controller of Insurance at their disposal. This officer could be placed under the Department of Company Law Administration.

SHRI M. C. SHAH: How?

SHRI H. N. KUNZRU: How? What is the difficulty there? I see no difficulty.

MR. DEPUTY CHAIRMAN: You may reply to that point later.

SHRI H. N. KUNZRU: Now I come to the question of the audit of the accounts of the Insurance Corporation. If it comes within the purview of the Department of Company Law Administration, then the provisions relating to the audit of companies, joint stock companies and nationalised undertakings, will automatically apply to it. Sir, I should like to read out to the House the provisions made in the Companies Act with regard to the audit of the companies that are dealt with by the Department of Company Law Administration. Section 619 deals with this matter. I am reading out only in order to make the position of this Department clear with reference to the nationalised undertakings. This section says:

> "(1) In the case of a Government company, the following provisions shall apply, notwithstanding anything contained in sections 224 to 233.
>
> (2) The auditor of a Government company shajl be appointed or re-appointed by the Central Government on the advice of the Comptroller and Auditor-General of India.
>
> (3) The Comptroller and Auditor-General of India shall have power—"

And I should like the House to note these words carefully—

> "The Comptroller and Auditor-General of India shall have power—
>
> (a) to direct the manner in which the company's accounts shall be audited by the auditor appointed in pursuance of subsection (2) and to give such auditor instructions in regard to any matter relating to the performance of his functions as such;
>
> (b) to conduct a supplementary or test audit of the company's accounts by such person or persons as he may authorise in this behalf; and for the purposes of such audit, to require information or additional information to be

furnished to any person or persons, and in such form, as the Comptroller and Auditor-General may, by general or special order, direct.

(4) The auditor aforesaid shall submit a copy of his audit report to the Comptroller and Auditor-General of India who shall have the right to comment upon, or supplement, the audit report in such manner as he may think fit.

(5) Any such comments upon, or supplement to, the audit report shall be placed before the annual general meeting of the company at the same time and in the same manner as the audit report."

Now, Sir, what is there in this section that will hamper the freedom of the Insurance Corporation? I mean, this section makes it clear that the Auditor-General will not audit the accounts himself. The auditor will have to be chosen by the Central Government on his advice. Now surely is it impossible for the Central Government to act on the advice of the Comptroller-General in regard to the appointment of the auditors of the Insurance Corporation?

SHRI M. C. SHAH: Yes.

"" SHRI H. N. KUNZRU: YOU can say, "Yes", because you have the power to enforce your decision, but there is absolutely no real reason for not accepting the control of the Comptroller and Auditor-General to this restricted extent.

Then again, Sir, is it desirable or not that the Comptroller and Auditor-General should be able to say to the auditor of the Insurance Corporation that he should look particularly into certain matters? What is the harm that will be done unless Government fear that it may be guilty of irregularities in carrying on the business of the Corporation? I am sure, Sir, that it will not be in the least against the public interest if the Auditor-General is allowed to ask the auditor to direct his audit to particular points. ;

Again, Sir, take the power of the Auditor-General to have a supplementary audit made or to comment on the audit report and to have it placed before the Insurance Corporation. I think, Sir, that such a proposal would be welcomed by the public. The Finance Minister had something to say about the support that he received from the public with regard to the policy of the Government in respect of the nationalisation of insurance. I am sure, Sir, that if the provisions of section 619 are allowed to be applied to the Insurance Corporation, he will have even a greater amount of public support. The only argument that he gave yesterday against the extension of the control of the Auditor-General to the Insurance Corporation was that it was a financial institution and that it should therefore be even more free than a commercial organisation is. I do not follow this argument at all. You have the insurance companies at the present time which invest large sums of money in other undertakings, which try to expand their business keeping their expenditure within the limits prescribed by the Government. Now why cannot the Government, when it has got the entire business in its hands, accept the prudent limitations that it has placed on the insurance companies, and if the Auditor-General can exercise control in regard to the audit of these companies, why should he not be allowed to exercise control in regard to the audit of the Insurance Corporation, which will conduct absolutely the same kind of business as the insurance companies are doing. The mere fact that Government want to expand insurance business largely does not justify them in keeping this outside the purview of the Department of Company Law Administration and preventing the Auditor-General even from saying that a particular auditor should inspect the accounts of the Corporation or that he should look into certain points or that the report should be submitted to him so that he might send the report along with his own *comments* to the governing body of the Corporation.

[Shri H. N. Kunzru.j

Sir, I think that I have made out a strong case for the extension of the Auditor-General's control over the Insurance Corporation to the extent I that his control extends to nationalised undertakings under the Companies Act. The Finance Minister said in another place that he would convey to the Prime Minister the suggestion made to him by the Lok Sabha that a Select Committee should be appointed to exercise a sort of overall control over the Corporation. Now in England it is true, Sir, that. Select Committees exercise control over Government Corporations. I do not know whether that method will be quite successful here. In any case there is nothing to prevent Government from having a Select Committee while allowing the Auditor-General to have, in respect of the Corporation, the powers that he has in respect of nationalised undertakings.

Lastly, Sir, I should like to make a suggestion to Government as an alternative to the suggestion that I have already made with regard to the inclusion of the Insurance Corpora tion within the scope of the Depart ment of Company Law Administra- ' tion. If they are really very nervous about this matter .....

SHRI M. C. SHAH: Why?

SHRI H. N. KUNZRU: .....I suggest that they should see that the Department is closely associated with the Corporation. This is necessary because the Corporation will be an important shareholder in some of the largest joint stock concerns; it will have to follow a sound investment policy, for what it does will affect the supply of credit to the private sector and to the position of Stock Exchanges. Here is an organisation that deals with all these matters. It is therefore, I think, necessary that this Department should at least be closely associated with the Corporation, should have representation on the Board, on its Executive "ommittee and on its Investment Committee. I think, Sir, that for the reasons that I have stated, the suggestions made by me ought to find favour with the Government if they adopt the right point of view, but of this unfortunately nobody can be certain.

MR. DEPUTY CHAIRMAN: Before we proceed further, I have to bring it to the notice of the House that seven hours were allotted for the discussion of this Bill. We have already taken 4 hours and 15 minutes and we are sitting through the lunch hour and, if necessary, till 6 o'clock today. This Bill has to be finished today and I am calling upon the hon. Minister . for Finance to reply at 3 o'clock. I£ the hon. Members cut short their speeches or do not make any speeches on amendments we can go on a little further, but it all depends upon the hon. Members and so I would request the hon. Members to restrict the time for their speeches to about ten minutes each so that the Minister may reply at 3 o'clock. Yes, Mr. Jaspat Roy Kapoor.

SHRI JASPAT ROY KAPOOR (Uttar Pradesh): Sir, before I proceed with my remarks on the Bill I would humbly and repectfully submit that we should be given sufficient opportunity to discuss this measure.

MR. DEPUTY CHAIRMAN: *I* hours more we are gh»ing.

SHRI JASPAT ROY KAPOOR: Please listen to me, Sir. If the hon. Minister is prepared to accept the motion of my hon. friend, Mr. Rajah, to refer it to a Select Com mittee .....

1 P.M.

MR. DEPUTY CHAIRMAN: We are giving *1* hours extra over and above the time allotted by the Business Advisory Committee. The remaining business of the House requires 11 hours and even if you sit through the lunch hour both tomorrow and the day after, we will not have 11 hours. So I would request hon. Members to cooperate with the Chair in bringing to a close all stages of the discussion on this Bill by 6 o'clock today.

SHRI JASPAT ROY KAPOOR: We are perfectly prepared to cooperate with the Chair but we are also anxious to cooperate with our own interests and with our own duties in relation to this measure.

MR. DEPUTY CHAIRMAN: That is why' you have got 2£ hours extra. Let us not waste any further time.

SHRI JASPAT ROY KAPOOR: As a matter of fact, I am prepared to forego even these 10 minutes of mine but I do want to make my humble submission in regard to time. Because you will realise that this is a very important measure relating to nationalisation. The other House considered it necessary to first refer this to a Select Committee; then they had the discussion and then considered amendments and then passed the measure. And it has come to us at sxich a late hour.

You will also realise, Sir, that we have not been able even to look at the amendments that have been tabled. We got the list of amendments' only at nine o'clock this morning. I for one have not been able to even look at these amendments. I do not know; maybe that some other hon. Members got it even after I got the list of amendments. And how do you expect that on this important measure.....

SHRI H. C. DASAPPA (Mysore): Certainly, we had nt> time to look at the amendments. But if it is to the satisfaction of Mr. Shah and his Government that we should go through the formality, he can always have the pleasure of it.

SHRI M. C. SHAH: Sir, I object to these remarks. I never mentioned anything about time and therefore he should withdraw his remarks that if Mr. Shah and his friends .....

SHRI H. C. DASAPPA: Not friends; I said, Government.

SHRI M. C. SHAH: Even the Government does not come in the picture. It is the Business Advisory Committee that fixes the time.

MR. DEPUTY CHAIRMAN: You belong to the Government party.

SHRI JASPAT ROY KAPOOR: Sir, I would submit ..... .

SHRI H. C. DASAPPA: I have not had my say yet. Sir, it is up to the Government to consider this request and prayer of ours and to extend the time.

MR. DEPUTY CHAIRMAN: How can it be extended; I want to know. The session closes on the 31st.

SHRI H. D. RAJAH (Madras): Sir, we will have a night session. There is no harm. It is summer.

PROF. G. RANGA: Let the Business Advisory Committee be convened.

MR. DEPUTY CHAIRMAN: It is too late for any of those things. The Business Advisory Committee on which every party is represented, allotted 7 hours and we have given 2a hours more. I think it should be sufficient.

SHRI JASPAT ROY KAPOOR: We can sit even beyond six.

MR. DEPUTY CHAIRMAN: You have got other engagements; you know that. Please go on now.

SHRI JASPAT ROY KAPOOR: Sir, while I lend my general approval to the principle underlying this measure and while I express my happiness at the fact that insurance is after all going to be nationalised, I must submit that this Bill even though it has passed through a Select Committee and the Lok Sabha, still needs considerable improvement. Therefore 1 feel it my duty to support the motion moved by my hon. friend, Mr. Rajan, yesterday suggesting that this measure should be referred to a Select Committee of this House. Sir, if you look at the names of the persons mentioned in the motion, you will Hn^

[Shri Jaspat Roy Kapoor.] that there are many important members of this House—excluding myself of course from that category—who have agreed to serve on the proposed Select Committee, obviously meaning thereby that they are also definitely of the view that this should be referred to the Select Committee so that it may emerge from there in a proper and suitable form. Sir, this fact was recognised by the Government itself when it moved in the other House for the reference of the Bill to a Select Committee. They considered this to be such an important measure that they felt that it must be thoroughly scrutinised in detail in the Select Committee and my hon. friend Mr. Deshmukh, said yesterday that initially he had thought of appointing a Joint Select Committee.. But then he thought that there was some technical impediment in his way, and some constitutional impediment in his way and, therefore, he ultimately was advised to move for the appointment of a Select Committee of the other House only. That impediment has been removed here when you were pleased to remark and clearly explain to the Finance Minister that this House was perfectly within its rights to appoint a fresh Select Committee to consider this measure. Now, that impediment having been removed yesterday, I think, the Government to be consistent with its own initial and original view should be prepared to refer this measure to a Select Committee of this House. It would not be without precedent. We might be remembering that other measure—which we have passed in this House some time back— the Railway Stores Bill—after it had gone over to the other House it had been referred to a Select Committee of that House. Now, there it had been referred to a Select Committee notwithstanding the fact that the Government was not considering it very necessary. If I remember aright on the motion of a non-official Member it had been referred to a Select Committee. There would not be anything very unprecedented or surprising if we also resolv« here to refer] this measure to a Select Committee. ' Sir, the object of Mr. Rajah's motion and the motive behind my support to that motion is that we should have this measure in as perfect a form as possible. Surely the hon. Finance Minister and even his able colleague— though indifferent to what we are discussing here and he is busy otherwise—would not have the boldness to say that the last word on this measure has been said. Even Mr. Deshmukh yesterday said that in the light of experience, this measure may be amended later on. But why wait for an experience when obviously today we find that there are obvious defects in it? Why not remove them here and now? Why wait for a future occasion?

Now, Sir, you will see that a number of amendments have been tabled, so many of them. They have not even been read by us. Probably they have not been very seriously, minutely considered by the Finance Minister. I wonder whether he has had time.....

SHRI M. C. SHAH: All those amendments were considered and today also we have very carefully considered them. I have got a bunch of papers on all these amendments.

SHRI JASPAT ROY KAPOOR: I know he has been very ably briefed by his Ministry with regard to all these amendments. I will first.....

SHRI M. C. SHAH: Sir, it is not a question of briefing. I say that all these amendments were very, very carefully considered and I know them. I have studied the whole Bill, all the clauses and I have been through all these. So, it is not a question of briefing. I know all these questions in the Select Committee. I was there, We have met for hours together. So, he need not say that.

SHRI JASPAT ROY KAPOOR: And then, my hon, friend, Mr. Shah thinks that if he has considered them it is all right; it is none of the business of the Members of this House to consider them at all .....

Sma M. C. SHAH: I did not say that. I have never said that.

MR. DEPUTY CHAIRMAN: He never made that allegation that Members should not consider or they have no right to consider. Why are you flinging all these remarks?

SHRI JASPAT ROY KAPOOR: I was not saying anything against him. I was simply stating the factual position.

MR. DEPUTY CHAIRMAN: Please avoid such things.

SHRI JASPAT ROY KAPOOR: These amendments were delivered to us only this morning. We have not had time enough at our disposal even to read them, much less to consider them. I was making out the point for reference to the Select Committee in view of this fact also. I was submitting that with reference to this* amendments, hon. Members of this House have very many suggestions to make and to make them for the consideration of this House as a body. And since we have not the time at our disposal to consider them in this open session, it would be more advisable and in the fitness of things to refer them to a Select Committee. I was submitting that we are anxious that this nationalisation should be a complete success. We are undertaking a very big affair and, therefore, unless and until the measure in respect of it is in a very good and in almost as perfect a form as it is possible at the present moment, it will be very difficult for us to carry the public with us. When we come to discuss the amendments, unless the hon. Minister is prepared to accept the suggestion for reference to a Select Committee, he will find certain suggestions that we have to make are of a very vital nature and without the acceptance thereof it would not be easy to make nationalisation a success in the form in which it has been suggested.

Very well, then I would pass on hurriedly to make a few suggestions, but before I do so I would like to take this opportunity to express our appreciation of the good and valuable work which the private insurers have done so far.....

SHRI H. D. RAJAH: Thank you.

SHRI JASPAT ROY KAPOOR: They have been the pioneers of insurance business and if they had not established so many large insurance concerns in this country, if they had not secured such a huge amount of insurance business and had not made it so popular as it is today, it would not have been possible for us to nationalise life insurance. And then we should not forget on this occasion to express our gratitude to the various insurance concerns for the very great help they rendered to the political sufferers. Many a political leader and many a political worker—a very large number of them—found insurance as a very good and suitable profession for them to carry on along with their political work. And then many an indigenous industry had been very largely helped by the insurance concerns and I hope and trust that hereafter also the funds of this insurance Corporation would in an adequate measure continue to be utilised for financing private enterprise. Sir, only the other day our Prime Minister said, while introducing the Five Year Plan here that private sector has its own place in our national economy. And not only that he went on to say that it must be encouraged. Now, for that encouragement it is necessary that the funds of this Corporation should be available in pretty good measure for the furtherance of private enterprise in this country.

Sir, the few changes that I would suggest are the following. One, that in the Corporation out of fifteen members there should be at least two policy-holders' representatives. It is not a new suggestion, but the hon. Finance Minister said yesterday that it is very difficult to have policyholders' representatives. It was a bit surprising to me that he made that statement. Until now it was insisted

[Shri Jaspat Roy Kapoor.] by the Government and rightly—•whenever the insurance measure came up for consideration of the Parliament or the Central Assembly as it was called formerly—that there must be two representatives of policy-holders. But now, they have taken a somer sault as it were and said that it is not necessary. Everything is safe in the hands of the Government. Of course, everything is safe in thg hands of the Government. And if we pursue this contention to its logical conclu sion, then nothing need be discussed; nothing might have the representatives of Parliament anywhere on any com mittee whatsoever, because after all everything is safe in the hands of the Government. In spite of everything being safe in the hands of the Gov ernment, it is considered necessary that there should be representatives in the Parliament, that there should be representatives of various interests and bodies. And, therefore, there must be policyholders' representa tives. *(Time bell rings.)* The ques tion is how to have them. Well, there is no doubt it is a question .....

MR. DEPUTY CHAIRMAN: Fifteen minutes. I am very sorry, Mr. Kapoor. I am telling you there are twelve speakers more.

SHRI JASPAT, ROY KAPOOR: True. I do not want to take up their time.

MR. DEPUTY CHAIRMAN: Please finish in two or three minutes.

SHRI JASPAT ROY KAPOOR: At least give me ten minutes more.

MR. DEPUTY CHAIRMAN: No.

SHRI AKBAR ALI KHAN (Hyderabad) : Why not decide on the amendments first? He has got some amendments also. If it goes to a Select Committee, then the amendments may go ;there. And if you decide that it should not go to a Select Committee, then the discussion on the subject may go on.

SHRI JASPAT ROY KAPOOR: Well, Sir, you may please suggest that if I may have my full say in the matter .....

MR. DEPUTY CHAIRMAN: Not a full say.

SHRI JASPAT ROY KAPOOR: I am prepared to speak on these amend ments, provided of course we might deal with these points when the amendments come up. But then, I think—I am a little hard of hearing—you were pleased to say that we may not spend much time on amend ments .....

MR. DEPUTY CHAIRMAN: Two hours for amendments. Of course, there are 75 amendments and every one of them may like to speak. So, you have to distribute yourself the time and if some hon. Members do not speak, well and good. There are some amendments which are of a verbal nature and which would require no explanation. No speeches may be necessary. Whereas some principle may be involved and short speeches may be made. So, I leave it to you. Please close your speech in two or three minutes.

SHRI JASPAT ROY KAPOOR: Not two or three minutes. I will not take long. I will simply enumerate them.

MR. DEPUTY CHAIRMAN: Every hon. Member feels that he has got some contribution to make. You should not. encroach upon others' time.

SHRI JASPAT ROY KAPOOR: Sir, I was suggesting that the number of policy-holders who participate in the election of policy-holders may be reduced by having a provision to the effect that policy-holders having a policy of Rs. 5,000 or Rs. 10,000 alone carry vote. Secondly, I would very much like that there is one policyholders' representative on the executive committee and one on the rules and advisory committee. With regard to the question of absorbing the employees of the various insurance

companies, I would suggest that in the case of all the employees of the composite offices an effort should be made to absorb them. If it is possible to do so, I will'have something more to say on this subject when the amendments come up. There is one important thing which I would like to suggest and that is if you find it necessary to reduce the value of any policy— because of the bad financial position of any insurer— then at least do not touch the poor insured who has insurance only to the amount of Rs. 2,500 or less. You may reduce the sum insured in the case of big policyholders, but please for the sake of the poor people do not touch small policies. There is an amendment on that.

Then, Sir, I would like to suggest that the zonal offices which you are having should have the right to carry on business not in any special area but all over the country. With regard to this suggestion I have to submit that at least everybody in the House is anxious that there should be some element of competition introduced in the administration of this measure. "Now. the hon. Finance Minister was pleased to remark the other day that they shall have five zonal offices. True and he seemed to think that there would be a sort of competition between these five zonal offices. I do not suggest that we should have five Corporations as has been suggested by some hon. Members. Let there be only one Corporation, with five zonal offices. But let these five zonal offices carry on business all over the country and then there will be a certain element of competition.

Then, with regard to auditors, I want to meet the hon. Finance Minister half way by suggesting that rather than have one auditor, we should have two auditors—one appointed by the Government and the other appointed by the policy-holders. Even ' in that case ajso only policy-holders ; having policies of Rs. 10,000 or more •may be given the right to appoint one policy-holder by vote. Such a provision we find in certain other companies also.

I have only one or two suggestions to enumerate and not dilate upon them. I find to my satisfaction a provision in clause 22 that they shall be appointing a Relations Committee on which there will be representatives of the employees and also of the agents. I do not know in what particular manner these representatives of the agents or employees will be selected.- But I wish some sort of an elective system might be introduced herein so that the employees and the agents may have real and effective representation and these representatives of the agents and the employees may not be merely 'yes men' of the Corporation authorities. It is no use giving them representation without giving them the right to have their own representatives.

MR. DEPUTY CHAIRMAN: It is time.

SHRI JASPAT ROY KAPOOR: It will serve no useful purpose, if you let this provision remain as it is.

SHRI H. C. DASAPPA: Mr. Deputy Chairman, it is too late in the day to raise an issue on the general question whether, after all, it was the wisest thing that the entire life insurance business must be taken over by the Government and they should manage it themselves. There is one important aspect which I thought they would consider at the Select Committee stage. But I am afraid they have not applied their minds to it.

The question now before us is nationalisation of insurance and it is claimed that it is in furtherance of the object of having a socialistic structure of society. I cannot so easily be led to be convinced of the fact that mere nationalisation is going to bring about a socialistic order of society. What happens is that one form of capitalism is supplanted by another kind, namely, State captalism. How are the masses of the people going to be any better because of this nationalisation of

[Shri H. C. Dasappa.] entire insurance? That is the question. Does this Bill absolutely assure us that it is going to take us nearer that state of affairs than what would have been possible by a different means, namely, asking the various insurance companies to invest a larger percentage of their funds in gilt-edged securities or Government securities? Suppose they felt that they wanted to have a great deal more of funds at their disposal than hitherto, it was quite possible for them to have increased that percentage of obligatory investments in Government securities. But I am not speaking of that now. I am directing my point towards only one thing, namely, why is it that we are anxious to have nationalisation only by the Central Government? Why not we permit the State Governments also to have their own insurance schemes which will have the same nationalised character as the one that we have got before us? I have tried to understand the Government and its mind sfe %tr, but I have not yet had any satisfactory reason for thinking only of the Central Government for taking over all the insurance business.

As you are well aware, luckily for us, there are certain States which are conducting insurance operations very well and my friend, Shri Rajah, also knows it exceedingly well. What is wrong in a State Government running its own insurance scheme? I do not really know what to say in this matter.

If the State Governments run their own schemes, it does not mean that those particular States will ban all other life insurance companies from operating in their areas. As you know, Sir, in Mysore, we have got the State Insurance Scheme and they allow every other insurance company to operate. And I can take pride in this fact that in spite of the competition we have succeeded more than most other companies in this respect. If a small State can compete with all these powerful insurance companies, I ask: Will it not be possible for the Central Government to allow a certain amount of competition here also? I am not going into the general question. But why should there not be some competition between the Central Government Insurance Corporation and the State Insurance schemes? Will there not be, in that case, a certain amount of competition which will all be for the healthy and more rapid development of insurance in the country? And will it not also enable the State to have certain funds at its disposal for the purpose of its own development schemes? What kind of a desire is it that the Central Government should have everything in their own hands and convert every State Government into a kind of perpetual mendicant waiting at the doors for alms? It is going to have very little effect on the mass of the people.

SHRI H. D. RAJAH: That is the democratic set-up.

SHRI H. C. DASAPPA: I am glad that my friend has just given me another thought. The whole idea is to have a decentralised economy in the country. Is this going to help that end or, on the other hand, is it going to create one giant body at the Centre which can steam-roll all other things in the whole country? I was very much taken with Shri Rajagopal Naidu's statement yesterday that it would be better to encourage the development of insurance on co-operative lines. Why should we strangle those fine, voluntary co-operative efforts of the mass of the people? I really do not understand. I would say this. Well, the idea of nationalised insurance is already here. For various reasons it has been decided upon and it is a matter of very big policy. I am not going to dispute it. Let there be a Central Corporation dealing with the insurance in the country, but at the same time, let them allow these cooperative insurance projects to live side by side and let them allow the State insurance projects to exist side by side. There will then be a kind of

healthy competition and it will be possible to see whether the Central scheme will with all its resources, talent, skill, etc., be able to do any whit better than the State scheme. That will be a measuring rod and a test to see whether they at the Centre are going to do it as well as the States. Otherwise, what is the use of having a perfect monopoly of the whole thing? What is there after all that we should pride ourselves about the success of an institution when there is no competition. I will have a word or two to say on this matter later on.

The next question that I would like to deal with is in connection with chief agents. The proposal now is that they should be compensated only on the basis of renewals and not the new premiums. Renewals are a question of what you call a right which h?.s been derived already and if the Bill provides for compensation being paid only on a renewal, it is not a matter of any grace for them. But when they take the bread out of the mouth of the chief agents, should they not compensate them to the same extent whatever may be the formula? When they compensate the special agents, on what basis do they do it? They do it only on the basis of their new business of that year. They have a calculation and they give them compensation. Why do they not do the same thing here also? After all, what is it that you are going to lose? Relatively a small sum. And *ior* what period? Not for perpetuity; not for the terms that they would •have otherwise enjoyed. They will •only have it for ten years. Why •should not the Government deal with them justly and fairly?

I also find that, when they make a modest demand that they be paid once in a month or in a quarter, even that is not conceded to them. The bread is taken away from their month.

(Time bell rings.)

Let me have another two minutes, Sir. Sir, I am so sorry that I have

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1 not been able to dwell on that point, I and if I just begin to make any ! remarks, then I think my friend—c j whoever is responsible for this rush through—will get terribly annoyed. I am not going to lay any blame on anybody. But, Sir, this is an important piece of legislation.

Here is a man, Sir, whose bread is taken away, and it appears that he is to be paid at the end of every year. How is he to live? It is said that he will be paid 'on account'. I cannot understand, Sir, why, with all the staff that they have got, and with al] the material that they have got, their case should not be settled every quarter. I think it should be possible to settle their case every month. I do not think that the Corporation would be so incapable or inefficient as nol to determine, whatever is due to them, every quarter.

The other aspect is this. Why should they not be allowed to commute what is rightly due to them for a lump sum? I am not suggesting this formula or that formula. Of course, some friends have suggested some formulae also. But I say, let there be any reasonable formula. Are the pensioners not allowed to commute their pensions for a lump sum? Let it be 50 per cent, or the whole of it. When we look upon the pensioners with such a lot of charity and reasonableness, why should we not accord the same treatment to these chief agents?

SHRI M. C. SHAH: They are not pensioners.

SHRI H. C. DASAPPA: It is an earned right of theirs. You are going to pay them for ten years, and since you are going to pay them, why not allow them to commute it, and get it in a lump sum? Sir, there are many other things which I would have liked to say. But there is no time.

Now, Sir, I would conclude by saying something about this audit business. I agree that it is not right that the existing machinery of audit consisting of

[Shri H. C. Dasappa.]

the Chartered Accountants should be meddled with or dislocated. Let the Comptroller and Auditor-General be a kind of supervising body giving proper directions to the various Chartered Accoutants who audit the accounts of this Corporation and its branches. I cannot conceive of any reason why such a thing cannot be done, because after all, we have got to evolve a national policy. Can each Chartered Accountant help us in evolving a national policy? It is the Auditor General who can co-ordinate the results of the audit of all these hundreds of branches who can help us in laying down a certain general policy. And I think, Sir, it would be very very proper for the Government to reconsider their rather unreasonable stand that they have taken, and allow the Comptroller and Auditor-General to perform his functions here in regard to the nationalised life insurance business also.

MR. DEPUTY CHAIRMAN: Prof. "Wadia is not here. Shri Himatsingka is also not here. Shri R. C. Gupta.

SHRI R. C. GUPTA (Uttar Pradesh): Mr. Deputy Chairman, it is now a settled fact that nationalisation of life insurance business is necessary, and that fact has come to stay. Therefore, it is not at all necessary to go into the pros and cons of this question. What we have now to do is to find ways and means in order to make the organisation proper in order that the insurance business may run in an efficient manner.

Sir, it is no doubt true that this is a very important measure, and the appointment of a Joint Select Committee was absolutely necessary. The Bill, in its present form, contains several defects and requires a very considerable improvement. It would have been much better if a Select Committee had been appointed, which could have removed all those defects.

It is true, Sir, that some machinery has been provided for in this Bill. But in my opinion, the provisions of this: Bill require considerable modification. I have not got the necessary time to-go into the various provisions of this Bill and show its defects in many respects. But I would deal only with certain important points.

Sir, I agree with Dr. Kunzru's criticism regarding the membership of the Central Government in the various: joint stock companies by virtue of the nationalisation of insurance business, and certain other rights in a number of other public joint stock companies. This is certainly a point which is well worth consideration, because considerable difficulties are bound to arise-in the administration of the joint stock companies.

Then, Sir, I do not know what is going to happen about Fatal Accident Policies, whether they would come under the life insurance business or not. That is not very clear.

There is one more point, which I would like to place before this House. In the management of a nationalised industry, to allow a member of the-Corporation to become the manager of a zonal board would be highly unsatisfactory. To my mind, Sir, a member of the Corporation should not be allowed to become the manager, because his position as a member of the Corporation would give him an advantage over other managers, and he is likely to influence, though uncojnsciously, the decisions of the Corporation. This is a very unhealthy state of affairs which requires to be remedied. .

Then, Sir, so far as the question of competition is concerned, I still feel that there should be a spirit of competition. That is very necessary. But we have to see how that spirit can be introduced even though within a narrow ambit. I suggest that the insurance work should be allowed to be done, as far as possible, on a commission basis. And then the five zones which are contemplated in the Bill should have a spirit of competition, that is to say, if tfie work is done in-

a particular zone above a certain | figure, the persons working in that I zone should be allowed to have some j sort of overriding commission, as it is I allowed to chief agents and special agents in these days. Some sort of competition is absolutely necessary. Otherwise what will happen is that all these persons being Government servants, their mental attitude will become wooden and inflexible, and they will deal with the policy-holders, in a very rough manner. They will not deal with the people as a commercial man does with his constituents. Therefore I think that it is necessary that some sort of competitive spirit should be introduced in whatever form that be. I have suggested two ways and there may be many others.

The interests of the policy-holders is really the supreme consideration and I am glad that the Bill guarantees/ the amounts due to tbe policy-holders but under clause 14, the amount insured is likely to be reduced. In that connection, I would like to suggest that in the case of paid-up policies there should be no reduction, because paid-up policies are like debts and as there is no scaling down of debts, so also there should be no scaling down of the amount due under the paid-up policies after they have matured. Only the payment is deferred in such cases. Therefore, they are like debts and they should be treated as liabilities in the nature of a debt.

Then, another suggestion that I would like to make is this: Smaller policy-holders, say, up to Rs. 5,000 should be paid in full. There should be no reduction in those cases, although the financial condition of the companies which are going to be taken ove"r may not justify it. The reason is obvious. In a number of companies, the Government is going to gain substantially, as they are very well off. If the Government is going to gain in some companies, they may lose in some. The Finance Minister has not given any figures.

SHRI M.' C. SHAH: Government is not going to gain anything, not a farthing. Whatever gain is there will go to the policy-holders.

SHRI R. C. GUPTA: We are going to reduce the amount of the policies in respect of policies granted by insurance companies which are not financially sound. You are not going to give anything extra to the policy-holders who have taken up policies in companies which are very well off. Therefore, you have to take the picture as a whole. In some companies, you will gain; in some others you may lose. You will have to take the entire picture, and in that view of the matter, I submit that Government should consider the case of the smaller policy-holders, and there should be no reduction in the case of policies where the amount involved is Rs. 5,000 or less.

I would make another suggestion with regard to the employees. In fact, the Bill guarantees a certain amount of security to the employees, but I have not the slightest doubt that there will be considerable retrenchment also, and it is inevitable. My suggestion is that there should be the least possible retr«nchment, and 'in cases where there is going to be retrenchment, Government should grant some compensation to the employees, according to the length of their service. There should be no retrenchment without adequate compensation to the old employees, whatever may be the reasons for retrenchment. So far as the shareholders are concerned, I think they have not been fairly treated in the matter of compensation.

In order to make people work efficiently, it is necessary that there should be a limit to the expense ratio. Under the present Bill, any amount can be spent for the dile administration of this undertaking. Unless the expense ratio is fixed, there is a likelihood of the expenses going up. Therefore, I submit that in the matter of the expense ratio, Government should take due notice of the fact that it does not go up beyond the prescribed limit under the present Insurance Act.

[Shri R. C. Gupta.]

Now, one more point which is very-important to my mind is this: There should be one appeal provided against the decision of the Tribunal. Under the present Bill, the decision of the Tribunal is final. Even in the Representation of the Peoples Act, we have provided for one appeal, where there is no question of civil rights. Here the amount involved will be very considerable, and it would be only in the fitness of things if one appeal is provided for in case any particular individual is dissatisfied with the decision of the Tribunal.

There are many other points which, I think, for want of time I would not be able to explain, but there is one point with regard to investment. Power is given to advance money or lend money upon the security of any movable or immovable property or otherwise. I refer to page 5, line 5. I think that the words 'or otherwise' should be deleted, because money should only be advanced on proper security, upon the security of movable or immovable property. There should be no advance on personal securities.

SHRIMATI PARVATHI KRISHNAN (Madras): Mr. Deputy Chairman, I welcome the step that the Government has taken in nationalising life insurance, but at the same time I would like to deal with the points of difference between us and the Government on this particular Bill. Mr. Mazumdar has already dealt with *one* or two points, and I will try to be brief in the few minutes that have been allotted to me and take up one or two oth^r points. Now, the declared objective that lies behind this nationalisation is the taking over of those vast funds that are there in life insurance and making use of them in the national interests as a whole. This objective is certainly a very commendable one, one that should be appreciated by all on both sides of the House, particularly by those on the other side who are now subscribing to the socialistic pattern of society since the Amritsar Session. In this Bill there are many lacunae, and the proof of the pudding is after all. in the eating, and one feels, when approaching the pudding, that it has a very indigestible appearance. Now, the question is: Why is it that only life insurance is nationalised and not general insurance? Mr. Mazumdar has dealt with one aspect and I would like to touch very briefly on the other aspect of it. One argument is that it is necessary in this coming period when we are approaching the declared objective of a socialistic pattern of society, that we should be on the guard, we should take care to see that the interests of the private sector are also safeguarded, that the private sector is also helped. This is the manner in which the Government spokesmen have been speaking here. Now, if that attitude is there, then, there should be some consistency in it. Take the question of general' insurance. The same malpractices that have been practised in life insurance exist also in general insurance. Over and above that, there is one very serious question to be considered. That is the question of the large scale corruption that is possible in general insurance. Today the position is, that where general policies are taken up against fire, against marine accidents and so on, today the position is, that those who are in business, those who do run private enterprise, sometimes have to go through a great deal of expenditure and will have to spend a good deal of time for recovering whatever is due to them on their insurance. Therefore there is this aspect also in the general insurance that because of the malpractices that exist there, the interests of the private sector of industry will certainly be further safeguarded. That is an additional argument that the private sector in the industry should be helped—that particular argument that is put forward in order to combat nationalising of general insurance—that particular argument works in exactly the opposite way, if I may put that before the House. This is the first point.

The second point which, as I said, causes grave apprehension in our

minds is this, that we wint to get , Irom the Government a categorical assurance that all those who, until this time, have been responsible for malpractices in life insurance companies as well as those who have been tooth and nail opposing at every stage, the nationalisation of life insurance, should definitely be completely left out of having any say in the administration of the Corporation. Why I say that we have got grave apprehension is because, firstly that the Custodians in West Bengal are people of that ilk. Secondly, that apprehension exists even more so in my mind today— because of the reply which the hon. Minister gave to a particular question that had been tabled and that is, whether Government's attention has been drawn to the statement made by the Chief Minister of West Bengal at the Annual General Meeting of the Bengal Chamber of Commerce etc. The reply that was given to that particular question made the apprehensions that we have got deeper— they really deepened them because it was a sort of ostrich-like attitude and an attitude rather like the three monkeys who said 'we hear no evil, we see no evil and therefore we speak no evil'. It is a most unrealistic attitude because after all what is the question? Has the Government's attention been drawn to it and what action is being taken on the matter? If the Chief Minister of a major State, a Chief Minister who belongs to the same Party as the Government, a Chief Minister who belongs to that Party which has, as its declared objective, a socialistic pattern of society, can make a statement like that, it certainly causes grave apprehension and that is why we wish to see it on the Statute book itself, we want to safeguard against such opponents of nationalisations having anything materially to do with the conduct of the business of the corporation itself. This is why an amendment has been tabled, this is why again and again we have asked for this assurance. It was asked for on the floor of the other House. It has heen asked for also not only by us, b'.'t bv a large section of public opinion amongst policyholders and amongst the employees outside.

Then coming to the third point that I would like to make, that is, the question of the workers' association or the association of the employees in the conduct of the industry.

Once again we come to the same picture, i.e., certain principles being stated, certain assurances being given and various objectives being placed in the most beautiful language but when it comes down to action, when it comes down actually to brass tacks, it has been found that the Government is wanting. Here in the clause where one had hoped to see that the Government would at least, in this matter CorporatiQn, come forward ana ;>ji an example of taking the co-operation of the workers in the industry in the conduct of the Corporation, that we see is missing. Again and again, our demand has been that where the public sector is concerned, where it is the Government that is the employer, there the Government should stand out as a model employer. Whatever advice they may give from the rostrums and on the floor of the. House to the private sector, whatever assurances they may give that this is the manner in which the public sector will develop, this is the manner in which a socialistic pattern of society is going to develop—those assurances have absolutely no meaning when we find that time and again when opportunities are there, when necessity is there to translate those assurances into action, that action is not forthcoming. We fail to see or we fail to understand why it is that they are so diffident, that they are so chary of taking into their confidence er of taking the active cooperation of the workers in conducting such Corporations as the one that is going to come into being when this Bill becomes an Act.

Apart from this aspect of the workers' participation in the administration itself, there is also the aspect of the interests of the employees. There are so many issues—one afte^

[Shrimati Parvathi Krishnan.] the other. I am sure that many hon. Members of the House have been flooded with letters in the way that we have been, from insurance employees throughout the country who have been facing one difficulty after another since January 19, 1956. Memoranda have been sent to the Select Committee and in view of the limited time I cannot go into every demand that the employees have put forward or every suggestion of them in detail. There is one particular suggestion and that is that now that the Employees have become employees of an all-India organisation since they will be under the Corporation, there should be certain safeguards in regard to transfers. When they are transferred from one place to another, provision should be there for their housing and to meet so many of the difficulties that may come up as a result of their being transferred from one area to another which may not have been foreseen at a much earlier stage and which position was not there earlier, before nationalisation. Similarly there is the demand also of the employees' representatives being represented on the Board of Trustees of the Provident Fund and of the Superannuation Fund. Most important of all is the fact that because of the conditions existing in the various companies that are being taken over, there is the problem of various pay scales and various rules of service and employment existing. There has been charter of demands that has been put forward by the All-India Insurance Employees' Association and which has already been taken up once by the Chief Labour Commissioner and the' Government of India. One of the assurances required is, if the employees are to be enabled to pull their full weight toward making the conduct of the Corporation a success, one of the assurances that is looked for by them is an assurance that this charter of demands will be taken up, that on the basis of this charter, discussions may be held and an agreed formula may be arrived at as to conditions of work, hours of work, pay and so on of the employees.

With these few words, I would like to express our general support to this Bill and in view of the fact that we have tabled amendments, I hope we will get more time to speak when the amendments are taken up.

2 p.M.

SHRI C. P. PARIKH (Bombay): Mr. Deputy Chairman, initially let me deal with what Shri Rajah said. Mr. Rajah advocated the cause of the small companies and he referred to big companies also and put forward the case of the administrative expenses. He said that the smaller companies are allowed higher administrative expenses and therefore the compensation should be based on different Hnes. Sir, I think that argument does not hold good here. The reason for giving the higher administrative expenses to the smaller companies is quite different. Their administrative expenses will be naturally higher owing to the volume of their business being smaller. If this concession is not given, then these companies will suffer. Therefore it has been wisely laid down for compensation that these companies should have two options. They should have either twenty times the surplus or the paid-up capital plus ten times the surplus. So the smaller companies will naturally choose the latter. They would exercise the option of having the paid-up capital plus ten times the surplus, if they have a surplus. The smaller companies are able to function on account of their higher administrative expenses and on that account this provision is necessary. Therefore, I think that argument of my hon. friend Shri Rajah does not hold good. He has not explained the situation which exists in these insurance companies.

Why are the smaller companie^ floated? Why do they ask for compensation? What is the principle behind it? Smaller companies have smaller capital. The company which my hon. friend Shri Rajah had in mind has a

capital ol Rs. 3 lakhs. Do you know the life reserves behind it? I submit, Sir, that the companies with very .smai, capitals are controlling funds of lakhs and crores and their shareholders want to enjoy a monopoly of enjoying the funds of the company by being share-holders and being in the directorate. That naturally has given rise to this interference, more or less, by the State. This matter has already been discussed earlier and so 1 do not like to expand on that.

The main point to be borne in mind is that in life insurance business the iunds are much more than the capital. Therefore there is the chance of their investment in directions which are not warranted or in directions which will only be conducive to those who are directors in the companies. I think, if you examine the lists, many instances can be found of this nature. There-iore, the argument that the smaller .companies are not dealt with in this measure is not a correct one.

With regard to the investments, my hon. friend said that the investments by the Government will not be properly carried out. But my question is: Were they properly carried out till now by these insurance companies themselves? I refuse to believe that they were properly invested, in spite of the restrictions that are there under the Insurance Act. If these investments are examined, it will be seen clearly that these investments are mostly made in such concerns in which the directors were interested, directly or indirectly or in which they were holding a commanding voice. Now this Investment Committee is to be appointed by the Government of India. The responsibility of that Committee will be to the whole of India. I would request the hon. Finance Minister to make it very clear that whatever investments there are, they should give information about the number of shares held in the name of each company. In the annual report this should be disclosed to the public in order that we may know how the investments are made, how they are added to or how they are brought down. The reason is that we should exercise great influence and in some of the companies in which speculations are carried out, the Government may come in and sell the shares to bring the market down. Where the shares are unduly depressed, the Government can come in to prevent the depression. After all, the Government will have control over Rs. 300 crores and we are living in a planned economy. Therefore, it will naturally happen that Government will invest these funds in such industries as are in need of funds, in such industries as are essential for the development and progress df the country and for which capital is not forthcoming in adequate measure. The return may be less, but there is this consideration that the investment will be diverted to such concerns where investments are not coming to the fullest extent. At present there is power to invest Rs. 300 crores and ultimately, at the end of the next Plan period, this sum will increase to Rs. 700 or Rs. 800 crores, because the insurance funds will multiply. These funds being under the control of the State, with every increase in the standard of living, there will be increase in these funds and so we will have development on that account.

With regard to the investments, I agree with the suggestion made by . Shri Dasappa and Dr. Kunzru that this work should be brought under the Company Law Administration. The reason is simple. The Company Law Administration is in possession of so many facts about all companies in the country and so they are in a better position to regulate and control private companies. At present the control of insurance companies is under the Department of Economic Affairs. I think this work should be placed under the Department of the Company Law Administration. Why is it so? So many companies' shares will be held by this Corporation and I think on a percentage holding of the paid-up capital, the State should appoint the directors in

[Shri C. P. Parikh.] those companies. For every 10 per cent, of the capital, the State should appoint one director.

SHRI P. D. HIMATSINGKA (West Bengal): In every company?

SHRI C. P. PARIKH: Yes, in every company where the Corporation has 10 per cent, capital, there should be one director. And if it is 20 per cent., there should be two directors appointed by the State and so on.

SHRI P. D. HIMATSINGKA: The law will then have to be changed.

SHRI C. P. PARIKH: The Company Law makes provisions for all the changes. The whole idea is that the State may be able to know how the administration of the company is being carried on. That is the principle that I have in view when I make this suggestion. If the State has an interest at stake, it *lso has the #right to look into the a-i'airs of the concern and the experience thus gained of the management of companies will be most valuable.

SHRI ABHIMANYU RATH (Orissa): Do Government propose to take the members State-wise?

SHRI C. P. PARIKH: I could not hear the hon. Member clearly. If he wants an answer, he will please repeat his question.

THE VICE-CHAIRMAN (SHRI P. S. RAJAGOPAL NAIDU) : His question is whether the Corporation will take its members State-wise.

SHRI C. P. PARIKH: No, it is left to the Corporation to choose such members whom they think best. The Government's responsibility is to Parliament and therefore, they will act wisely. I am against any State-wise choice. Only experience, knowledge and ability should count in *such* appointments.

Next I come to the question of zones. There will be Ave zones and the control, they say will be easy. But I think it is a huge organisation and I support the suggestion made by Shri Dasappa and also the one made by yoo. Sir, that there should be a parallel organisation of co-operative life insurance. Mr. Dasappa also suggested that, there should be State insurance companies. Wny should any State be prevented from starting an insurance company? The State and the Centre are the same and competition between the Stdte, the Centre and the co-operative societies should be put in in order that this Corporation may function effectively. We are all working for co-operation. This Corporation is also in my opinion a co-operative organisation. And as you have suggested, Sir, its name should be changed into "Co-operative Life Insurance Corporation". I welcome the suggestion that the term "co-operative" should be there in its name, because 95 per cent, of the surplus funds will go to the policy-holders and 5 per cent, will go to the Consolidated Fund of the Government. Therefore it is a co-operative organisation. This being a huge co-operative organisation manned by the Centre, it may be difficult to manage it and in order that the Centre may act well, it is necessary that the State should be entitled to and should be given the power to form State Insurance Corporation of its own and the co-operative societies should also be encouraged, if they want, to come into the picture. The rates of premium may be fixed. But the administrative expenses and all the rest of it should be a good comparison and there will be good competition among them.

With regard to audit, that is very important. I think it is not too late for the Finance Minister still to say that it must be under the control of the Auditor-General. I have been a member of a State corporation and I find that the audit carried out by the auditors appointed from outside is not as satisfactory as the audit by the Auditor-General, because the Auditor-General is working on certain principles and he has a certain policy laid down and he is independent even of the Central Government. Therefore I. think, Sir, the Auditor-General's audit.

is very important as in that case all the lacunae and all the irregularities that are happening today will be brought to light and Parliament will De able to discuss them. Therefore I strongly suggest that it should be so and I am in favour of extending this audit service to the other branches also because an auditor must always be independent of the management and independent of any control, independent of the executive and I think, Sir, in the whole private sector and in all public undertakings the auditor should be under the Auditor-General and just as independent as the judiciary. That is very important.

Then, Sir, with regard to another point that the claims and loans will not be given very expeditiously. I think, Sir, the organisation will act in a very responsible manner. There is an awakening in the country as to what are the defects of the Government and therefore it will not be tolerated. I think, Sir, if Corporation makes a default or makes delay in giving loans, then so many questions will be asked in Parliament about that. With regard to claims also, if there is delay, these things will happen and I think if Members of Parliament or even Members of State Assemblies are not alive to this and do not control Corporation in this way, then it will be our misfortune. We have to bring administrative efficiency to the fullest possible extent, to the extent that we require.

Now, Sir, this venture that we have taken is very big; if we are able to succeed in this, we will be able to extend it to and control the private sector as efficiently as we could. The administrative ability of the Central Government is challenged in this respect. If the Central Government is not able to effectively discharge these duties which are entrusted to it, then this and all the public enterprises which we are going to have will fail and will miserably fail. Therefore this Corporation, the proper running of it, is the acid test of how we need to carry on business, and next to the Railway Department, this will be the biggest department in the country because the Railways have about Rs. 900 crores now and will have ultimately Rs. 1,100 crores or Rs. 1,200 crores investment, and this is about Rs. 400 crores and this is likely to go up to Rs. 800 crores. So this is the biggest Corporation and in my opinion the second biggest Department of Government which will be worked in the country, but it should be working, as we say, on competitive lines and on lines which will be beneficial to the policy-holders. The administrative expenses must be less. Then there must be the bonus system or the commission system, which one hon. Member suggested, for getting business from each district and each village, because, when we tap the villages and the rural areas, the amount of funds that we will be able to draw to this exchequer on account of larger insurance in the country by people who do not understand the benefits of insurance at present, will go a long way in tapping rural savings in this respect.

Then, Sir, something was said about retrenchment. It has been made very clear that there is not going to be any retrenchment except in respect of those persons or officials who are appointed on inflated salaries or those who are the nominees of managements and who do not work whole-time or whose appointments are only nominal. Except in those cases there is not going to be any retrenchment and the Finance Minister has made it very clear that retrenchment will not be there, that we will have surplus staff but we will engage it with the expansion of our business. So there should be no worry on that account and Mr. Mazumdar's argument is wrong in this respect.

With regard to taking over general insurance also he made some remarks. I say let us first make life insurance successful. Let us see its working during a period of, say, three or five

[Shri C. P. Parikh.] ;years; let us see how we are having life insurance conducted by this Corporation and if it is a success, then this Insurance Corporation can very well carry on the general insurance 'business also and if today you want to :take away the general insurance companies, of course you may take it overnight, but I say let us not undertake so many things which we cannot •manage, and if we attempt to do so, we are bound to fail, and that suggestion is coming from Mr. Mazumdar in order that we may fail even in this work.

These are some of the points which are very important and if the Finance Minister looks into them, then this /Corporation will succeed. With these words I support the Bill.

SHRI K. SUR Y AN AR A YANA (Andhra): Mr. Vice-Chairman, while agreeing with the general principles .adopted in the formation of this Corporation I want to make some observations in this regard, namely in the matter of safeguards to the staff and field workers. Though they have given so many assurances in the Bill to the staff, I understand that recently some of the Custodians of the companies have given notices for the termination of the services of some of the staff, who have put in some years' service. Though they have represented their •cases to the Government through their associations, they have not interfered in this and they have not heard them properly. Some of them in their individual capacity have appealed to the higher authorities, but they have not got any reply from them. While the permanent staff and the officers of the insurance companies were given so many assurances, the poor field -workers and the inspectors in the field were not given any assurances. In view of the formation of this Corporation these poor fellows thought that their services also, their efforts also to develop this industry will be taken into consideration but unfortunately, io their great surprise, their services have not been given due consideration and their services have not been guaranteed by this Corporation. Therefore through their associations they have appealed to the Government. In the Select Committee also they have not considered their cases and they have not given any assurances to them by this Bill.

While appointing the Custodians they have not taken into consideration, nor given any assurances to the branch managers. So many instances of malpractices were brought to the notice of the Government against the Custodians in their previous business life. But they have been appointed simply because they have taken some degree or this or that and unfortunately the branch managers, who have worked with the companies for a long time past as such—may be without any degree or with any degree—have not been considered while appointing the Custodians. Most of the custodians are appointed from among Actuaries. Only I am not disputing with this idea, but they have to consider the services of the previous experienced branch managers. Though they have not got Actuary's qualifications but they have got more experience than these actuaries in organisation as well as office administration. Yet they have not been treated as the actuaries are treated.

Now coming to the position of Agents, you know that the agents are the pillars of the insurance companies and they are the propagandists of this insurance idea to the people. They have not been given any assurance in this Bill. According to the Act, if they have put in some service, they may get some renewal or something like that, but in this Bill they are not being given anything as far as I know. When you are reappointing a man who had committed a fraud while in Government service, when you are kind enough to consider his services for re-employment, you are not kind enough, in the case of these agents, to give them their earned remuneration on the renewals, which they had been earning all their lives except for a break

ot ten years or five years. That is a •thing to be considered.

SHRI M. C. SHAH: Whom are we siot giving?

SHRI K. SUR Y AN AR AY AN A: To the agents.

SHRI M. C. SHAH: The agents will get. It is there.

SHRI K. SIjRYANARAYANA: You have put in some clause, that wnless they have put in some minimum business or service in ten years or five years without any fraud they won't *get* anything even though they are - entitled to get a hundred rupees *on* renewals. What is the loss to the company or to the Corporation to give Rs. IOO to an agent which is earned by him?

SHRI M. C. SHAH: There is some (misapprehension in the mind of my hon. friend. All the agents will get .their renewals. They will get it as long as they are entitled to it.

Shri K. SUR Y AN AR A YANA: The hon. Minister will see that there is •some restriction in the matter of paying them the remuneration on renewals. Unless they get some new policies, the agents can have no right to their remuneration on the renewals according to the present law. There is one restriction like that. But here you have not said anything safeguarding the low renewal income people of Rs. IOO or Rs. 200 and that is a thing to be considered.

THE VICE-CHAIRMAN (SHRI P. S. RAJAGOPAL NAIDU) : In the absence of that the presumption is that they will get it.

SHRI K. SURYANARAYANA: No, no. Previously the companies were not giving anthing unless they procured a minimum business to get renewals.

SHRI M. C. SHAH: They are not .agents; they are field workers.

SHRI K. SURYANARAYANA: As 1 remember the limit was Rs. 5,000 worth new business and Rs. 200 to Rs. 300 minimum renewals. That restriction should be taken out.

THE VICE-CHAIRMAN (SHRI P. S. RAJAGOPAL NAIDU) : The hon. Minister will reply to your point when he replies. You can proceed.

SHRI K. SURYANARAYANA: Then, Sir, we are thinking of extending insurance into the rural areas. So far the private sector had not done anything in the rural areas. Now that the Government are thinking of exploring the possibility of tapping the rural areas for the purpose of insurance, so Sir, something should be done to educate the people in the rural areas and make them insurance-minded. Unless we adopt some novel method, there may not be any benefit accruing to the rural areas.

My suggestion in this regard is this. There must be two Corporations—one for doing insurance for Rs. 1,000 and below on the lines of the Provident companies and secondly there will be this Corporatipn for higher amounts. If you have a separate Corporation exclusively to tap the low income people in the rural areas as also the agricultural labourers, all such people can have the benefit of this insurance scheme. They can put their small savings here and take up small insurance policies. In the present measure there is no provision to explore the small income people for this purpose. In order to make them insurance-minded you must adopt something new, just as you have done in the case of the handloom weavers. Now, Sir, the Government is collecting some taxes from the big millowners and out of that paying subsidies to the poor weavers. You should try to give some such benefit to the small policy-holders in order to induce them to take up insurance policies. Only if you adopt some such novel method like this, the small income people will feel attracted towards this and we can

[Shri K. Suryanarayana.] thus extend our socialist pattern of society to the rural areas.

Then, Sir, so many representations have been made to the Government—I am coming again to the question of agents—and I hope the Government will consider the question of these low income agents. The hon. Minister has already said that he will answer that point in his reply. That is all I have got to say, Sir.

SHRI KISHEN CHAND (Hyderabad) : Mr. Vice-Chairman, at the very outset I may say that I welcome nationalisation, but what do we mean by nationalisation? When you nationalise an industry, the entire money that is invested in the industry is taken over by the Government. But here it is the policy-holders' money—this large amount of Rs. 330 crores—and the Government is going to invest only Rs. 5 crores and with that Rs. 5 crores they are going to set up a Corporation consisting of 15 people, who will look after the whole business. I know that Parliament will take good care to see that the Corporation runs properly; the Central Government will take good care to see that the Corporation is run properly; but this is full fledged State capitalism. This is not really the meaning of nationalisation. If the Government wanted to nationalise Life Insurance, it should have been the policy-holders who should have controlled this Corporation. I have sent in certain amendments in which I have said that this body should not consist of only 15 people but that it should have 60 people out of which half the number should be representatives of policy-holders. What is the point in first having a body of 15 people and then an Executive Committee of five geople? Fifteen is not such a large number that there is need for an Executive Committee of five. Even in the case of Universities and other public bodies there is at least a membership of IOO or 80. The Senate of any University consists of 80 to IOO people. Here also if they had fixed the number at 60, 80 or 100 and given full representation to the policy-holders there was a reasonable prospect of the thing being run properly. The hon. Member who" spoke before me pointed out that after the Railways this would be the biggest Corporation in India. I agree with him but I might point out that in the matter of Railways the entire investment of Rs. 1,100 crores belongs to the Central Government which is paid out of the Consolidated F«nd ot India, though for getting that amount the Government may have borrowed *in* the market; that is a separate thing altogether. The entire investment in the Railways is of the Government of India but in this insurance, the investment is of the policy-holders, not of the Government. When we asked for nationalisation of insurance companies and banks we had pointed out the difference between an ordinary industry and the banking or insurance company. Both in banking and in insurance the investment of the shareholder is generally nominal, less than 10 per cent. In the case of insurance companies it is merely two or one per cent, while the bulk of the money belongs to the policy-holders and in the case of banks to the depositors. In the case of banks, the depositors have no voice in the running of the Bank. Therefore it has been the insistent demand of the Socialist Party that the banks and insurance companies should be nationalised but that nationalisation should be on such lines where the policy-holders or the depositors get full representation on the Board and not nationalisation of the type envisaged in this Bill where the management is vested in a Corporation of 15 people. These 15 persons are not responsible to 'the policyholders; they are indirectly responsible to the Central Government which will control them. You know that in life insurance companies there is the Controller and he has prescribed certain percentages that so much out of the first year's premium should be kept in life insurance fund, so much out of the renewal premium and so on. Here there is no such regulation

but the Central Government has taken power that at a subsequent date when they think fit they may prescribe certain limits about that. I have sent in certain amendments by which statutorily it would be an integral part of this Corporation Act that a fixed percentage—I have said 25 per cent, of the first year's premium and 95 per cent, of the renewal premium— should be kept in the life insurance fund. This Corporation is after all managing the life insurance business and as managers they are entitled to a small remuneration and that remuneration should be on a fixed percentage basis. You know that in a life insurance company the expense ratio is a very important thing. In our country even the best managed insurance companies have an expense ratio of about 22 to 23 per cent, not to say of new companies. In the case of new companies when they are growing up and the new business is large, the expense ratio is 30 to 35 per cent. But unluckily for the policy-holders, there is no restriction in this Bill. This Corporation may spend cent, per cent, in expenses but there will be no restriction on it. There should be some restriction from the very beginning. Why should we pass a Corporation Bill in which there is no limitation on expenses and then later on come agaii\to this House when there is a mistake or when there is some-thing wrong? You must put restrictions. That is why I suggest that the Government should statutorily enforce that the expenses ratio should not <exceed 15 percent.

SHRI H. D. RAJAH: Of the renewal premium?

SHRI KISHEN CHAND: Of the total premium income, first years' premium and the renewal premiums. I have said 15 per cent, because in the U.K. it is less than 15 per cent, and in U.S.A. it is still less. Let us therefore, follow the example of other countries with big insurance companies, where we find the expense ratio to be less than 15 per cent.— nearly 11 to 12 per «ent. Let us keep an upper limit of 15 per cent, as the expense ratio. Then the policy-holder will realise that money is safe, that at least he is going to get the full benefit of nationalisa tion. His benefit will be in the shape of lower premium rates, greater security and bigger bonus. You know, Sir, that the insurance premiums, if added up for the entire period are more than the amount of the policy, supposing there is a twenty-year policy. Then, if you add up the pre mium paid by the insured in twenty years the amount will be more than the amount of the policy. It will be more than a thousand rupees .....

SHRI J. S. BISHT (Uttar Pradesh): Naturally.

SHRI KISHEN CHAND: Because he feels that there is a risk; but more than the risk he looks forward to the bonus. The bonus is paid from the very first year. If he gets a bonus of Rs. 20 per year, then in twenty years he will get Rs. 400; so, he will get Rs. 1000 plus Rs. 400, that is Rs. 1,400. This is the attraction. But if there is not this attraction, he may only get back premium amount, when a nominal bonus or no bonus is declared. That will be negation of insurance. That will be against all principles and canons of justice. Therefore, how can we ensure it? We can ensure it only by putting a ceiling on the expenses incurred by this Corporation. I know the agents will be on a commission basis, but there are a large number of field workers and we know the experience of Government offices. You know in our Central budget we find from yea*r to year that the expenses on civil administration are going up. Similarly, there is a great danger in this case. The hon. Minister will get up and say we will take good care, we will examine, we will inspect and do all such things. But is that assurance enough? What are the safeguards in the Bill? After two or three years the Government will come round and say, well we have given them security, we have given them this facility and that

[Shri Kishen Chand.] facility; therefore, naturally the bonuses are bound to be less. I am not satisfied with this and I will insist that the expenses should be fixed at a low figure and they should not in any case exceed 15 per cent.

Then, Sir, we come to the question of investment of funds. Here also everything is left to a small advisory committee of three people and there is this Corporation of fifteen wise people. These fifteen wise people are going to manage this fund of Rs. 350 crores and as has been pointed out by several hon. Members when this Cor poration will grow and insurance busi ness will grow in this country, the Corporation may have the large fund of Rs. 700 or Rs. 1,000 crores. But do you think these fifteen wise men pro bably advised by three other members ef advisory committee or finance com mittee are fit to handle this fund of Rs. 1,000 crores which does not belong to the Corporation? They are trustees of the policy-holders. What is the harm in having the policy-holders? Sir, you know the insurance com panies have suffered in the past because of bad investment policy. What is the safeguard in this? That is why I have sent in an amendment. Tn my amendment I am only concern ed with the life insurance fund. I want to separate the life insurance fund from the general fund. This Corporation should really have two funds. Out of the premiums that they receive, a fixed percentage of the first year's premium and a fixed percentage of the renewal premium should be put into the life insurance fund. All the interest on the life insurance fund should go to it and the policies when they mature, the payment should be made out of it. The other should be called a general fund in which the balance of the premium income will be put. So, I have insisted that out of the life insurance fund, at least 75 per cent, should be invested in Government securities .....

THE VICE-CHAIRMAN (SHRI P. S. RAJAGOPAL NAIDU) : It is time.

SHRI KISHEN CHAND: I have' taken only ten minutes. You have allowed fifteen minutes to others.

THE VICE-CHAIRMAN (SHRI P. S. RAJAGOPAL NAIDU) : You have taken* twelve minutes. You have tabled a large number of amendments. As such you will have an opportunity to-speak on your amendments .....

SHRI KISHEN CHAND: I will speak only on one point. So, I was saying that 75 per cent, of the life insurance-fund should be invested in Government securities. Only 25 per cent, may be invested in other things.

Then, Sir, I will come to the question of zones. Ths hon. Minister has suggested only five zones and as usual has put them in Calcutta, Bombay, Delhi, Madras and Kanpur. The rest of the cities do not exist in India. The-rest of the population does not exist, and the entire insurance business will be secured from there. I have suggested, therefore, that for every forty-million people it may be three crores or five crores—for every four crores of people there should be a zonal office. Why is it that you select one zone in one corner and one zone in another corner? If we assume that on an average people from every part will insure, from every district, from, every taluk will insure, there is no reason why we should select only these five cities as zonal headquarters and divide the country into five zones. I have suggested that there should be twelve zones.

Sir, in the matter of the management of the zones, the entire work is: entrusted to one manager, one zonal manager. Possibly he will have an advisory committee of two or three-people who will act only as advisers, who will have no power of control, no power of direction. There also I have submitted that in these zones there-should be a zonal committee or a zonal board of directors in which fifty per* cent, of the members should be representatives of the policy-holders and' so on.

men, in the matter of foreign companies, the hon. Finance Minister said that you should take such of their assets as on an actuarial valuation basis the policies are entitled to. I submit that it is possible that some of the investments may have appreciated, may have gone up in value. When the policy-holder is taking a risk that the assets may depreciate, he should get the benefit of appreciation. So, I submit that in the matter of foreign companies, when their assets are being apportioned, in case there is an appreciation of assets, it should be taken into consideration. *(Time bell rings.)* Can I have one more minute, Sir?

THE VICE-CHAIRMAN: (SHRI P. S. RAJAGOPAL NAIDU) : No, please.

SHRI JOGESH CHANDRA CHAT-TERJI (Uttar Pradesh): Sir, life Insurance nationalisation is a welcome move, but hon. Members here have expressed some doubts about many things, regarding the form of nationalisation particularly when our object is the formation of a socialist pattern of society.

Some eight years back, I had occasion to inaugurate a conference of insurance workers at Lucknow. At that time, I made a suggestion that insurance should be a nationalised subject. The insurance workers who had gathered there were very happy over this suggestion. But, at the same time, I saw that the managerial staff of insurance companies were not in favour of the suggestion at all.

Soon after the ordinance was passed, the hon. Finance Minister made a statement that he had received congratulatory telegrams from insurance workers. But he did not say that he received such feelings and sentiments from the insurance managers. That is a point which shows which way the wind is blowing, because, as we have seen, the managerial staff of insurance companies have been working somewhat like agents of the big insurance magnates who were using insurance funds on most occasions for their personal ends. So, I welcome the nationalisation of insurance. But, at the same time, we want that there s'lould be proper safegurads against any misuse of the power that is going to be vested in the Corporation.

In lti53, a code of conduct was formulated, but according to that, only one intermediary should have been between the insurer and the company. But in practice, it has been seen that no officer was observing that code of conduct. Officers like the branch secretary, organising secretary, divisional superintendent, special field officer, etc. were acting against that code. They were a sort of sinecures because they were not working either as securers of business or as field workers. So, a big amount of money was being spent on them. That was unnecessary. So, my suggestion would be that, when the Corporation is formed, there should be-enough safeguards against all these things. There should be representatives of different interests involved in the insurance industry. There should also be representatives of Parliament in it. My suggestion is that the composition of representatives out of the fifteen persons should be like this:—Three should represent. Parliament; three the policy-holders; one should represent the actuaries; one should represent the salaried field workers; one should represent office-employees; one should represent the agents; one should represent the medical men and there should be four representatives from the Central Government including the Chairman.

There have been many cases of mis-appropriation of insurance funds. I do not go into the details of that. But I would like to mention here the posi-, tion of agents, special agents, principal agents, chief agents, etc. They have also, in many cases, abused their position. So, it should be seen that in the changed circumstances, they do-not get an opportunity to misuse their position in the new set-up of things..

I would also like to point out that in India, the insurance management expenditure is the highest in the-world. Here is a comparison. In the-

[Shrj Jogesh Chandra Chatterji.] year 1950, the Indian companies' expenditure was 28-9 per cent, whereas foreign companies in India had only an expenditure of 20" 8 per cent, and companies in U.S. 16- 8 per cent. In the year 1951, Indian companies expenditure was 27 2 per cent; foreign companies in India 23'0 per cent, and U.S. companies: 16 5 per cent; In the year 1952, Indian companies: 27'1 per cent; foreign companies in India 22'4 per cent, and U.S. companies 16.7 per cent., and in 1953, Indian companies 27-3 per cent; foreign companies in India 20 7 per cent, and U.S. companies 17-0 per cent. Thus, you will see that the expenditure of Indian companies was the largest. Why? As I have already stated, in violation of the code of conduct, they were employing people who were actually not needed for the efficient running of business.

Lastly, Sir, I would like to mention something about the prospects of our Second Five Year Plan, if it is properly worked out in respect of insurance. If this insurance business is properly worked at a very much reduced cost, then certainly there are going to be bright prospects and there can be no question of any retrenchment in the staff. Rather many more people will be gradually employed in it, and the business will prosper very much. Sir, there have been some suggestions with regard to competition. But I do not think that competition is very essential for the prosperity of the industry. If expenditure is reduced substantially, then naturally people will feel inclined to have their lives insured, and in that way the insurance industry is going to thrive in the country by leaps and bounds. *(Time bell* rings.) Sir, I would quote only one sentence from this pamphlet "insurance Business in India" by Shri H. D. Malaviya. It runs as follows:

> "With the new drive under the Second Five Year Plan, the potential for Life Insurance will be immensely increased. Even assuming 10 per cent, of the newly employed persons and 2 per cent, of those employed at present are tapped for voluntary Life Insurance, at substantially lower premium rates, we should be having a new Life Insurance business every year equal to the entire present business of all the insurance companies in India."

Thank you, Sir.

SHRI H. P. SAKSENA (Uttar Pradesh): Sir, I must offer you my thanks for having given me the opportunity of expressing my views on the Life Insurance Corporation Bill.

It appears that the Government is becoming very fond of corporations. These things, Sir, have caught the imagination of the Government, and I will not be surprised if, after some time, after having had the Industrial Finance Corporation, the State Finance Corporations, and the Life Insurance Corporation, we may have a family planning corporation and a monkey catching corporation, and so on and so forth. Sir, I have very great regard, rather a soft corner, for my hon. friend, Mr. Rajah. But I must enter my very strong protest against his clubbing nationalisation and vulgarisation yesterday in one and the same category. Never, never, Sir, a patriot like Mr. Rajah should treat nationalisation and vulgarisation as synonyms. If we are reduced to the position of a vulgar nation, if we have no patriotic, no nationalist instinct left in us, we are doomed. I hope my friend, Mr. Rajah, never realised the significance of the expression that he was using, and he used it in his usually non-serious manner.

Sir, my greatest concern with regard to this Life Insurance Corporation Bill is as to what is going to happen to the millions of workers who work as canvassers and field workers. What is going to happen to them? Who is going to employ them? From whom are they to draw their commission, if they continue their work? If they are in the salary list, who is going to pay them their salary? So, I do not think that this thing has been mentioned very clearly in the Bill. For my ' purposes, the very fact that nationa-

lisation 6f a particular section or department of the public life is being effected is a sufficient guarantee that this nationalisation will be a success.

The other thing with which I am concerned is this that I want to enthuse the same degree of faith that I have in me, I want to inject the same degree of faith in the minds of my hon. friends, and I want them to have a robust heart and robust faith, and an untainjed and unstinted conviction that this taking over of the life insurance business by the Government will result in an overall satisfaction to all the parties concerned. I am very sure that it will not he the case of the Government taking over the Sholapur Mills. We should forget all about that, and let us hope that this great venture, this great industry, which is being taken over "by the Government by nationalising it, will prove a success.

Sir, I have to join issue with some of my friends who were sorry that the spirit of competition will disappear the moment the Corporation for the nationalisation of the life insurance business is constituted. Now, may I humbly enquire whether there is any competition in the Posts and Telegraphs Department which is run by the Government, or whether there is any competition in the Railways which the Government runs? Sir, there are so many things which are being managed exclusively by the Government, and the element of competition has been totally and completely removed, and in the same way, if there remains no element of competition in the life insurance business that would not be detrimental to that industry. Of course, it is up to the Government to see that the much desired and the much needed expansion of life insurance business is •entrusted to the care of good, able, patriotic and honest persons. I am ^orry that all the departments of the Government are not free from blame, disrepute, embezzlement and dishonesty. As my friend, Mr. Parikh, said, the Government is on a trial. This taking^'of the life insurance business is an acid test, and if the Government runs it successfully, it will be a forerunner of other industries which may be nationalised, like the Imperial Bank of India, and so many other things which we are ' nationalising and giving a proof positive of the fact that when we use the expression that henceforth the policy of the Government will be to establish a socialist pattern of society, we mean what we say.

3 P.M.

Sir, as my hon. friend, Mr. Kishen Chand, pointed out, these five zones will not do. I do not want any zone for my home town of Lucknow, but I would certainly welcome the establishment of another zone in the southern part of the country, preferably in Hyderabad. That is a suggestion that should be given due weight. I will not go to the length of recommending, like Mr. Kishen Chand, twelve zones, but certainly there is not only scope but necessity for the establishment of a zone in the southern part of the country.

We received an assurance from the hon. the Finance Minister yesterday that agents will be the pivots of the life insurance business. Very well, very good, but what is going to happen to those persons who have been working up till now as Chief Agents and Special Agents and all that sort of thing? I am concerned about those dignitaries also because it cannot be denied that they did a lot of good work. It was they who brought the life insurance business into existence; they are the fathers, they are the birthgivers of insurance business, which has now grown into a very useful, efficient and lucrative industry, and their services should be utilised to the greatest possible extent. They are not useless and worthless persons just fit to be thrown away because the Government has nationalised the life insurance business. We should make the best use of their services and their services are indeed very valuable.

[Shri H. P. Saksena.]

Another assurance that the hon. the Finance Minister gave yesterday was that the Corporation will be an autonomous body and that it will work on commercial lines. This again is a welcome assurance, and I hope that in the running of the Corporation on strictly commercial lines, the counsel and guidance of eminent financiers like Mr. Parikh on the one hand and Mr. Kishen Chand on the other will be taken; I hope that their counsel will be sought and it will also be ungrudgingly given. Even if it be in an honorary capacity, their counsel should be sought and made use of.

Another happy and inspiring assurance has been given that all the employees of the existing companies will be taken over.

SHRI S. N. MAZUMDAR (West Bengal): Not all, only the whole-time workers.

SHRI H. P. SAKSENA: If all of them are not to be taken over, this Bill dealing with life insurance should be thrown away. Not one employee should be thrown out, and if they are not to be absorbed presently in the Corporation itself, let them be absorbed without any further delay in some other business. No one should suffer simply because the Government takes it into its head to nationalise a certain industry. People should not become jobless because of this, and it is our duty to see that this does not happen.

SHRI S. N. MAZUMDAR: Exert your influence.

SHRI H. P. SAKSENA: I am very sorry that time is so short, but the matter is so important. That the elected representatives of the policy-holders should find a place on the Corporation is a demand which is most legitimate, which is most reasonable, and no one can have any two opinions regarding it, and yet I find that the hon. Minister for Revenue and Civil Expenditure is sitting tight [1] L-re and refuses to listen to us. It becomes sickening, nauseating, painful.

SHRI M. C. SHAH: Why?

SHRI H. P. SAKSENA: Why? Because you do not accept any of our suggestions.

I am just closing. I was going to point out that a matter like this requires a sympathetic attitude on the pdrt of the hon. Minister, his colleagues and so many others. The entire Government should bend its shoulders to see that this great enterprise is a success. Thank you.

SHRI M. C. SHAH: Mr. Vice-Chairman, I have listened with great care and interest to the speeches of the hon. Members for the last five and a half hours. There were many constructive suggestions made with regard to the working of the Corporation. There were also certain bitter criticisms of certain clauses in the Bill. It is very difficult for me to reply within the time allotted to me to all the points that were raised by hon. Members.

THE VICE-CHAIRMAN (SHRI P. S. RAJAGOPAL NAIDU): YOU have, fifty-five minutes.

SHRI M. C. SHAH: One Member spoke for 50 minutes. Dr. Kunzru, our venerable leader, spoke for about fifty minutes. Reply to his points alone will take about 20 minutes.

SHRI H. N. KUNZRU: You can just touch on them. But you do not accept anything.

SHRI M. C. SHAH: I am going to say, if not ridiculous, how absurd the arguments advanced are. I will first take up the motion for referring the Bill to a Select Committee. As it has been already pointed out yesterday by the Finance Minister, we had proposed to have a Joint Select Committee. We had asked for the names of the Members of this House to be represented on that Committee, but then it was pointed out to us that under the Rules of Procedure and Conduct of Business in the other House, this being a financial Bill, a Joint Select Committee was not possible. We are not responsible for this. We in the Finance Ministry have always pleaded

for a Joint Select Committee whenever a Bill is introduced by the Finance Ministry. For the Stock Exchanges Bill we had a Joint Select Committee. For the Companies Bill there was a Joint Select Committee. In this case also we had hopes that there would be a Joint Select Committee, as in that case we will have the advantage of the experience of the hon. Members of this House. Also, if there is a Joint Select Committee, discussion also cannot be held for a very long time. But the position was as I have already explained. Therefore, it was not possible to have a Joint Select Committee.

There was a Select Committee of 35 Members. They have gone through all these clauses, and as the Government are very keen to have this Bill passed as early as possible in order to terminate the interim period of management on behalf of the Government, we requested that the Select Committee should meet every day in the morning, although the House was sitting, and should finalise the report as early as possible. Therefore we were able to have the report by about the 30th and immediately thereafter we wanted to have this Bill taken up but after all, the business of the Government is to be regulated according to the priorities given by the Government and it was not therefore possible to have that Bill passed earlier and we had to bring this Bill after being passed by the Lok Sabha in these last days of the Session of the Rajya Sabha. Now, Sir, you will appreciate that the Members of the Select Committee there had given their fullest possible consideration to all the clauses of the Bill. They had examined various interests and their view-points were taken into consideration. All those points that were raised in the Select Committee were very carefully considered and wherever possible, we accepted certain modifications suggested by the Select Committee. If the Members will look at the Select Committee's report, we have introduced many new clauses even with regard to compensation also.

[MR. DEPUTY CHAIRMAN in the Chair.]

We have liberalised, though that will be objected to by my friends opposite, but in order to be liberal when we want to give compensation, we accepted certain modifications as suggested by the Select Committee. Under the circumstances, it is very necessary that this interim period of management should be ended as early as possible. Therefore I request the hon. Members not to press the motion for reference to the Select Committee.

SHRI JASPAT ROY KAPOOR: What would you lose if you defer it for a month?

SHRI M. C. SHAH: I will tell you. Today we have taken over all this insurance business by an Ordinance. That was passed into an Act. Today all the custodians are acting on behalf of the Government. We want to make this nationalisation a grand success, and in order to make nationalisation a grand success, it is absolutely necessary that the new set-up should be immediately brought into existence. All the assets and liabilities should vest in the corporation that is to be established and a new push throughout the country should be given by this Corporation and therefore even a day's delay is rather harmful to the larger interests of the community as a whole. Even if this Bill will be passed, if the hon. Members are pleased to pass the Bill today, it will have to get the President's Assent. Sometime after we will have to make rules, we will have to set up organisations, the Corporation, the zones, the Board of Directors of the Corporation, the Advisory Committees, zones and divisions and sub-divisions and other matters incidental thereto will have to be looked into. Therefore it will not be possible, though I was hopeful in the beginning that we may be in a position to establish the Corporation by the 15th June 1956, it appears that because of all these enormous difficulties, we will not be in position

[Shri M. C. Shah.] to establish the Corporation before August. That is also a very late date and even one day's delay would bring in so much of complications and difficulties and we have to have this Corporation on a permanent basis as early as possible. Therefore I appeal to hon. Members not to press for the reference of this Bill to a Select Committee.

I will now go to the other points. I will take some important* points. I will not go into the details of the many points raised by my friend Mr. Rajah who naturally will not be pleased with the nationalisation of insurance. I know that all those who were in the insurance business and who had the privilege of controlling life funds to the extent of nearly Rs. 380 crores will never like the nationalisation and therefore that private sector will be always opposed to the nationalisation because they had that profit motive and because of that motive as well as the control over vast funds—of the life funds— belonging to all these insurance companies and the vast patronage they held not only in investing those funds but in the appointments and all others—leaving apart the misdeeds and malpractices and the misappropriations that went on. So it will not be possible and I quite appreciate the point of view that this nationalisation is not in the best interests of the country. But I maintain that in a socialistic pattern of society this is the most important step. Social security must be owned and controlled by the State and therefore this nationalisation is a very forward step towards the socialistic pattern of society. Now those who do not believe in the socialistic pattern of society will never agree to this nationalisation. Therefore my friend Mr. Rajah was very bitter when he said that these 15 wiseacres and pigmies will take over this insurance business. He referred to Pandit Motilal Nehru and others who were the pioneers. We revere them. But they pioneered the insur-•mce business for the good of the country but thereafter it looks that the pigmies had taken possession of those insurance companies for their own profits. Therefore it does not behove in the mouth of a Member here to say that now pigmies are taking the insurance. He will soon realise that they are not pigmies but they are giants who will make this nationalisation of the insurance business a grand success. Today there are 50 lakhs of policy-holders and we believe that in the course of time the number will be 50 million policy holders.

SHRI H. D. RAJAH: I wish you success.

SHRI M. C. SHAH: We want to make every Indian, men and women all over the country, insurance-minded and we want to take the insurance not only to the urban areas where all these people who managed uptill now had concentrated their activities, but we propose to take it to the rural areas and we want to show that the whole country not only has welcomed but has enthusiastically taken up this insurance. We want agents. Today we have got 3 lakhs of agents. One of my friends was somewhat concerned with the agents' renewals, premiums and all that. If he will look into that clause 43, he will find that we have already included section 44 of the Insurance Act and in a modified form we want to apply it. That does not mean that the rates or the income or the privileges they have already earned will in any way be affected. Only with regard to new business, we propose to modify and have the conditions and terms newly created. That will also not be to the disadvantage of the agents. We believe that the agents are the pillars of this nationalised insurance. We have 3 lakhs of agents but we want lakhs and lakhs of young men and women to go to the villages and we want the unemployed educated also to take this business of commission agents of life insurance and go to the villages and earn their income and make thif

venture a grand success. So none need be afraid about the interests of the agents. It may be that he was referring to the field workers who are really speaking, appointed on certain terms and conditions connected with the business brought in by them and instead of a commission being paid to them, certainly salary is paid to them on condition that in case the volume of business is less, then these terms of payment will also be varied accordingly. If the hon. Member means these people, then I have to say we cannot help it. We have given assurance not only to the agents, but to all the employees, that means the staff employed by these insurance companies, that they will not be retrenched, that they will be treated very sympathetically and that their terms and conditions of service and employment will be rationalised, but not to their detriment. Then there is clause 11 to which there are a number of amendments proposed and so I will explain the position even now so that my hon. friends need not take time on those amendments. Clause 11 has been specifically inserted in order to do away with certain sinecure posts. Every hon. Member of this House must be aware that in all these insurance companies there are some sinecure jobs held by those persons near the management, may be relatives, may be friends may be because of patronage. These persons are paid huge salaries. There are others also who are paid huge salaries out of proportion to the duties and responsibilities that they may have to perform. All those things will have to be looked into and I am sure my hon. friends on the Opposite side will welcome this step to see that all these sinecure posts are abolished and all those who get high salaries or fat salaries out of all proportion to their work, are thus brought down. If these persons do not accept these rationalised terms and conditions of service, well, they will have to go, and for them also we have provided three months salary. I do not think my hon. friends will like to put in more money into the pockets of these persons, these holders of sinecure jobs who were getting high salaries out of proportion to their duties and responsibilities.

SHRI S. N. MAZUMDAR: Then the hon. Minister should be prepared to accept my amendment which makes it specific.

SHRI M. C. SHAH: When I say it is so clear, where is the necessity for that amendment?

MR. DEPUTY CHAIRMAN: Government has sufficient power under clause 11. [1]

SHRI M. C. SHAH: Mr. Rajah also said that this nationalisation of insurance was attempted in certain countries and those countries had given it up. I think there he was not correct. Probably he was referring to what Mr. A. D. Shroff had said. Mr. Rajah said that after carrying on business for 50 years, the Government Life Insurance Department and the State Fire Office, both of New Zealand had to close down.

Sir, this is an astounding statement, because both are in existence and flourishing. The State Fire Office which transacted other classes of non-life business in addition to fire, was established 50 years ago in the teeth of opposition from private insurers and it celebrated its Silver Jubilee. It has had remarkably successful career and it does the highest business of any office, whether local or foreign.

SHRI P. D. HIMATSINGKA: What is being read out?

SHRI M. C. SHAH: He had referred to the Life Insurance Office in New Zealand having closed down.

SHRI H. D. RAJAH: I did not say that they closed down. They have given it back to the private sector after fifty years.

SHRI M. C. SHAH: The GovernmetLife Insurance Office has been equallysuccessful. It does more business thanI any other indigenous insurance office,or for that matter, any other office

[Shri M. C. Shah.] with the solitiry exception of the A. M. P. Society of Australia which had a start of 20 years over the Gov ernment Life Insurance Department. But the Government Life Insurance Department is rapidly catching up and it is only a question of time before the Government Insurance Office out strips even the A. M. P. Society. This astounding statement was originally made by Shri A. D. Shroff during the course of his speech before the Annual General Meeting of the New India Assurance Company. Then there is one important point which has been raised by many hon. Members. I need not ^mention their names. They have said that there should be an element of competition. They have also sug gested that these zonal offices should be allowed to do business in the whole of the country along with the Corporation. There was also the other suggestion that the States should be allowed to have State Corporations for insurance and the example of Mysore has been quoted. And then there was the suggestion that the co operative societies should be allowed to function and that suggestion was made by my hon. friend Mr. Naidu. I would like to submit that the main principle of this nationalisation is that the monopoly of life insurance business throughout the country should be vested in the Corporation. If this competition is allowed, then what will happen? It will result in the same old cut-throat rates and rebates and malpractices that prevail ed in order to make more business, in order to show more business. Now, what will be this competition? The rates of premium will be the same. The service conditions and the terms of the policies will be the same throughout and.....

SHRI H. D. RAJAH: Sir, he is carrying on a campaign of calumny which he should substantiate when he talks of malpractices.

SHRI M. C. SHAH: Malpractices there were and we have already had 10 many instances. We had to .....
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SHRI H. C. DASAPPA: Sir, I have to lodge my protest on behalf of the State insurance companies .....

SHRI M. C. SHAH: I am now concerned with insurance business fun by private sector. I don't know why my hon. friend should be so much disturbed.

SHRI H. C. DASAPPA: If there is .....

SHRI M. C. SHAH: May I request my hon. friend to first hear me. All those who want *to* see that this Corporation succeeds, that this nationalisation succeeds must see also that there ought to be the monopoly of life insurance business vested in one body established by the Government. The moment there is competition then naturally there is going to be these malpractice:-;, rebates being offered and so on.

SHRI H. C. DASAPPA: Why?

SHRI M. C. SHAH: Because there will be the same rates of premium throughout the country. Every Indian citizen must take out a life policy on the same terms and conditions and the same pre/nium is *to* be paid. Now, if that is accepted, then how can there be competition? Competition can be there only with regard to the servicing.

SHRI B. C. GHOSE: Yes.

SHHI M. C. SHAH: And for that we have already the Central Corporation which will frame the policy and then we have decentralised the work over five zones. There were only four to start with and then we have added one more and so there will be five zones. We have also provided that many more zones can be opened if later necessity for them is found. These zones will be, more or less, autonomous bodies. They will have the right to exercise their full powers from the time of taking of the insurance policy to the time of paying the claims. In between, the giving ot loans or whatever else has to be done, will all be done by these zonal offices.

Therefore, zonal offices are going to be more or less autonomous bodies. Only they have to look to the policy decisions that may be given by the Central Corporation. Then from the Zones there will be Divisions; then there will be Sub-divisions and so on and so forth. We propose to give more and more initiative to those who will be working those zones. We want that they be given not only initiative but also be allowed to take some risk even. We propose that they must have the fullest possible initiative in order to develop insurance business and therefore it is not necessary that these Zones should have business throughout the country and should compete with each other. I do not understand where is the competition. Why should there be competition when the premiums are the same, the terms and conditions of policies are the same? Therefore, Sir, it is not a practical proposition to be accepted at all. We have considered the matter. We say that in India nobody can take an insurance policy of any resident in India but the Corporation established under this Act.

Now about the co-operative societies also there are very few cooperative societies and they have got business of only 3 per cent, or so. They are very small insurance companies and I do not understand why they should be allowed to do this insurance business when there is going to be a monopoly in life insurance business.

SHRI B. C. GHOSE: Why, postal insurance?

SHRI M. C. SHAH: Postal insurance? Not only postal insurance; let me tell you we have allowed also the States to have insurance schemes for their employees. So we want to give some relief or some more amenities to the employees of the Central Government as well as the State Governments.

SHRI B. C. GHOSE: Why?

SHRI H. C. DASAPPA: Why?

SHRI B. C. GHOSE: You can have it through the Corporation. Give J them a special staff rate. You can do it if you want to.

SHRI M. C. SHAH: That will be considered later on, the staff rates, but to-day this postal insurance is going on and there are the small advantages i to the employees and we do not want to discontinue these advantages and the amenities enjoyed by the employees of the Central Government and the State Governments. Mr. Rajah, you should understand it.

SHRI H. D. RAJAH: On a point of clarification. He has said that the postal insurance is left alone. I would like him to tell this House the fate of that postal insurance to-day.

SHRI M. C. SHAH: The fate? Postal insurance is progressing. That is the fate. As a matter of fact there is no profit motive as is in the case of private insurers. There is no management of the life funds as there is in the life insurance companies. With a capital of three or four lakhs of rupees the company management can control over lakhs and lakhs and even crores. That is the point.

Now, Sir, these are the general questions which I have dealt with. There are also the amendments and if neeessary, I shall reply to those amendments also.

Now, Sir, one point was raised from the opposite side by Mr. Mazumdar and by Shrimati Parvathi Krishnan also with regard to the general insurance, why we have not taken over general insurance. We have already explained the reasons. General insurance is ordinarily a yearly contract and it is confined mainly to the business circles. Now, this life insurance concerns every individual in the country whereas that is a specialised form of insurance undertaking the risk against goods, properties and other things. That is also a yearly contract and therefore we have thought it proper for the present to leave that general insurance to the

[Shri M. C. Shah.] private sector. There are the malpractices as alleged by speakers in that general insurance also. We are looking into them and we propose to bring an amendment to the Insurance Act after we have just put this life Corporation in motion.

SHRI B. C. GHOSE: But legislation is ineffective.

SHRI M. C. SHAH: Now, Sir, there is the question of the limit to the expense ratio. We have already inserted section 40B of the Insurance Act in this Bill in clause 43. There are certain sections of the Insurance Act that have been made applicable straightway. Then there are certain sections which in a modified form will apply herein. We have to look into those sections. There is also section 44. All those we just propose to examine and to apply them in a modified form as may be suitable to the Corporation because now there will be only one Corporation and this will be its monopoly business. In so far as the sections were there they were to be applied to so many insurance companies. Now there may be certain changes to be made. Now my friend, Dr. Kunzru, said: Why not section 27A. I say, if he had looked into the Bill, that 27A is also there.

SHRI H. N. KUNZRU: Only later on.

SHRI M. C. SHAH: Yes; in a modi fied form. Now about the expense .....

SHRI R. C. GUPTA: Will Government fix an expense ratio or not?

SHRI M. C. SHAH: That is also there. Section 40B mentions about the ratio of expense and we propose to apply that in a modified form. Now we have first to start the Corporation. We have to see its working. As I stated we want it to take to the rural areas also. We svant to employ all the staff that is there. If we do not expand and if we have only this one Corporation and the five zones, naturally there will be surplus staff. But We do not want to retrench a single man of the regu lar staff. We have given an assur ance; we stand by that assurance, and therefore we want to just expand this business in the rural areas also. Naturally we must see as to how much expenditure we will have to incur in the expansion of the business. So, slowly and slowly we will be in a bet ter position to know as to what expenditure ratio should apply to this Corporation and therefore we have kept that section 40B in clause 43(1) (2). Our intention is.....

SHRI B. C. GHOSE: It is apprehended that it may be higher at the beginning and therefore he is not applying it straightway. Is that the reason? You are apprehending that it might, be higher in the beginning than what is now provided in the Insurance Act and therefore you are not making it applicable straightway. It is the fear that it may be higher.

SHRI M. C. SHAH: No, no. There also the Controller of Insurance has been given the power to fix the expense ratios. Suppose an insurer just incurs more expenditure than what has been prescribed, then what will happen? He is given one notice, then again another notice and then later on, if the insurer does not yet reduce the expenditure ratio, it may be that his licence may be cancelled. Now do you think that in a monopoly Corporation it is possible immediately to give notice or rather, don't you think it will be better to prescribe the expense ratio after having all these factors taken into consideration? It is the intention of the Government to reduce the expense ratio, but then they must take all these factors into consideration and must come to the right conclusion. Government will not like to have a position wherein the expense ratio is fixed and then that ratio has not been obtained and then a notice has to be served by the Controller of Insurance and all those

things. That is not a practical proposition. It is not a realistic thing. We must be realistic when we take over this business. After all the Corporation will be judged by the results and the Government will also be judged by the results obtained by the nationalisation of insurance, and they are responsible to both the Houses of Parliament and naturally it will be the concern of the Government to see that the expenditure ratio also is reduced. Therefore we have thought it advisable to have it applied later on in a modified form.

Now, Dr. Kunzru spoke for about 50 minutes or so and the main burden of his speech seemed to be that this Insurance Corporation should be brought under the Company Law Administration Department. The Company Law Administration Department was established only in August-September 1955, that is, only about eight to nine months have gone by. Being a very senior Member of this House and a senior legislator he must be aware of the fact that the Company Law Administration was a part of one wing of the Finance Ministry, that is, Economic Affairs. Even the person who is today the Secretary of the Company Law Administration was an Officer on Special Duty until August last in the Economic Affairs Wing under the Senior Secretary of the Finance Ministry. He must also be knowing—if he does not know, I may tell him—that the Secretary, Economic Affairs Wing, who is a senior I.C.S, officer and senior Secretary of the Finance Ministry has been dealing with insurance for the last so many years. The whole scheme of this nationalisation has been prepared by a senior Secretary and the Joint Secretary and the Controller of Insurance working for the last nearly 12 months. They have worked day and night filling in the details. They have got enough experience about this sub- > ject. On this question of experience he asked me what experience I had. 1 Whatever experience I have gained while in charge of the portfolio, I have. I do i-><* know anything else; I was never in an insurance company. Nor am I a capitalist as was mention ed by my hon. friend. Perhaps he mistook me for my friend Mr. Chandu-lal Parikh because he also comes from Ahmedabad and I too come from Ahmedabad. I am only a poor man and so with all humility I repudiate the suggestion that I am a capitalist. It is possible that in old age such mistakes occur.

Now, as regards the points he made, I had occasion to study them care fully. I am afraid he has made much about the investment part of the funds- in joint stock companies. Perhaps he may be aware—and if he is not aware I may inform him—that so far as the life funds are concerned the- investment figures are as follows: Debentures 6 5 per cent and there pos sibly much experience regarding investment in joint stock companies is not necessary; Preference shares 3'3 per cent and ordinary shares 63 per cent. Now he put a question as to whether because of these ordinary shares which came to us incidentally we would be shareholders and whether- we would have the right to appoint directors. Certainly; what is wrong there? As a matter of fact, we wilt be in a much better position to regul ate the management of those pri vate sector companies. And with regard to investment he felt that the Company Law Administration Depart ment will be the best authority for this purpose and he advocated that this Insurance Corporation should be plac ed under the Company Law Adminis tration , Department. But that Department has yet to develop; we had that Department only after we passed the Company Law taking wide powers to regulate and control the management of joint stock companies. It is yet growing. For this purpose,, there is the Economic Affairs Depart ment under a senior Secretary and this whole thing will be under him. I really do not understand what advan tage there can be. Perhaps the argu ment is that the Industrial Finance- Corporation, the Rehabilitation Finance Administration are all put under-

[Shri M. C. Shah.] the Company Law Administration Department and therefore this Insurance Corporation should also be placed under it. I am afraid my hon. friend's analysis of the whole case does not appeal to me. It is not convincing at all as only 6-5 per cent of life fund is invested in joint stock companies. He feels that only the Company Law Administration Department can take care of that investment. He has forgotten that we have already provided for a special Investment Committee and that will have not only three members of the Corporation but outsiders also who may have expert knowledge of finance.

SHRI H. N. KUNZRU: Do you want a unified policy or not? That is the question.

SHRI M. C. SHAH: The policy will be formulated by the Government and Government alone. That Investment Committee will advise the Corporation as well as the Government. The final policy will be that of the Government and that is made very clear in the clause. The directives will be given by the Government of India and the Government of India will have to take into account the priorities given by the Planning Commission. With regard to investments we cannot divorce the priorities given by the Planning Commission. A certain •amount will be invested in the private sector but how much is it? It is. only 65 per cent. Under the law 50 per cent will be in Government securities where the Company Law Administration is not necessary. The Investment Committee will advise the Economic Affairs Wing who are fully aware of the economic trends of the country and who are always in touch with the Planning Commission. I do not understand why most of his 55 minutes' speech was devoted to this Company Law Administration Department being placed in charge of this Corporation.

His third point was that this will affect the working of the stock exchange. I fail to understand that also because the Stock Exchange Bill will soon be brought before the House when this could be considered. I can understand if he says that there must be consultation with the Company Law Administration Department. But even for this, he forgets that these are all matters of detail—what Department should be created for what purpose and what subjects should be placed under what Department and so on—and are all matters of intenal arrangement within the Finance Ministry which will always look to the best interests of all concerned. We have got the Revenue and Expenditure Department; we have the Company Law Administration Department; we have got the Economic Affairs Wing; there is the internal finance; there is the external finance; all these things are there. Therefore, I feel that this suggestion of my hon. friend, Dr. Kunzru, with all his experience, is not convincing.

Then, there is this audit objection matter, audit by the Comptroller and Auditor-General. It has been very exhaustively explained by the Finance Minister and I think I will be taking the time of the House unnecessarily, because hon. Members are well aware of the position. We have already stated that this is an institution which is more or less a financial institution When the Imperial Bank of India was nationalised and became the State Bank of India, this question was discussed. Thereafter the points were raised and it was also pointed out to the House that under article 149 it is only the Comptroller and Auditor-General who can take charge of the audit of these nationalised concerns. Then we thought that it was necessary to associate the Comptroller and Auditor-General with regard to government companies where the Government has got fifty-one or more per cent interest. We have specifically mentioned it in section 619. Now, this is a special financial institution. Initiative and dash are all necessary and we maintain that the audit of the departments of the Government is not suitable for auditing such financial

institutions. There was the point raised that there will be delay in settling claims or there will be delay in getting loans. We want to see that the claims are given earlier than the best of the companies used to give. We want to see that the loans which are admissible *to* the policy-holders are given without any further delay. And in so many other things we want to see that there is dash in the mana gerial cadre in the zones. We want to have initiative in the managers. We want all these things and, therefore, the commercial audit is the only audit which at the present time can be applied to it. We have not ruled out that the Comptroller and Auditor-General can never come. It was point ed out to us, as I said, that in article 149 this was the responsibility of the Comptroller and Auditor-General, but it is not so. There, by law Parliament can prescribe as to whether the audit of a certain concern will be done by the Comptroller and Auditor-General or not. So-far as the Centre and State Governments are concerned, the auditing of those accounts is the con cern of the Comptroller and Auditor-General. But with regard to other corporations, statutory or non-statu tory, we have to pass a law in Parlia ment to authorise the Comptroller and Auditor-General. In the case of audit ing the State Bank of India, both Houses agreed that audit should be carried out by the auditors appointed by the Reserve Bank of India in con sultation with the Government of India. Here we have said that the audit shall be carried out by audi tors.....

SHBI H. N. KUNZRU : May I explain?

SHBI M. C. SHAH: I will reply to the point. I do not yield.....

SHRI H. N. KUNZRU: I do not.....

SHRI M. C. SHAH: I am not yielding.

MR. DEPUTY CHAIRMAN: He is not yielding.

SHRI H. N. KUNZRU: He is mis stating my point. I never asked_____ I

SHRI M. C. SHAH: I am not yielding. .

SHRI H. N. KUNZRU: On a point of explanation, Sir, I can insist .....

SHRI M. C. SHAH: I do not yield.

MR. DEPUTY CHAIRMAN: He is not yielding.

SHRI H. N. KUNZRU: But he was misstating what I have said.....

MR. DEPUTY CHAIRMAN: I will give you an opportunity later if you want. You can put a question.

SHRI M. C. SHAH: I do not yield.

MR. DEPUTY CHAIRMAN: He does not yield.

SHRI M. C. SHAH: I am sorry, Sir. I am prepared to reply to the point that may be raised by my friend, Dr. Kunzru, but today I am just now developing the argument about the Comptroller and Auditor-General and, therefore, I would not like to be interrupted because the thread would be broken and I may have to go somewhere else. As I said, this is a financial institution where the audit of the departments of the Centre and the States will not be suitable and, therefore, we have stated that the Comptroller and Auditor-General's audit should not be there I may stress again that it is not mear.t that we rule him out. Later on if it is necessary, then it can be brought in, but just now it becomes difficult. Suppose there is a claim to be paid. The claim has to be paid within twelve hours and the claim is paid by the manager. Then after two years Audit objects that the manager did not enquire into this, the manager did not enquire into that. And, therefore, you will se$_e$ that all these managerial people will be afraid and they will not have the dash and initiative, which are absolutely necessary for the successful operation of this life insurance business. Again, it was stated that in the U.K. it is so. We found iut that in the U.K.

[Shri M. C. Shah.] it is not so. There the Comptroller and Auditor-General does not do it. And, then, as was pointed out by the Finance Minister, there even the Par liament did not approve of the Select Committee. But then, the Prime Minister was in favour of a Select Committee and, therefore, he sug gested that there may be a commit tee which may look into the efficiency audit. It may be that some few thousands here and there may be lost in initiative or dash, but if there is any committee which may be appointed later on.....

SHRI H. D. RAJAH: He visualises malpractices.

SHRI M. C. SHAH: .....they may have the efficiency audit. Then, I have got a big note on that and if I go on, it will take a good deal of time. As I am pressed for time, I do not think that hon. Members will press for that.

Now, Sir, regarding accountability to Parliament, there is accountability to Parliament. If Parliament so chooses they may have a committee appointed. They may go into all these things. And we have provided specifically and when certain members of the Select Committee said we immediately agreed that the report on their working shall be placed as early as possible on the Table in both Houses. Then, the report of the actuarial valuation also shall be placed on the Table in both Houses; and also the auditors' report will be placed on the Table in both Houses. If hon. Members, after going through all these reports, so choose, then they may raise a discussion or ask for further information. After all the Government is responsible to Parliament and they will see that everything that is required is supplied to hon. Members. Sir, then they say there will be no inde-pendence. I do not understand it, because the Corporation has to only suggest a panel of auditors and the final voice will be that of the Government of India. The Central Govern-ment will approve of certain names. Now, as a matter of fact the Charter-, ed Accountants Institute is under the I Finance Ministry. They are in a better position to know who are the best chartered accountants, who are noted for their integrity, indepen dence and all that. Why the inde pendence will be lost, I do not under stand .....

SHRI B. C. GHOSE: Who is auditing Dalmia's accounts?

SHRI M. C. SHAH: Registered auditors.

SHRI B. C. GHOSE: Therefore.....

SHRI M. C. SHAH: Then what? What do you want? You juist ask me a question and I will reply, if you want to have any information.

MR. DEPUTY CHAIRMAN: Please go on. 4 P.M.

SHRI M. C. SHAH: Now, there is only one thing, in the case of accountability. There is my friend, Mr. Ghose's point also. There is no time. If my friend, Shri Rajah, is satisfied, that is all right.

SHRI H. D. RAJAH: I am very much satisfied.

SHRI M. C. SHAH: My friend, Mr. Ghose, says that we should deal sym-pathetically with employees transferred from one place to another. As I said, we have given an assurance to all the employees and the relations between the employees and the employer, so far as the Corporation is concerned, ave going to be very cordial. I know that all the employees have enthusiastically support-ed this nationalisation of insurance. We have received telegram after telegram. When they have got grievances, then also they can send telegrams and we will look into the case and find out if there is anything wrong there. We have 27,000 regular employees in this insurance. So far as regular employees are concerned, we have not received any complaint, except one from Mr. Mazumdar about

some Ajmer General Insurance Com pany or so. I have explained to him the whole position and it was thought that he was satisfied. Then he yes terday said.....

SHRI S. N. MAZUMDAR: A(e$- that, I wrote to you again and I nave not got any satisfaction as yet.

SHRI M. C. SHAH: Then coming to Mr. Ghose's point, even now insurance companies charge an extra 5 per cent, if premiums are received monthly. Therefore, perhaps, he suggests that this may be done away with and only the monthly payment should be received. He is connected with insurance and he must be knowing that the point raised is not of very great importance. But it has been taken up in reply, because it raises certain important questions of principle. The monthly extra, as it is called, is a practice in U.K. and recently, in India, this extra has been waived only if premiums are paid by bankers' orders. The rates are very much higher when premiums are paid monthly. It leads to a lot of unnecessary correspondence and it increases the work in office a great deal. To suggest that this extra should be waived merely because the business is nationalised, would mean not understanding the business principle. The Bill enjoins the Corporation that in the conduct of business, it should adopt business principles. Once that is given up, we may move more and more away from the strict business principle.

SHRI B. C. GHOSE: Even all the existing private companies do not levy this extra 5 per cent. And further if the intention is to help the poor man, then certainly this should not be levied. You allow a rebate of eight annas for policies where premiums are paid annually. You may reduce that rebate and not make any extra charge for premiums paid monthly.

SHRI M. C. SHAH: For the time being, we cannot accept this suggestion *in toto.* It may be that we may examine it.

There are many constructive suggestions made from all sides of the House with regard to the working of (he Insurance Corporation. Certainly, all constructive suggestions will be given due consideration and wherever practicable, we will certainly see that they are put into practice.

Sir, there was one point raised by my friend, Mr. Gupta and, if I remember aright, that was in regard to clause 14. He said that the financial position of certain companies was very bad and that business would be reduced. With regard to that, there has been a misapprehension in the minds of several Members. The position is that there are several insolvent companies. One company in Bombay had a life fund of Rs. 36 lakhs and Rs. 30 lakhs were misappropriated by the management. There was another company in Vindhya Pradesh where Rs. 15 lakhs have been misappropriated and the person in charge is still absconding. There were two companies in Calcutta where also Rs. 5 lakhs each were taken away by those in management. They have been arrested. We are looking into the affairs of the other companies too. Possibly, many more companies of this type may be there. We are looking into all their investments. We are going very deep into the matter. Therefore, it becomes our duty to see that policy-holders should not suffer because of the sins committed by certain managements in whom reliance was placed by the policy-holders. However, we have given an assurance that we propose to have a scheme within six months and we want to have a very liberal attitude taken so far as those unfortunate policy-holders are concerned. But we cannot give an assurance, as they want, that Rs. 5,000 should be paid *in toto.* As I mentioned, out of a life fund of Rs. 36 lakhs, Rs. 30 lakhs have been misappropriated and if we have to pay Rs. 5,000 *in toto,* then it will be a burden on other policy-holders. Some Members suggested that the Government may pay, because they are tak-

[Shri M. C. Shah.] ing over these good and bad companies. But, really speaking, they are the trustees of the policy-holders. When we take over all these funds, we are the trustees of those policyholders, and we must see that the interest of policy-holders are supreme. Therefore, whenever we take interest, we have to consider that aspect also. But, as I said, just now, we propose to have a very liberal scheme and I think, with that assurance, my friend will be satisfied.

SHRI JASPAT ROY KAPOOR: Dr. Kunzru spoke only for 45 minutes.

SHRI M. C. SHAH: I have got still ten minutes more.

MR. DEPUTY CHAIRMAN: Yon have already taken one hour, Mr. Shah.

SMRI M. C. SHAH: Now, with regard to chief agents, there was a recommendation that they may be paid quarterly. There was some amendment also. I have stated that we have been very fair. We have just given them ten years' renewal.

SHRI B. C. GHOSE: Nobody doubted it. That is generous.

SHRI M. C. SHAH: Renewal premium comes to about Rs. 3 crores or so—I say from memory, it may be Rs. 25 lakhs here or there. We are giving them 75 per cent, of the renewals. It may come on an average of 2 per cent, to Rs. 6 lakhs a year. There are 250 chief agents only; they are very few. Therefore, we have been fair in their treatment. They have no place in this nationalised insurance. Only the agents will have place here.

SHRI H. D. RAJAH: May I correct the hon. Minister with regard to renewal premiums? With regard to renewal premiums, Rs. 3 crores have been suggested as the collected premium through chief agents. 1 per cent, or 2 per cent would be payable to the chief agents and not 75 per cent.

SHRI M. C. SHAH: I say, you de not understand or follow. I say, Rs. 3 crores is the renewal premium on the business brought in by the chief agents. Out of these Rs. 3 crores, it is an average of 2 per cent, and, therefore, it is Rs. 6 lakhs a year. Therefore, unless the policies are surrendered or there are lapses, these Rs. 6 lakhs may come in ten years to about Rs. 60 lakhs. That is what I have stated and Mr. Rajah is very impatient now.

SHRI H. D. RAJAH: Shall I read it out, Sir?

SHRI M. C. SHAH: That is what I say. Therefore.....

SHRI H. D. RAJAH. One minute, Sir. The renewal commission comes] to about Rs. 3 crores. So, one can imagine what volume of business they have put in. This is the statement from the Government.

SHRI M. C. SHAH: That was supplied by Dr. Kunzru and I know that it is the uncorrected copy of the speech made in that House. Rs. 3 crores of renewal premium, not con-mission, and I have already corrected that there, and so you must read the corrected copy. I know that Dr. Kunzru gave it to you when you stood up. *(Interruptions.)* I know, Sir, that is the uncorrected speech which came from there this morning and *1* have corrected it and have sent it back. In the reporting, they have made a mistake and capital is being made out of it by my friend, Dr. Kunzru, who gave that copy to Shri Rajah who springs up.

MR. DEPUTY CHAIRMAN: Anyway, you have the corrected version.

SHRI H. D. RAJAH: Very good, thank you, Sir.

SHRI H. JN. KUNZRU: Sir, he gained his point in the other House, and afterwards he corrected the speech.

SHRI M. C. SHAH: Sir, one who has some common-sense will immediately understand that when the amount of

premiums is only Rs. 50 crores, and when the chief agents' business is limited only to certain areas, how can there be a commission to the extent of Rs. 3 crores. For a commission of Rs. 3 crores, the amout of premiums ought to be Rs. IOO crores, and that too, all the premiums collected by these chief agents. So, common-sense points out that that is not a correct version of what I stated.

MR. DEPUTY CHAIRMAN: An hon. Member like Mr. Rajah should not take advantage of that statement.

SHRI H. D. RAJAH: Thank you.

SHRI H. C. DASAPPA: That was to get round the Lok Sabha Members.

SHRI M. C. SHAH: The Lok Sabha Members have got common-sense, and they can understand this thing.

Now, Sir, my friend, Mr. Dasappa, was rather considerate. He wanted that the chief agents should be allowed to get their dues commuted. I might point out, Sir, that they are not pensioners. They can get an overall renewal on the premiums collected by them. After all, Sir, the policies may lapse, or they may be surrendered. It is an uncertain factor, and it will be difficult to arrive at certain commutation figures. Apart from that, Sir, I want to keep the interest of the chief agents alive. If they bring in these renewal premiums, they can get their commission. So, in order to earn that renewal commission, they must be active and they must see that the renewal premiums are duly collected. Sir, it is very easy to say that we should be generous, but we are supposed to act as trustees of all those policyholders, and we must do all that we can to safeguard the interests of the policyholders.

Sir, I think, I have covered most of the points, and I hope that the House will reject the motion for referring this Bill to a Select Committee, and will take this Bill into consideration. And, if I have mis-quoted my venerable friend, Dr. Kunzru, I will be prepared to correct myself and apologise .....

SHRI H. N. KUNZRU: Sir, what I said with regard to the Auditor-General was that he should have the same power with regard to the audit of the accounts of the Corporation as he has with regard to the nationalised undertakings. And in connection with that I read out section 619. I never said that the Auditor-General should directly examine the accounts of the Corporation. All that I pleaded for was that the Chartered Accountant who was appointed to audit the accounts of the Corporation should be appointed with his advice, that he should have the right to suggest an audit in respect of any particular point, that he should have the right to call for a supplementary audit, and that he should have the right to comment on the Auditor's report.

SHRI M. C. SHAH: It is a matter of principle, Sir. When we take this Corporation to be a financial institution where the audit on the lines of Government Departments is unsuitable, then why should we have this at all? We will have the auditors who will be recommended and approved by the Central Government. And those auditors' reports will be laid on the Tables of both the Houses. The hon. Members will have free access to them, and they will have the right to raise discussions on those things. And Parliament will have the right to consider the proposal for having a committee to go into this question of efficient audit. I therefore think, Sir, that there is a fundamental difference between our point of view and the point of view of Dr. Kunzru.

SHRI H. N. KUNZRU: Whatever the difference may be, Sir, he should admit that he had misstated what I said.

SHRI M. C. SHAH: No, I have not misstated it, Sir. For want of time, Sir, I did not go into all these points

[Shri M. C. Shah.] very very carefully, because it was not possible for me to reply to all those points that were raised by my venerable friend, Dr. Kunzru, for 55 minutes.

SHRI B. C. GHOSE: Sir, I just want to bring one thing to your notice. The hon. Minister in a reference to the other House has used an expression which might be misunderstood by the other House, and I would like you to consider whether it should be allowed to go into the proceedings at all.

SHRI S. N. MAZUMDAR: It might cast a reflection on this House. He said that the Members of the Lok Sabha have got common-sense.

SHRI M. C. SHAH: Sir, all the Members of both the Houses have got common-sense.

MR. DEPUTY CHAIRMAN: Yes, Mr. Rajah, what about your amendment? Do you press it?

SHRI H. D. RAJAH: Yes, Sir.

MR. DEPUTY CHAIRMAN: Then 1 will put it to vote.

The question is:

"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: —

1. Shri Jaspat Roy Kapoor
2. Shri Chandulal Parikh
3. Shri S. Venkataraman
4. Shri Chattanatha Karayalar
5. Shri V. K. Dhage
6. Shri S. Mahanty
7. Shri B. C. Ghose
8. Shrimati Violet Alva
9. Prof. G. Ranga
10. Prof. A. R. Wadia
11. Shri Kishen Chand
12. Shri C. D. Deshmukh, and
13. Shri H. D. Rajah *(the Mover).*

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

MR. DEPUTY CHAIRMAN: *(After a count)* There are 6 for the Ayes and a huge majority for the Noes.

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"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 *jor* 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".

The motion was adopted.

MR. DEPUTY CHAIRMAN: Now we take up the clause by clause consideration of the Bill.

Clause 2—*Definitions*

SHRI S. N. MAZUMDAR: Sir, I move:

2. "That at page 2,—

(1) at the end of line 4, after the word 'business' the words 'but not being an insurer specified in sub-clause (ia) of this clause' be inserted; and

(ii) after line 13, the following be inserted, namely: —

'(ia) in the case of any insurer the business of whose subsidiary may be carried on by the Corporation or whose affairs were being managed on the

appointed day by an Administrator appointed under section 52A of the Insurance Act, all his business;'."

MR. DEPUTY CHAIRMAN: THe clause and the amendment are now before the House.

SHRI S. N. MAZUMDAR: Sir, I feel overwhelmed by the powerful speech of Mr. Shah, and therefore I do not want to take any time. of the House and attempt something.

SHRI M. C. SHAH: I do not accept the amendment.

MR. DEPUTY CHAIRMAN: The question is:

2. "That at page 2,—

(i) at the end of line 4, after tHe word 'business' the words 'but not being an insurer specified in sub-clause (ia) of this • clause' be inserted; and

(ii) .after line 13, the following be inserted, namely: —

" '(ia) in the case of any insurer the business of whose subsidiary may be carried on by the Corporation or whose affairs were being managed on the appointed day by an Administrator appointed under section 52A of the Insurance Act, all his business;'."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 2 stand part of the bill."

The motion was adopted.

Clause 2 was added to the Bill.

Clause 3 was added to the Bill.

Clause 4—Constitution of the Corporation

SHRI K. L. NARASIMHAM (Madras) : Sir, I move:

3. "That at page 3, for lines 26 to 29, the following be substituted, namely: —

'4. (1) The Corporation shall consist of such number of persons not exceeding fifteen as the Central Government may think fit to appoint thereto.

(IA) Not less than three of such members shall be representatives of the employees of the Corporation who are either elected for such appointment by such employees by secret ballot and in the prescribed manner or nominated for such appointment by the Trade Unions, if any, or by the Federation of Trade Unions, if any, of such employees or a substantial portion of them or by any organisation to which such Trade Union or Federation is affiliated.

(IB) In case of first appointment, the said members shall either be elected for such appointment by secret ballot and in the prescribed manner by the employees of the insurers whose controlled business shall be transferred to and vested in the Corporation or for such appointment be nominated by the All-India Insurance Employees Association:

Provided that no employee shall be eligible to participate in the election under this sub-section if he is not an employee of the Corporation by virtue of the provisions of section 11.

(IC) One of the members shall be appointed by the Central Government to be the Chairman of the Corporation.

(ID) The representatives of the employees shall hold office for the prescribed period which shall not exceed one year but shall be eligible for re-election or re-nomination; and the provisions of sub-section (IA) shall apply to such re-election or re-nomination as it applies to an election or nomination.'"

(This amendment also stood in the names of Shri S. N. Mazumdar, Shri Satyapriya Banerjee, Shri N. C. Sekhar, Shrimati Parvathi Krishnan,

Shri P. Narayanan Nair, Shri A. R. Khan, Shri J. V. K. Vallabharao.)

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

4. "That at page 3, line 26, after the word 'persons' the words *being Indian citizens' be inserted."

SHRI JASPAT ROY KAPOOR: Sir, I move:

5. "That at page 3, line 27, after the word 'fifteen' the words 'two of whom shall be policy-holders' representatives elected by them from among themselves in the prescribed manner' be inserted."

SHRI KISHEN CHAND: Sir, I move:

6. "That at page 3, line 27, for the word 'fifteen' the word 'sixty' be substituted."

7. "That at page 3, line 28, after the word 'thenfo' the words 'including thirty representatives of policy-holders duly elected by them' be inserted."

MR. DEPUTY CHAIRMAN: The clause and the amendments are now before the House.

SHRI K. L. NARASIMHAM (Madras) : My amendment is very simple. In this Bill, the constitution of the Corporation is the most important part. The Corporation is entrusted with the entire life insurance business of our country. So, when that Corporation is being set up, we must take care to constitute it in a proper way. It is mentioned in this Bill that it will consist of 15 members and they are to be nominated by the Government, and the Chairman also is to be nominated by the Government. What I want to suggest in this amendment is that the employees of the insurance companies should be taken into this Corporation, and one-third of the Corporation members should be elected by the employees through their trade unions. I have mentioned the procedure in the amendment itself. This is necessary for the proper functioning of this Corporation. My second point is that the Government in the Second Five Year Plan is advocating the philosophy of joint management by the employers and the workers in all concerns. They have been thinking about it, and the only thing mentioned here is in clause 22, but it is only an Employees and Agents Relations Committee and it has nothing to do with the management of the concern. It is necessary for the good and efficient management to associate the employees with it. My amendment is simple, and I do not know why the hon. Minister should not accept it.

SHRI H. D. RAJAH: This is a very simple amendment, and I want the Government to accept it because it gives the right for Indian citizens to run the infetution which they have created.

SHRI JASPAT ROY KAPOOR: My amendment is only in keeping with the policy that the Government has been adopting hitherto. In this connection I would like to draw the attention of the hon. Minister to the Insurance Rules which are already in operation, Rule 13, according to which policy-holders' representatives must necessarily be there on the Board of Directors, subject to the condition that only such policy-holders are entitled to elect Directors who have a policy of Rs. 3,000 or something like that. Now, what I want is that the policy-holders' representatives must be on the Corporation also, and the manner of their election I leave entirely to the discretion of the Central Government, because I take it that it can prescribe it. It is very necessary to increase the confidence of the policy-holders in the Corporation. I suggest that you may fix the qualification at Rs. 10,000. The number of policy-holders holding policies of over Rs. 10,000 would not be very big. If you want, you may increase the amount to Rs. 20,000. After all, it is the policy-holders who are the real masters. Theirs is the money, and if you keep them out, it is hardly fair.

SHRI KISHEN CHAND: I may point I out that there are 5 million policy- I holders. If you are going to have their representatives, whether two representatives or three representatives, it is not fair. The fund is entirely their money. This is not like any other industrial concern where the workers or anybody else can have an interest; here only the agent and the policy-holders are interested. Therefore I submit that a body of 15 is a very small body. The number should be increased.

SHRI M. C. SHAH: With regard to labour management .....

DIWAN CHAMAN LALL (Punjab): I would like to know whether he is accepting the amendment 'at page 3, line 26 etc' moved by Mr. Rajah about Indian citizenship.

SHRI M. C. SHAH: I am not accepting any.

With regard to the association of labour in the management, the hon. Member perhaps knows that the Second Five Year Plan makes a recommendation that in all organised industries the workers should also be represented on the councils of the managements. The Labour Ministry are considering how best to implement this recommendation but they have not yet reached any conclusion, and the instructions issued by the Labour Ministry will be observed by us also in respect of this undertaking. The acceptance of the amendment will fetter our hands and may embarrass the Labour Ministry. I hope he will he satisfied.

About Indian domicile, it is not our intention to appoint any foreigner in this Corporation.

SHRI H. D. RAJAH: I am satisfied.

SHRI M. C. SHAH: All reasonable points will be taken into consideration.

With regard to the policy-holders, it is difficult to have representatives of the policy-holders by election. There will be 50 lakh policy-holders. He also wants to have vested interests by saying that policy-holders should have policies of Rs. 10,000 or Rs. 20,000 to get entitled to elect the representatives. All those poor people who have policies of Rs. 1,000 or so will be left out, not cared for. All the members of the Corporation will represent the policy-holders. It will be difficult to have elections. It will mean many lakhs of rupees. For fifty lakh policy-holders, even if you spend four annas per head, it will come to about Rs. 124 lakhs.

SHRI H. C. DASAPPA: If not election, may I know whether the hon. Minister, just as he has satisfied Mr. Rajah with regard to citizenship, in nominating Members to the Board and also to the sister organisation, will keep this in view?

SHRI M. C. SHAH: Perhaps we may see that the Members have a policy of Rs. 10,000 or Rs. 20,000.

MR. DEPUTY CHAIRMAN: Perhaps all of them will be policyholders.

SHRI B. K. MUKERJEE: I want te have a clarification.

MR. DEPUTY CHAIRMAN: There is no time. The question is:

3. "That at page 3, for lines 26 to 29, the following be substituted, namely: —

'4. (1) The Corporation shall consist of such number of persons not exceeding fifteen as the Central Government may think fit to appoint thereto.

(IA) Not less than three of such members shall be representatives of the employees of the Corporation who are either elected for such appointment by such employees by secret ballot and in the prescribed manner or nominated for such appointment

[Mr. Deputy Chairman.] by the Trade Unions, if any, or by the Federation of Trade Unions, if any, of such employees or a substantial portion of them or by any organisation to which such Trade Union or Federation is affiliated.

(IB) In case of first appointment, the said members shall either be elected for such appointment by secret ballot and in the prescribed manner by the employees of the insurers whose controlled business shall be transferred to and vested in the Corporation or for such appointment be nominated by the All-India Insurance Employees Association:

Provided that no employee shall be eligible to participate in the election under this sub-section if he is not an employee of the Corporation by virtue of the provisions of section 11.

(IC) One of the members shall be appointed by the Central Government to be the Chairman of the Corporation.

(ID) The representatives of the employees shall hold office for the prescribed period which shall not exceed one year but shall be eligible for re-election or re-nomination; and the provisions of sub-section (IA) shall apply to such re-election or re-nomination as it applies to an election or nomination.'"

The motion was negatived.

SHRI H. D. RAJAH: Sir, I want to withdraw my amendment.

'Amendment No. 4 was, by leave, withdrawn.

MR. DEPUTY CHAIRMAN: The question is:

5. "That at page 3, line 27, after the word 'fifteen' the words 'two

•For text of amendment, *vide* col. 3787 *Supra.*

of whom shall be policy-holders* representatives elected by them from among themselves in the prescribed manner' be inserted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

6. "That at page 3, line 27, for the word 'fifteen' the word 'sixty* be substituted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: Amendment No. 7 is barred. When the 'full' is gone, half also is gone.

The question is:

"That clause 4 stand part of the Bill."

The motion was adopted.

Clause 4 was added to the Bill.

Clause 5—*Capital of the Corporation*

SHRI B. K. MUKERJEE: I move that the discussion be now closed and all the clauses put together to the vote.

MR. DEPUTY CHAIRMAN: Order, order.

MR. Rajah's amendment is a negative amendment. It is barred. There is another amendment by Mr. Kishen Chand. The wording was not proper, but I am allowing this amendment, because it has now been corrected. You can move it.

SHRI KISHEN CHAND: Sir, *I* move:

76. "That at page 4, for lines 14 to 16, the following be substituted, namely:— '

'(2) The Central Government shall progressively reduce the capital of the Corporation to nil in ten years.'"

MR. DEPUTY CHAIRMAN: The clause and the amendment are now before the House.

SHRI KISHEN CHAND: As the principal amount of the Fund will belong to the policy-holders, what is the point in keeping a share capital of Rs. 5 crores? So it should be progressively reduced in 10 years and then the capital will become nil and the Corporation will become entirely a mutual corporation belonging to the policy-holders.

SHRI M. C. SHAH: After all we have to pay compensation of Rs. 5 crores and therefore we must have capital. It will be about Rs. 4£ crores. Now capital is required for that purpose. The moment we get money— and the surplus of 5 per cent., then capital will be reduced later on. How can we say that it can be reduced today?

SHRI KISHEN CHAND: It can be reduced in 10 years.

SHRI M. C. SHAH: There will be this position under the Bill that 95 per cent, will go to the policy holders and 5 per cent, to the Government. Therefore you cannot say that it can be reduced in 10 years. If we get more, then naturally that will be going to the corporation.

SHRI KISHEN CHAND: He has not j understood me.

MR. DEPUTY CHAIRMAN: You cannot make another speech.

SHRI KISHEN CHAND: The compensation is going to be paid to the other insurance companies out of the funds taken from the insurers. When funds are realised then automatically Government will get back Rs. 5 crores.

SHRI P. D. HIMATSINGKA: Compensation will be paid from the assets of the company. In fact the word 'compensation' is a misnomer, if I can say so. We are getting assets of the company and from that corporation will be paying a portion. Not that they will pay the whole amount. Therefore this fund will be absolutely unnecessary.

SHRI M. C. SHAH: I really fail to understand. All these funds belong to the policy holders. Now that fund cannot be utilized to pay compensation. Therefore we have to take Rs. 5 crores from the Government for the capital of this Insurance Corporation from which these compensations will be paid. If there are assets, well and good. The Corporation will have it. Why should it be said now that it shall be reduced? If there are surplus funds, allotted to the Government and they are sufficient, they will go to the Government. Then there will be no capital.

MR DEPUTY CHAIRMAN: The question is:

76. "That at page 4, for lines 14 to 16, the following be substituted, namely: —

'(2) The Central Government shall progressively reduce the capital of the Corporation to nil in ten years.'"

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 5 stand part of the Bill."

The motion was adopted.

Clause 5 was added to the Bill.

Clause 6—Functions of *the Corporation*

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

9. "That at page 4, line 21, for the words 'whether in or outside India' the words 'in India' be substituted."

also move:

10. "That at page 4, lines 29-30, the words 'or reinsurance business

[Shri H. D. Rajah.] in so far as such reinsurance business appertains to life insurance business' be deleted."

I also move:

11. "That at page 5, lines 1 to 3 be deleted."

SHRI P. D. HIMATSINGKA: Sir, I move:

12. "That at page 5, after line 3, the following proviso be inserted, namely: —

'Provided that in such event the business that was being carried on by an insurer shall in the first instance be offered to be transferred to the insurer to whom such business originally belonged, and on his refusal or neglect to accept the same, be transferred to any other person.'"

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

13. "That at page 5, lines 8 to 12 be deleted."

SHRI S. N. MAZUMDAR: Sir, I move:

14. "That at page 5, at the end of line 12, after the word 'Act' the following be inserted, namely: —

'or where such other business was being carried on by a composite insurer, the business of whose subsidiary is transferred to and vested in the Corporation or where such other business is being carried on by a composite insurer whose affairs were being managed on the appointed day by an Administrator appointed under section 52A of the Insurance Act.'"

(This amendment also stood in the names of Shri Satyapriya Banerjee, Shri N. C. Sekhar, Shrimati Parvathi Krishnan, Shri P. Narayanan Nair, Shri A. R. Khan, Shri K. L. Nara-simham and Shri J. V. K. Vallabha-rao.)

MR. DEPUTY CHAIRMAN: The clause and the amendments are before the House.

SHRI P. D. HIMATSINGKA: Sir, so far as this amendment is concerned, what I am suggesting is this. In fact I don't know whether the Government has decided or not. They should not take the business which is outside India because that will be a headache for them and they will not be able to carry on any business outside India as a Government body. Clause 6(1) says: 'whether in or outside India'. In fact they have already taken over business outside India. Clause (d) says:

"They will have the right to transfer the whole or any part of the life insurance business carried on outside India to any other person or persons, if in the interests of the Corporation it is expedient so to do;"

What I am suggesting is, there are two kinds of companies. One is composite and another is pure life insurance. So far as life insurance is concerned, they are to be extinguished and they will be liquidated. Their business has to be transferred to certain other companies. So far as composite insurer is concerned, what I am suggesting is that business belonging to such companies must be offered to be returned to the companies to whom that business belonged otherwise it will be absolutely improper to give the business of X to Y. That will also create a very bad name for the Company whose business will be so taken away and given to others. Because the foreigners who have been dealing with that company will feel 'Here is a company in whom their own Government had no faith'. Therefore it is proper that a business carried on by a particular company should be offered back to that particular company so far as foreign business is concerned.

SHRI H. D. RAJAH: Sir, I reciprocate entirely the sentiments expressed

by my friend and I have nothing more to say.

SHRI M. C. SHAH: My friend Mr. Himatsingka is again under a misapprehension. When we provide that we will invite all applications from those companies who want to have this business it only means that we will have to see whether the size of the company is such as will be in a position to conduct business there. Suppose there is a small company. They can carry on there because they have so much business here. We will have to look to the interest of the policy holders. The intention is not to give business to any one company. We want to invite applications from those companies who are prepared to take over that business and those who are in a position to carry on business with due care to the policy-holders' interest, their cases will be considered.

SHRI H. D. RAJAH: Will the hon. Minister assure that those companies who are already carrying on business outside India on a competitive basis will be allowed to carry on.

SHRI M. C. SHAH: I know Mr. Rajah. There are certain companies which cannot carry on because they were just sending funds from India to carry on their business there. I say if there are companies which are in a position to carry on business without detriment to the interest of the policyholders, then we will certainly consider them.

SHRI ABHIMANYU RATH: What about cooperative concerns?

MR. DEPUTY CHAIRMAN: That is a different matter.

MR. DEPUTY CHAIRMAN: The question is:

9. "That at page 4, line 21, for the words 'whether in or outside India' the words 'in India' be substituted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

10. "That at page 4, lines 29-30, the words 'or reinsurance business in so far such reinsurance business appertains to life insurance business' be deleted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

11. "That at page 5, lines 1 to 3 be deleted."

The motion was negatived.

SHRI P. D. HIMATSINGKA: Sir, I beg leave to withdraw my amendment No. 12.

•Amendment No. 12 was, by leave, withdrawn.

MR. DEPUTY CHAIRMAN: The question is:

13. "That at page 5, lines 8 to 12 be deleted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

14. "That at page 5, at the end of line 12, after the word 'Act' the following be inserted, namely: —

'or where such other business was being carried on by a composite insurer, the business of whose subsidiary is transferred to and vested in the Corporation or where such other business is being carried on by a composite insurer whose affairs were being managed on the appointed day by an Administrator appointed under section 52A of the Insurance Act.'" The motion was negatived.

•For text of amendment, inde col. 3795 *supra.*

MR. DEPUTY CHAIRMAN: The question is:

"That clause 6 stand part of the Bill."

The motion was adopted. Clause *6* was added to the Bill.

Clause 7.—Transfer of existing life insurance business to the Corporation

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

15. "That at page 5, lines 24-25, for the words 'all the assets and liabilities appertaining to the con trolled business of all insurers' the words 'all the assets in respect of liabilities appertaining to the con trolled business of all insurers' be substituted."

SHRI H. C. DASAPPA: Sir, I move:

16. "That at page 5, after line 25, the following proviso be inserted, namely: —

'Provided that the Central Government may exclude from the operation of this Act any life insurance business conducted by a State Government where such State Government desires to run it on its own as well as such life insurance business as is conducted on co-operative lines.'"

MR. DEPUTY CHAIRMAN: The clause and the amendment are before the House.

SHRI H. D. RAJAH: Sir, the object of this amendment is this. They have taken over the assets and liabilities and the companies are now functioning as they are. What is the purpose of their taking away the entire money and then offering them back some time later on the basis of a calculation by the Corporation, after three years. Such of the amount which is actually due to the Corporation on the basis of an assessment of the assets of the company, let them take. Leave the balance to the company itself. The question of their taking the entire thing and then asking the company to wait for 5 years will not arise if this is accepted.

SHRT H. C. DASAPPA: Sir, I crave the indulgence of the House for two minutes to bring home my view-point. The amendment relates to the transfer of the existing life insurance business to the Corporation. My amendment relates to the States Schemes and Cooperative schemes. This is how it reads.

MR. DEPUTY CHAIRMAN: He has explained it at length.

SHRI H. C. DASAPPA: I will state the particular amendment. Provid ed.....

MR. DEPUTY CHAIRMAN: You may exclude all that.

SHRI H. C. DASAPPA:

"Provided that the Central Government may exclude from the operation of this Act any life insurance business conducted by a State Government where such State Government desires to run it on its own as well as such life insurance business as is conducted on cooperative lines."

DIWAN CH AM AN LALL: Why not trade unions as well?

SHRI H. C. DASAPPA: Sir, I listened very closely and carefully to the hon. Minister for Revenue and Civil Expenditure when he was trying to answer my point in this respect.

DIWAN CH AM AN LALL: I do not desire to interrupt the hon. Member, but I would like to ask him why not add trade unions as well? Section 13 of the Trade Union Act enables an exception to be made in the case of trade unions also.

SHRI H. C. DASAPPA: I have suggested only this much, thinking hall a loaf is better than no loaf.

DIWAN CHAMAN LALL: With the permission of the Chair the hon. Member can add these few words also to his amendment.

SHRI H. C. DASAPPA: I have no objection.

The hon. Minister said that the moment we allow competition, there will be malpractices. That is one of the most astounding propositions that I ever heard made by a responsible Minister, that the mere fact of competition will create malpractices.

SHRI H. D. RAJAH: He is an expert in that now.

SHRI H. C. DASAPPA: Whatever it may be with regard to other insurance concerns, what about the State insurance schemes? I want to know from the hon. Minister whether if competition is allowed by way of a State scheme,' they will be indulging in malpractices. If not, I want him to say what is his difficulty in accept ing my suggestion? Is there a profit motive in the State scheme? Is there less of the profit motive in the Cen tral Government scheme? Why does he advance such arguments? I think, Sir, the trouble is there was no com mission or responsible committee appointed to go into this and other questions, to investigate and find out public opinion and the opinions of the States. If afterwards they would have brought forward a scheme .....

SHRI H. D. RAJAH: Even your Party was not consulted,

SHRI H. C. DASAPPA: But unfortunately this is just a brain wave of the hon. Minister. He says: Yes. Take the big stick and turn it round and then the good, bad and the indifferent, they all go down at one blow. This is how it has happened. I feel that one of these days we will be coming up with an amendment to this effect. What have I asked for? I have not said that immediately you should do ■everything now. I only said, you please reserve to yourself the right to exempt from the operation of this Bill, the State schemes, if you so choose. If the State schemes are good enough .....

MR. DEPUTY CHAIRMAN: That will do, Mr. Dasappa.

SHRI H. C. DASAPPA: May I say just one word? If the State schemes , are good enough for its own employees, why not apply it to the employee's family members also? Why not to the employee's relations? Why not to the rest of the people in that particular State? So, I' think viewed from any point of view, it is a most unreasonable and reactionary attitude that the hon. Minister has adopted. I do hope he will at least with regard to this point, accept my amendment.

SHRI M. C. SHAH: Sir, brain waves are common to Finance Ministers and to ex-Finance Ministers also, and about being reasonable or unreason able, that is also common to all per sons. I have already explained tne position very clearly. I have not stated that the State will indulge in malpractices. But as I have said, other corporations or other insurance concerns if they are allowed, or if the zones are allowed to do this business, then there might be this cut-throat competition, of giving rebates and so on. It is being done and.....

SHRI H. C. DASAPPA: It is allowed.

MR. DEPUTY CHAIRMAN: Let him go on.

SHRI H. C. DASAPPA: But it is a mistake.

SHRI M. C. SHAH: I say the rebate allowed under the law is not always what is being paid. There is always more rebate being given and then there are the commissions and so on. All these things do happen. And then main idea, the whole thing is being negatived. We want to establish a monopoly of life insurance business in the whole country. We have only

[Shri M. C. Shah.]

allowed the States to come in where there are compulsory schemes so far as their employees are concerned, because there they adjust the premium to the pay scales and so on. Therefore we have given that much latitude to the State Government. But we cannot allow the State Governments also to have this life insurance business run in those States. What then is the use of this nationalisation, I do not understand. We want to nationalise life insurance business in the whole country and it must be on a planned basis. Therefore we have got here five zones. According to certain suggestions for the reorganisation there will be five zones and therefore here also there will be five zones and we want to see that the money received from those zones is given for the development of those zones, in consultation with the Planning Commission. That is the idea behind these five zones. We want to help the States. I do not understand why my hon. friend here is so apprehensive about the intentions of the Central Government. The Central Government is always helping the States. Even Mysore State comes to the Central Government for help, and the Central Government helps all these States.

SHRI H. C. DASAPPA: But that is discretionary and not mandatory.

SHRI P. ,N. SAPRU (Uttar Pradesh): Mr. Deputy Chairman.....

MR. DEPUTY CHAIRMAN: The Minister has already replied and there cannot be any speech after the reply. On some other point you can speak.

SHRI P. N. SAPRU: I only want to say that the amendment of Mr. Dasappa was so carefully worded and so cautiously worded that it could not possibly interfere with any scheme that the hon. Minister has in mind. And I am perfectly prepared to elaborate that point at length and satisfy him that not a title of the power that he possesses or, that he wants to possess under this Bill would be affected JI ne accepts tne amendment of Mr. Dasappa. I am bound to say that the attitude of the hon. Minister is unreasonable in this behalf.

MR. DEPUTY CHAIRMAN: So you are not accepting any of the amendments.

The question is:

15. "That at page 5, lines 24-25, for the words 'all the assets and liabilities appertaining to the con trolled business of all insurers' the words 'all the assets in respect of liabilities appertaining to the con trolled business of all insurers' be substituted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

16. 'That at page 5, after line 25,. the following proviso be inserted,, namely: —

'Provided that the Central Government may exclude from the operation of this Act any life insurance business conducted by a State Government where such State Government desires to run it on its own as well as such life insurance business as is conducted on cooperative lines.'"

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 7 stand part of the Bill."

The motion was adopted.

Clause 7 was added to the Bill.

Clause 8.—*Provident, superannuation and other like funds*

SHRI B. C. GHOSE: Sir, I move:

17. "That at page 6, line 27, after the words 'one or more trusts', the words 'including representatives both of the Corporation and its employees' be inserted."

SHRI K. L. NARASIMHAM (Madras) : Sir, I move:

18. "That at page 6, after line 29, the following be inserted namely: —

'(3A) Each trust shall be so constituted that the number of trustees representing the beneficiaries of the trust is not less than half of the total number of trustees.

(3B) The trustee or trustees representing the beneficiaries shall either be elected by the beneficiaries from amongst themselves or nominated from amongst the beneficiaries by the Trade Union, if any, or the Federation of Trade Unions, if any, of the employees of the Corporation or of a substantial portion of them or by an organisation to which such Trade Union or Federation is affiliated.' "

(The amendment also stood in the names of Shri S. N. Mazumdar, Shri Satyapriya Banerjee, Shri N. C. Sekhar, Shrimati Parvathi Krishnan, Shri P. Narayanan Nair, Shri A. R. Khan and Shri J. V. K. Vallabharao.)

MR. DEPUTY CHAIRMAN: The clause and the amendments are before the House.

SHRI B. C. GHOSE: I do not want to speak on my amendment.

SHRI K. L. NARASIMHAM: I have only just a few remarks to make. This clause deals with the funds provided as provident funds or superannuation fund or any other such fund for the benefit of the employees. Now the Corporation is taking charge of these funds and this clause says that the Corporation will set up or constitute a trust to manage these funds. My point is, why not take some of the beneficiaries on this trust so that they may be able to manage these funds in their own interests? I hope at least this amendment will be accepted by the hon. Minister.

SHRI M. C. SHAH: Sir, there will be an enlightened employer and you must have faith in such an enlightened employer.

SHRI K. L. NARASIMHAM: I question that.

SHRI B. C. GHOSE: Sir, surely, we want a serious answer. Government are considering the representation of the employees on the Board, though Government are always an enlightened employer. They are an enlightened employer, then why should they not take in these employees? In this case, if there is any reason, we would like to know. This amendment and my amendment are more or less the same. I did not explain my amendment, because I thought it was not necessary. On the board of trustees of provident funds, if there are some employees, there would be no harm, and certainly they should be on the board of trustees.

SHRI BHUPESH GUPTA (West Bengal): The hon. Minister spoke of enlightened employers. We do not know exactly what he meant. He should at least throw some light or> that and give us a definition of that.

SHRI M. C. SHAH: I say that there is no likelihood whatsoever for a clash between the interests of the Corporation and the employees and therefore I say that the Corporation should be trusted to look after the interests of the employees and therefore it is not necessary.

MR. DEPUTY CHAIRMAN: The question is:

17. "That at page 6, line 27, after the words 'one or more trusts', the words 'including representatives both of the Corporation and its-employees' be inserted."

(After a count) There are 12 for fthe amendment and a huge majority against.

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

18. "That at page 6, after line 29, the following be inserted, namely: —

'(3A) Each trust shall be so constituted that the number of trustees representing the beneficiaries of the trust is not less than half of the total number of trustees.

(3B) The trustee or trustees representing the beneficiaries shall either be elected by the beneficiaries from amongst themselves or nominated from amongst the beneficiaries by the Trade Union. if any, or the Federation of Trade Unions, if any, of the employees of the Corporation or of a substantial portion of them or by an organisation to which such Trade Union or Federation is affiliated.'"

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 8 stand part of the Bill."

The motion was adopted.

Clause 8 was added to the Bill.

■*Clause* 9.—*General effect of vesting of controlled business*

MR. DEPUTY CHAIRMAN: There is one amendment by Mr. Ghose.

SHRI B. C. GHOSE: I move:

19. "That at page 7, line 2, after the word 'insurer' the words 'and in so far as they were reasonably necessary for the purpose of the controlled business of the insurer or was not made with an unreasonable lack of prudence on the part of jthe insurer' be inserted."

MR. DEPUTY CHAIRMAN: The j clause and the amendment are before the House '

SHRI B. C. GHOSE: Sir, il the hon. Minister has understood it I need not explain. The clause says that all contracts will be taken over by the Corporation. I say that there may be contracts made which were not fair to the insurance companies and such contracts should not be taken over by the Corporation. There should be some provision which would exclude such contracts being taken over. The hon. Minister might say that there is the provision in clause 15, but that does not meet the requirement of this amendment.

SHRI M. C. SHAH: Clause 9 provides that all contracts of whatever nature subsisting on the appointed day shall be taken over by the Corporation. By this amendment my friend, Mr. Ghose, wants to provide that only such contracts as could be said to have been reasonably necessary for the purpose of the controlled business of the insurer should be taken over. The suggestion is that other contracts should not be taken over. I believe, Sir, that there are already enough provisions in other laws to set aside unconscionable contracts. As a further safeguard clause 15 has been put in, which entitles the Corporation to seek relief before the Tribunal appointed for the purpose wherever it feels that certain contracts are unconscionable. It is therefore, Sir, I submit that it is unnecessary to introduce yet another provision here.

MR. DEPUTY CHAIRMAN: The question is:

19. "That at page 7, line 2, after the word 'insurer' the words 'and in so far as they were reasonably necessary for the purpose of the controlled business of the insurer or was not made with an unreasonable lack of prudence on the part of the insurer' be inserted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 9 stand part of the Bill."

The motion was adopted.

Clause 9 was added to the Bill.

Clause 10 was added to the Bill.

Clause 11.—*Transfer of service of* existing employees of *insurers to the Corporation*

MR. DEPUTY CHAIRMAN: There are six amendments.

SHRI JASPAT ROY KAPOOR: I move:

20. "That at page 8, lines 29-30, for the words 'wholly or mainly in connection with his controlled business' the words 'in connection with his controlled business, or in connection with his controlled busi ness and any other kind of insur ance business' be substituted.

23. "That at page 9, line 12, for the word 'three' the word 'six' be substituted."

25. "That at page 9. lines 21-22, for the words 'wholly or mainly in connection with the controlled business' the words 'wholly in connection with insurance business other than the controlled business' be substituted."

SHRI K. L. NARASIMHAM: I move:

21. "That at page 8, line 35, for the words 'and gratuity' the words 'gratuity, provident fund, valuation or other bonuses, other monetary benefits, present and future' be substituted."

22. "That at page 9, after line 1, the following further proviso be inserted, namely: —

'Provided further that in the case of an employee who is not a workman under the Industrial Disputes Act, 1947, if the Corporation is satisfied that he was appointed to any post which he was holding on the appointed day on grounds of favouritism, his services shall forthwith be terminated; and nothing contained in this section shall be deemed to authorise any alteration of the remuneration or of any terms or conditions of service to the pre-judice of any employee, if such employee is a workman under the Industrial Disputes Act, 1947.'

24. "That at page 9, lines 13-14, after the word 'termination' the words 'along with the retrenchment compensation, at fifteen days total emoluments for each year of service under section 25F of the Industrial Disputes Act, 1947' be inserted."

(The amendments also stood in the names of Shri S. N. Mazumdar, Shri Satyapriya Banerjee, Shri N. C, Sekhar, Shrimati Parvathi Krishnan, Shri Perath Narayanan Nair, Shri Abdur Rezzak Khan and Shri J. V. K. Vallabharao.)

MR. DEPUTY CHAIRMAN: The clause and the amendments are before the House. Shall I put them to-vote?

SHRI JASPAT ROY KAPOOR: Just after a couple of minutes.

Sir, despite the summary rejection of all the amendments moved or unmoved in advance by the hon. Mr. Shah, I have ventured to move this and my subsequent amendments, because I owe a duty not only to myself but to the Government also, and because I think we must give correct advice to the Government; it is for them to accept or not to accept it.

One more thing, Sir, which I would like to raise at this stage is whether it is proper and fair and whether it is in keeping with the dignity of the House and the privilege of the House and whether it is showing courtesy

[Shri Jaspat Roy Kapoor.] to the House for any Minister to say in advance, even before the amendments have been moved that he is not going to accept any amendments.

MR. DEPUTY CHAIRMAN: He has not said that, I think.

SHRI JASPAT ROY KAPOOR: Even in the course of the discussion he has said that he is not prepared to accept any amendment.

MR. DEPUTY CHAIRMAN: Anyhow when the House is taking up all the amendments and voting on them it does not matter.

SHRI JASPAT ROY KAPOOR: It is you who are pleased to take up the amendments, but he has said it more than once that he is not going to accept any amendment. Sir, it is an important question of courtesy and privilege.....

SHRI M. C. SHAH: I have never said that.

SHRI JASPAT ROY KAPOOR: I am not yielding. With due respect to you and to the hon. Minister I submit that we must finally decide the question once for all whether it is open to any Minister to say that he is not going to accept any amendment before they have been moved.

MR. DEPUTY CHAIRMAN: Mr. Shah denies that. Actually we have been considering the amendments.

SHRI JASPAT ROY KAPOOR: It is better if he did not mean it. I hope he never meant it and perhaps no other Minister will ever say so.

Now coming to my amendments to clause 11, according to this Clause, Sir, Government have been good enough to ensure and incorporate herein that they will absorb all the employees, even of the composite insurance companies provided those employees have been wholly working for the life insurance business or secondly, provided they were mainly working for the life insurance business. What I submit is that they should make no such distinction between one who was mainly working for general and one who was partly working for life and partly working for general insurance, because the Government should give employment rather than create unemployment, and it will not be easy to discriminate between one and the other. Of course you have provided in sub-clause (3) herein that if any dispute arises the Central Government's decision will be final. I would submit that all the employees of the general insurance companies, if they have been working both for general and life, should be absorbed. You will be requiring many more persons hereafter. You are going to expand your business. The hon. Minister said, I think, that the business will increase from Rs. 400 crores to somewhere near Rs. 5000 crores. So you will be probably requiring ten times the present staff. So don't throw them out of employment at this advanced stage of their life and also, as I said, it would be very difficult to discriminate as to whether one is mainly working for it or partly working for it. This is what is sought by one of my amendments.

MR. DEPUTY CHAIRMAN: Instead of two you have taken five minutes.

SHRI JASPAT ROY KAPOOR: Only a few seconds more, Sir. What I suggest in my amendment No. 23 is that instead of three months' salary six months' salary should be paid. I mean, if you really want to rehabilitate an employee, whom you are throwing out of employment at an advanced stage of life, give him six months' salary. That is not a little too much for his rehabilitation; spend a little more from out of the funds.

SHRI K. L. NARASIMHAM: My amendments deal with the service conditions of the employees. We want a categorical statement from the hon.

Minister that the service conditions of the employees will not adversely be affected. But the statement by the hon. Minister today leads to a doubt that only some persons may become surplus and he will try to accommodate them because he thinks he can extend the business. I want that it should be stated in the section itself. So I move this amendment.

The second point is about the compensation to be paid to an employee when his services are to be terminated for various reasons. Here he says that only three months' remuneration as compensation will be paid. But it is unfair. When you fix the compensation for the insurers you adopt a different method. Even under different legislations there are different and better methods. Even in the Industrial Disputes Act section 25F deals with the necessary compensation to be given. Even under the Workmen's Compensation Act there is provision for a different compensation in different cases. Here you only say three months' remuneration" irrespective of the length of his service. Irrespective of the number of years' service you want to give only three months' wages and send the man out.

5 P.M.

Sir, it is unfair and that shows the attitude of the Government towards the employees. When he said that the Government was a model employer, I questioned it because the attitude of the model employer is not found here. He is not even giving a fair compensation to a person who is to be retrenched. So I would press my amendment.

SHRI BHUPESH GUPTA: Sir, I want to speak.

MR. DEPUTY CHAIRMAN: Be very brief. Two minutes.

SHRI BHUPESH GUPTA: I will .speak but .....

MR. DEPUTY CHAIRMAN: We have to finish this today.

SHRI BHUPESH GUPTA: ..... I cannot give you an assurance. Either I am allowed to speak or I am not allowed to speak.

MR. DEPUTY CHAIRMAN: Please be short; we have to finish this Bill today.

SHRI BHUPESH GUPTA: I know that and I have that in mind. But the moment I get up, you say *be very brief. I do not think that it is a very right thing to say even before I had started.

MR. DEPUTY CHAIRMAN: Because you were not here when the House decided that we should finish this by six.

SHRI H. C. DASAPPA: May I submit that this six o'clock need not be taken as fixed. We can sit till 7 o'clock.

MR. DEPUTY CHAIRMAN: We can sit till eight if necessary, but we have to finish this today.

SHRI BHUPESH GUPTA: I will make this submission. When a person gets up to speak you can at least watch how long he is taking. But you say 'be brief even before he starts. I would not in such cases like to speak at all. Personally, I feel this is not the way to encourage speeches in the House. If anyone has to .....

MR. DEPUTY CHAIRMAN: We have seen each other *too* well, Mr. Gupta.

SHRI BHUPESH GUPTA: I am only telling you.....

MR. DEPUTY CHAIRMAN: The House has decided on this and you know the business of the House.

SHRI BHUPESH GUPTA: You are very right in reminding us of that. But do you think when the House has decided that we should finish this by six we would be totally unmindful of the fact that the Business Advisory Committee has taken such a decision? Would we not control ourselves? Why

[Shri Bhupesh Gupta.] should there be an assumption every time one gets up to speak that he should exceed the time limit? This is the question I am asking.

MR. DEPUTY CHAIRMAN: I am sorry you are mistaking me, Mr. Gupta.

SHRI BHUPESH G(E/3TA: Anyway, I feel that this amendment should be accepted. This amendment is based on the existing rule and existing system. In fact, in the clause itself, the Industrial Disputes Act has been referred to and so what is proposed to be incorporated by this amendment is not something strange at all. It is known to all undertakings and organisations and the Government should accept it. Just a minute ago the hon. Minister said that the Government was an enlightened employer and the light was so great that he would not even give a proper answer to us. Now I ask him, what sort of enlightenment is it if he does not accept an amendment of this sort. You pay three months' pay as compensation; what will he do with that compensation? You must compensate him in a much better way than is proposed to be done. You give him three months' pay as compensation and he is completely left high and dry and helpless in life. So I say in fairness and justice this amendment should be accepted, especially when you are expanding the public undertakings, you should prove your *bona fides* not by professions but by practice, that you are an enlightened employer. You should at least follow ome of the accepted principles in such matters, as are proposed to be incorporated by this amendment.

SHRI M. C. SHAH: Sir, with regard to my friend, Mr. Kapoor's amendment, he must know that under the Insurance Act, the sector relating to life insurance has to be kept separate. We are taking all such employees who are employed in the life sector but we cannot allow the insurance companies to foist on us the surplus staff of their general insurance business. It may be that only 10 per cent, is on life work and 90 per cent, is employed on other work. We cannot have all of them. We haye given an assurance that all regular employees of life insurance companies that we are taking over will be kept and that nobody will be retrenched. Therefore our policy is very clear; we do not want to retrench even a single person from the life insurance company and that should satisfy my hon. friend.

Now, with regard to my hon. friend. Mr Bhupesh Gupta, I must say that I am really amazed at his attitude. I have already explained that we want only to rationalise the terms and conditions of all those sinecure posts held by persons who are connected with a management either by relationship, friendship or any other form of patronage.

SHRI S. N. MAZUMDAR: Then what is the objection to the amendment? It only makes your intention explicit.

SHRI M. C. SHAH: Our intention is that we do not want to retrench a single person. Now you want that instead of three months' salary they should be given six months' salary; they may have already taken much more than what was really due to them. I do not understand the idea of allowing these people to pocket more. We want to do away with these sinecure jobs.

SHRI S. N. MAZUMDAR: We have clearly mentioned that the employees who do not come under the definition of workmen under the Industrial Dis putes Act will.....

SHRI M. C. SHAH: I think the assurance that has already been given is more than sufficient and I am sure that on reconsideration my hon.. friends will also feel that way.

SHRI B. C. GHOSE: Sir, there is one clarification I should like to have from ! the hon. Minister. Sub-clause (2) j speaks about rationalising the pay I scales of employees of insurers. It 1 may also mean reduction in the scales

•of certain existing employees. Is it the hon. Minister's contention that in 310 case will the salaries of existing employees be reduced? Then I can understand him. But if the pay scales of certain employees are reduced, then they may not want to be employees any longer. Then the question of -compensation would come. It is not always a question of sinecures. I want an answer to that.

SHRI M. C. SHAH: I have already stated that the regular ordinary staff employees will not be retrenched. In the matter of rationalising suppose one person is getting Ks. 1,000 but his duties and responsibilities entitle him only to, say, Es. 500. We say Rs. 500 and he says 'no' and he wants to go, then he will get 3 months' pay. But my hon. friends want to give him Rs. 6,000. Why should you want that?

SHRI B. C. GHOSE: Supposing a clerk is getting Rs. 150 and you rationalise his pay to Rs. 100.

SHRI M. C. SHAH: Not in such a -way as to affect adversely the interests of the low-paid staff. The specific intention is to apply only to those class of persons and I am sure my friends would not like to give six -months' salary to those persons who have already taken away much more.

SHRI BHUPESH GUPTA: I would like to make a clarification. I want to make it clear that it is not our intention at all to benefit the sinecures; throw the whole bunch out. We are •concerned here with the rights of *mpIoyees. I spoke something and he understood sinecures.

MR. DEPUTY CHAIRMAN: You •cannot make another speech, Mr. Gupta.

SHRI BHUPESH GUPTA: It is to iget rid of that misunderstanding in his mind that I want to make this «lear.

SHRI M. C. SHAH: We have not Teceived any complaint from any Tegular staff employee except those about whom I made a reference. I have made the position very clear several times. I think if you are hav-52 RSD—7 ing the interests of these employees at heart you should not press these things.

MR. DEPUTY CHAIRMAN: Now, amendment No. 20.

SHRI JASPAT ROY KAPOOR: I would beg leave to withdraw, Sir.

•Amendment No. 20 was, by leave, withdrawn.

MR. DEPUTY CHAIRMAN: The question is:

&

21. "That at page 8, line 35, for the words 'and gratuity' the words 'gratuity, provident fund, valuation or other bonuses, other monetary benefits, present and future' be substituted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

22. "That at page 9, after line 1, the following further proviso be inserted, namely:—

•Provided further that in the case of an employee who is not a workman under the Industrial Disputes Act, 1947, if the Corporation is satisfied that he was appointed to any post which he was holding on the appointed day on grounds of favouritism, his services shall forthwith be terminated; and nothing contained ir this section shall be deemed tc authorise any alteration of tht remuneration or of any terms oi conditions of service to th< prejudice of any employee, i such employee is a workmar under the Industrial Disputes Act 1947.'"

The motion was negatived.

MR. DEPUTY CHAIRMAN: Tb question is:

23. "That at page 9, line 12, fo the word 'three' the word 'six' b substituted."

The motion was negatived.

•For text of amendment, *vide co* 3809 supra.

MR. DEPUTY CHAIRMAN: The question is:

24. "That at page 9, lines 13-14, after the word 'termination' the words 'along with the retrenchment compensation at fifteen days total emoluments for each year of service under section 25F of the Industrial Disputes Act, 1947,' be inserted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: Amendment No. 25 is barred.

The question is:

"That clause 11 stand part of the Bill."

The motion was adopted.

Clause 11 was added to the Bill.

Clause 12—Transfer of services of *existing employees of chief agents of insurers to the Cofporation in certain cases*

SHRI S. N. MAZUMDAR: Sir, I nove:

27. "That at page 9, for lines 39 to 41, the following be substituted, namely:—

'(c) who was in the wholetime employment of the chief agent or special agents on the 19th January, 1956, and has been continuing as such till the appointed day;'."

(The amendment also stood in the iames of Shri Satyapriya Banerjee, ihri N. C. Sekhar, Shrimati Parvati Mshnan, Shri Perath Narayanan Tair, Shri A. R. Khan, Shri K. L. rrA-asirrham and Shri J. V. K. 'allabharao.)

MR. DEPUTY CHAIRMAN: The mendment and the clause are open >r discussion.

SHRI S. N. MAZUMDAR: Sir, the on. Minister has spoken about cer-lin class of employees not being drenched and this amendment relate^ > employees of special agents and nployees of chief agents who were l the roll till the date of the order of nationalisation. It is very necessary that these people should be absorbed in the Corporation and I press this amendment all the more because I find that the hon. Minister has already made up his mind not to absorb the salaried field workers and he is entirely treating them as people who are not in the employ of the company. I was under the impression, that they will be included in the definition of wholetime employees, but I have been disillusioned. But at least I want that the employees of the special agents and the employees of the chief agents who were on the rolls on 19th January 1956 should be absorbed.

SHRI BHUPESH GUPTA:' The structure of the insurance business, as has-been pointed out, was based on these people, the field workers, and it has been urged by many of the people who have spoken on the subject that they should be treated with sympathy and they should be absorbed. There is no reason why the Government should not accept them. If they do-not accept, it means that they are going to persecute a large section of those people who have built up business in the insurance world. It is their creation and they are taking them out. This is what the Govem-ment is doing. It is these people, the field workers or the agents ol the special agents and the chief agents who in the final analysis built up such business and today when you are nationalising insurance—life insurance in this case—it is incumbent on you to see that the builders of this business, do get a fair deal from the Government. Here I have been getting letters almost every day from various parts of our country from the field workers of the chief agents and special agents complaining against how they are going to be treated. They naturally apprehend that they will be chucked out and that they will have no quarter in the whole scheme of things. This is precisely what the hon. Minister is doing. I wish to know on what grounds of equity, on what basis, you are dealing with this matter in this cavalier fashion? He-

should give us satisfaction. There is no use trying to give some brief answers and leave matters at that. We would like to know if you at all agree that these wholetime employees of the chief agents had a part to play in building insurance business in the country? If so, are they entitled to expect a fair deal from the Government when the Government is taking over the insurance in the State sector? Well, if not, then they will draw their conclusions I know. But I think it is the duty of the Government not merely to give a wordy assurance here but to make such an arrangement as would make it absolutely impossible for these people to be thrown out of employment and injustice done to them. Therefore, I hope that this amendment would be accepted, because it involves the families of a large number of people. We do not want our nationalisation—it is a great thing—to proceed in this manner by bringing tears and sorrow to certain families. We want to make it look as if it is the interest of all the sections of the community who are connected with it, except those people who are keen on exploiting the people through insurance business. That should be the approach in this matter and the hon. Minister should speak and speak a little clearly. I am prepared to give up some of my time, but he should clarify the Government's attitude with regard to this matter. I do not know whether he has got his notes, but I am prepared to give up some of my time if he will clarify the Government's attitude with regard to this matter.

SHRI M. C. SHAH: I thougnt that the fire in Mr. Bhupesh Gupta was existinguished after his return from Palghat; but today that fire has reappeared. My hon. friend wants us to have even these bogus employees to be taken over by the Corporation. This nationalisation of insurance was in the air for the last one year and more. Now, with regard to the chief agents' employees we have got no means to check whether they are on the pay roll or not. Maybe they are bogus employees or they have been brought on pay rolls. Because they are not under the control of the Con troller of Insurance they have not sent all those lists to the Controller of Insurance. Therefore, first thing is to provide for those who have been in service for the last three years. They should be taken over. Then there was a suggestion from many hon. Members that three-year period was a very long one and, therefore, we reduced the period to one year. There fore, we said that all those employees who were on the pay rolls of the chief agents would be taken over by the Government. Now, with regard to the field workers, they are not the employees in the real term of 'employee'. Field workers I have explained times without number are working .....

(Interruptions.)

MR. DEPUTY CHAIRMAN: Order, order.

SHRI M. C. SHAH: ..... on certain terms and conditions. The field worker enters into a contract with an Insurer for twelve months. He says that he will bring business to the volume of two lakhs of rupees or one lakh of rupees and in lieu of commis sion he will be paid a monthly salary of so much. But also it has been pro vided that if the volume of insurance business is very much less than that, there will be a reduction according to the terms and conditions of the con tract. Now, we are acting according to those contracts entered into by the field workers with the insurers. We have gone further. We have been fair and generous in seeing that even if there is any substantial reduction in the volume of business, we should not reduce the salary, but we should treat those employees very sympathetically. And, therefore, I do not think that because we are nationalising insurance we should be burdened with all sorts of bogus, right, wrong so-called employees and then burden the whole'.[1]: ___

(Interruptions.)

SHRI BHUPESH GUPTA: This is not a question of bogus.....

SHRI M. C. SHAH: We have given an assurance to the regular staff, employees of the insurance companies and we are standing by that assurance to the fullest possible extent. But now with regard to the field workers they are not employees. How can we give an assurance? They have to bring in a certain volume of business. If they bring in a certain volume of business, we do not discharge them. There are so many field workers who are working. And about the agents also we have gone out of our way in order to absorb those who have some connections with the chief agents. Ordinarily even today in the case of temporary Government employees, if they are on temporary service they are given the go by. We are taking all these people, so they must thank us rather than criticise us, Members on the opposite should thank us.

MR. DEPUTY CHAIRMAN: The question is:

27. "That at page 9, for lines 39 to 41, the following be substituted, namely:—

'(c) who was in the whole-time employment of the chief agent or special agents on the 19th January, 1956, and has been continuing as such till the appointed day;'."

MR. DEPUTY CHAIRMAN: *(After a count)* There are seven for the Ayes and an overwhelming majority for the Noes.

The motion was negatived.

SHRI BHUPESH GUPTA: They are all field workers !

MR. DEPUTY CHAIRMAN: As much as you are.

The question is:

"That clause 12 stand part of the Bill."

The motion was adopted.

Clause 12 was added to the Bill

Clause 13 was added to the Bill.

Clause 14—*Power of Corporation to modify contracts of life insurance in certain cases*

SHRI JASPAT ROY KAPOOR: Sir, I move:

28. "That at page 11, after line 3, the following further proviso be inserted, namely:—

'Provided further that no such reduction shall be made if the original sum assured is two thousand and five hundred rupees or less.'"

SHRI B. C. GHOSE: Sir, I move:

29. "That at page 11, after line 3, the following further proviso be inserted, namely: —

Provided further that every such scheme of reduction as approved by the Central Government shall be laid before both Houses of Parliament.'"

MR. DEPUTY CHAIRMAN: The clause and the amendments are before the House.

SHRI JASPAT ROY KAPOOR: Sir, my amendment is to the effect that an insurance policy if it is a small policy only and the amount of it is Rs. 2,500 or less, its amount should not be reduced irrespective of what the financial position of the company or insurer is, wherefrom the policy had been obtained. I consider this amendment to be important and necessary. It is also because my hon. friend, Mr. Ram Chandra Gupta, suggested that this privilege should be extendJto all policies of Rs. 5,000. I say it should be to only small policies of Rs. 2,500. It is in the interest of nationalisation of insurance that we should not start it, creating a diffidence in the minds of policy-holders by putting old policyholders in a very disadvantageous position. We know for a fact, that these insurers if they had been allowed to operate, perhaps, in due course of time, their position would have Improved and they would have

made good their losses incurred in previous years. You are going to have a big Corporation and a big profit out of that. Why not appropriate some of those profits for the sake of small policy-holders? When we have a socialistic pattern, the principle is that we should have more from those who can afford to pay and give it to those who want it. Well, have it from the big policy-holders profit—not from their policy amounts—and give some to the smaller policy-holders in the shape of the sum assured.

There is one important thing that you are going to give compensation to all concerned, agents, etc. But you do not want to give any compensation or even the due question of compen sation does not arise .....

Mr. DEPUTY CHAIRMAN: That will do, Mr. Kapoor.

SHRI JASPAT ROY KAPOOR: ..... in the case of small policy-holders and that appears to me to be unfair. The Corporation is going to have the final say in the matter; even the Central Government will have no right in these matters. In the case of employees, you have provided an appeal to the Central Government from the decision of this Corporation, if the Corporation decides that a particular person is not wholly working for the life insurance business. But here you are not going to provide an appeal to the Central Government. This Corporation will have the final say in the matter. That appears to me to be not only a little, but considerably unfair. I do sugest that this amendment should be accepted not only in the interests of policy-holders, but in the larger interests of the realisation cf more business.

SHRI B. C. GHOSE: Sir, although I know that no amendment.....

Mr. DEPUTY CHAIRMAN: The Central.....

SHRI B. C. GHOSE: I want to say that, although I know that no amendment will be accepted, yet it is necessary to demonstrate that reason is on •ur side. The fact is that the hon. Minister stated that he must be fair to policy-holders. I am asking him: How is it fair to policy-holders who might, through ignorance or for any other reason, have taken up policies with companies whose management has not been fair? The policyholders have paid their premiums, not that they have not played their part. So, though the Government has not got a technical responsibility to the policy-holders inasmuch the Government, by enacting the Insurance Act, did not guarantee to them the solvency of all companies, yet, I believe there is a moral responsibility attched to Government. Therefore, it is unfair that such policy-holders should be treated in this fashion and thai their sum assured should be reduced. I should like to know as to whether the Government has made any estimate of the likely loss that they may sustain if no such reduction were effected. That information I should like to have.

I should also like to know what objection the hon. Minister may have in accepting my amendment, because it is fair that we should know if any such reduction is made and we should have a right to move that matter in this House.

There is only one point. That is, I feel very strongly that important Bills must not be brought at the end of the session in this House. There is a tendency, because there is no time to take it back to the other House, not to accept any amendment. The legislative business should be so arranged that, if necessary, there is time left for any amendment to be accepted in this House and to be sent to the other House to be accepted. I am one with the hon. Minister and, therefore, I am not pressing my amendment, in order that this Bill should be finished and passed in this House, so that the institution of the Corporation may not be delayed. But I feel it is unfair that this House should be treated in this faishon.

SHRI M. C. SHAH: I am afraid if I can accept this principle of being generous at the cost of those monies.

[Shri M. C. Shah.] It is very well to be generous at the cost of any other person's money. Here, there are, as I have already mentioned, about five companies. There are nearly ten more. There are about fifteen companies which are insolvent and I would put a question to both the Members who have raised their voice on the generosity at the cost of other policy-holders. What would have happened to the policy-holders of these fifteen insolvent companies if the insurance business had not been nationalised? Perhaps, they would have got only one anna in the rupee and many of them would have been put to a loss. Really speaking, we are going to be very fair and liberal. We have said that the scheme will be formulated by the Corporation with the approval of the Government, and it will come into operation. We have already assured that. That assurance is there in the Select Committee's Report that we will treat all these policy-holders on a very liberal basis. Perhaps, they will be more liberal than what both my hon. friends may be anticipating. But we cannot accept it as a principle. It would be a dangerous thing to accept such a principle that we should be generous at the cost of somebody else. I cannot accept it.

SHRI JASPAT ROY KAPOOR: May I seek a clarification?

SHRI M. C. SHAH: Taking for granted that the Controller of Insurance may not be doing his duties properly, I do not understand how, thereby, the sins of commisison or omission or misappropriation by these insurers should be visited on other good policyholders. I do not understand the principle behind it. I am really amazed at the principle being advocated in this way—being generous at the cost of others.

MR. DEPUTY CHAIRMAN: What about the amendment of Mr. Ghose?

SHRI M. C. SHAH: It is too small a thing to be placed before both the Houses of Parliament. Naturally, if they ask a question, the answer will be there. And, if necessary, for the information of Members, we will circulate that scheme also. We have no objection to that. But it is no use placing it there in the House, because it is not a fundamental method that it should be placed on the Table of both the Houses.

SHRI JASPAT ROY KAPOOR: May I seek one clarification?

MR. DEPUTY CHAIRMAN: No, no. It is already 5-30 P.M. If there is any question, there will be a clarification. Do you press it?

SHRI JASPAT ROY KAPOOR: Is not a clarification necessary?

MR. DEPUTY CHAIRMAN: You have sought it and he has replied.

SHRI JASPAT ROY KAPOOR: Sir, the clarification that I seek is more in the interest of policy-holders. The Minister has been pleased to say that the Government will treat the policyholders generously. That is very good. I want to know whether, in drawing up the scheme, the Government will take into consideration only the financial position of the insurer concerned or it will take into consideration the financial position of the Corporation as a whole. If it is the latter, I will be perfectly satisfied and I will withdraw the amendment. But if it is the former, I want to know how will it be possible for the Government to be generous to them, if only the funds of those particular insurers are to be taken into consideration.

SHRI M. C. SHAH: It is very clear. When we say that we propose to be liberal, we cannot just take the financial position of those companies. Otherwise, as I say, the policy-holders of these fifteen companies will get nothing. Really speaking, if you take their financial position into consideration, they are insolvent today. Suppose a policy matures tomorrow, it will be difficult for that insurer to pay even. Therefore, it goes without saying that when we say 'liberal', it means that from other funds or something else,

we will have to make a liberal .estimate.

SHRI B. C. GHOSE: He can be liberal at the cost of others but not generous. That is what it comes to.

SHRI JASPAT ROY KAPOOR: Sir, I beg leave to withdraw my amendment.

•Amendment No. 28 was, by leave, •withdrawn.

MR. DEPUTY CHAIRMAN: The -question is:

29. "That at page 11, after line 3, the following further proviso be inserted, namely: —

'Provided further that every such scheme of reduction as approved by the Central Government shall* be laid before both Houses of Parliament' "

' The motion was negatived.

MR. DEPUTY CHAIRMAN: The ^question is:

"That Clause 14 stand part of the Bill."

The motion was adopted.

"Clause 14 was added to*the Bill.

* *Clause* 15—*Right* of *Corporation to seek relief in respect of certain transactions of the insurer*

SHRI B. C. GHOSE: Sir, I move:

30. "That at page 11, line 6, the words 'within five years before the 19th day of January, 1956' be deleted."

MR. DEPUTY CHAIRMAN: The clause and the amendment are before the House.

(To Shri M. C. Shah) Any reply?

SHRI M. C. SHAH: Sir, the words that this amendment seeks to delete

•For text of amendment, *vide* col. : 3824 supra.

are "within five years before the 19th day of January 1956". That means there should be no fixed period, and it may be any number of years. *(Interruption.)* Sir, there in the other common law, and if we find that there are certain items which may be questioned, or if there are unconscionable payments, then all those things can be decided by the Tribunal. Originally, Sir, it was one year; then we raised it to 2 years, and now it is 5 years. And, Sir, there is the ordinary law.

SHRI B. C. GHOSE: If ordinary law can take charge of it, then why have it at all? It is immaterial whether it is one year or five years.

SHRI M. C. SHAH: Sir, the Corporation can refer all those matters to the Tribunal. It is clearly stated here that the "Corporation may apply for relief to the Tribunal in respect pf such transaction." If there are any misdeeds done with regard to the property of the insurers, then we want to bring all such persons to book. But the period should be up to five years

SHRI B. C. GHOSE: But if there are six years, then they go scot-free.

MR. DEPUTY CHAIRMAN: Some period has to be fixed.

SHRI M. C. SHAH: You cannot keep the Damocles sword hanging over them.

SHRI B. C. GHOSE: What do you do in the case of the Income-tax Act?

SHRI M. C. SHAH: That is a different thing altogether. Sir, I do not accept the amendment.

MR. DEPUTY CHAIRMAN: The question is:

30. "That at page 11, line 6, th« words 'within five years before the 19th day of January, ia56' b« deleted."

Ihe mation was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 15 stand part of the Bill."

The motion was adopted.

Clause 15 was added to the Bill.

Clause 16—*Compensation for acquisition of controlled business*

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

31. "That at page 12, after line 8, the following proviso be inserted, namely: —

'Provided however that the insurer may accept the amount so offered subject to the right of appeal to the Tribunal by the insurer.' "

MR. DEPUTY CHAIRMAN: The :lause and the amendment are before the House.

SHRI H. D. RAJAH: Sir, my amendment seeks to add the following proviso:

'Provided however that the insurer may accept the amount so offered subject to the right of appeal to the Tribunal by the insurer.'

*Jow, what does clause 16(2) say? It ;ays that "The amount of the compensation to be given in accordance vith the aforesaid principles shall be letermined by the Corporation in the irst instance, and if the amount so letermined is approved by the Central Covernment it shall be offered to the nsurer in full satisfaction of the compensation payable to him under this Vet, and if, on the other hand, the imount so offered is not acceptable o the insurer he may within such ime as may be prescribed for the mrpose have the matter referred to the Tribunal for decision." Here, Sir, the nsurer does not come into the picture t all. The Corporation is to deter-line the amount of compensation to >e paid to the insurer, and then it will rork out a scheme and submit it to the Central Government for their orders. I want to know who prescribes the time?

MR. DEPUTY CHAIRMAN: Govern-ment prescribes the time.

SHRI H. D. RAJAH: But then there-is this difficulty. If the insurer is unwilling to accept what has been offered by the Corporation on the orders of the Government, then what is going to happen? That money which is left over is still with the Corporation, and the insurer does not get the money. Therefore, Sir, I suggest that whatever they have offered, let the insurer take it subject to the right of appeal to the Tribunal. Let them not withhold the entire money.

SHRI H. C. DASAPPA: May I just add one word? This is a very reasonable proposition that my friend, Mr. Rajah, has placed before the House,, because it is not going to cost the Corporation or the Government anything more. Sir, let us take the practice of another Act—the Land Acquisition Act. When there is an award, the party is allowed to take the money and then contest for more in a court of law. It is a very wholesome provision that Mr. Rajah wants. I think, Mr. Shah would not be prepared to accept the amendment. But if he has no objection to the insurer drawing, the money and asking for more through the Tribunal, that would be quite enough for the occasion.

SHRI M. C. SHAH: Sir, this is the usual clause appearing in the case of other undertakings which have been nationalised like the Indian Airlines Corporation etc. After all, we prescribe the principles of compensation. According to those principles comr pensation is to be paid. That is all.

SHRI H. D. RAJAH: On a point of clarification, Sir.

MR. DEPUTY CHAIRMAN: It is-quite clear to him. Nothing more unrequired.

SHRI M. C. SHAH: Really speaking, Sir, we cannot allow them to agitate this matter and to get more and more compensation. All these principles are laid down already.

SHRI H. C. DASAPPA: They have allowed the right of appeal to the Tribunal. The right to go to the Tribunal is already conferred by the law. Then let him draw the amount and seek the additional remedy.

SHRI M. C. SHAH: You cannot haye it both ways. I do not know why—

DIWAN CH AMAN LALL: Sir, I do not want to enter into a discussion, but when the hon. Minister says 'why', he ought to know the reason why my friend has moved his amendment, and why Mr. Dasappa has supported him. The reason is very simple. You give him a certain amount of compensation. He is not satisfied. If he is not satisfied with it, under protest he takes it, and having taken it under protest, you must give him the right to agitate the matter and get his full compensation as he desires. That is the reason why, I believe, this amendment has been moved by my friend.

SHRI M. C. SHAH: Sir, I do not accept the amendment.

MR. DEPUTY CHAIRMAN: The question is:

31. "That at page 12, after line 8, the following proviso be inserted, namely: —

'Provided however that the insurer may accept the amount so offered subject to the iight of appeal to the Tribunal by the insurer.' "

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 16 stand part of the Bill."

The motion was adopted.

Clause 16 was added to the Bill. Clause 17 was added to the BilL

Clause 18—*Offices, Branches and agencies*

SHRI JASPAT ROY KAPOOR: Sir, I move:

33. "That at page 12, line 39, for the word 'Kanpur' the word 'Agra' be substituted."

35. "That at page 13, for lines *3* and 4, the following be substituted, namely: —

'(3) Each zonal officer may, with the previous approval of the Central Government, carry on business in any part of India.' "

SHRI KISHEN CHAND: Sir, I move:

34. "That at pages 12-13, for lines 38-39 and 1-2, respectively, the fol lowing be substituted, namely: —

'(2) The Corporation shaH establish nine zonal offices, one each for forty millions of population at suitable places, and, subject to the previous approval of the Central Government, may establish such other zonal offices as it thinks fit.' "

36. "That at page 13, line 6, for the words 'Zonal Manager' the words 'Zonal Board' be substituted."

MR. DEPUTY CHAIRMAN: The clause and the amendments are now before the House.

SHRI KISHEN CHAND: I have-already spoken in this connection in my speech. There is such a large number of policy-holders that five zones are not sufficient. The number of zones may be increased to nine on the basis that every 4 crores of our population should have a zone.

MR. DEPUTY CHAIRMAN: He has said that, if there is any necessity,, they will increase the zones.

SHRI KISHEN CHAND: I maintain that five is too inadequate. It should: be increased even now.

SHRI JASPAT ROY KAPOOR: In connection with my amendment No. 33, I crave the indulgence of the House for a couple of minutes.

MR. DEPUTY CHAIRMAN: Agra is his home town.

SHRI JASPAT ROY KAPOOR: In the original Bill, no zonal office was to be located in U.P. and then in the Select Committee one office was incorporated at Kanpur. What I suggest is that, instead of Kanpur, it should be Agra. In asking for this, I am not actuated by any local patriotism. I have got valid reasons to ofher in support of this contention. Firstly, of all the cities in U.P., Agra is the one place where there are already four head offices of insurance companies. In Kanpur, there is only one, practically defunct. There are four in Agra, and Agra was the first place in U.P. where an insurance company was organised in 1931. In Agra you have already in your possession the property of the insurance companies and you have enough office accommodation there in which you can accommodate even 1,000 employees. In Kanpur you have none. Thirdly, this zone is going to serve UP. and Mandhya Pradesh. For both these areas Agra is more centrally situated than Kanpur, Jabalpur and other places are very much farther away.

SHRI H. C. DASAPPA: There is also the Taj Mahal there.

SHRI JASPAT ROY KAPOOR: The Taj Mahal is an additional attraction for hon. Members here.

Lastly, according to the Five Year Plan, the Government's policy is to spread Government offices and industrial undertakings all over the country equitably. In Kanpur there is already an over-concentration of mills, factories, offices, a Branch of the Finance Corporation, then the Provincial Finance Corporation and so many others probably not known to the hon. Minister. I do submit that he should have no difficulty in accepting Agra. He will be doing good to himself, not so much to us.

My next amendment is—and for that I do not seek the indulgence of the House—this: In the interests of the nationalisation of insurance, you must permit all these five zones to carry on business in any part of India. I will reply to the objections which he has raised and not reaffirm what I said previously. The hon. Minister said that sometimes amendments are actuated by the profit motive. There is no profit motive here. If the zonal offices compete with one another, the monopoly of the Government does not suffer. If they compete with each other, they will compete for efficient for ~~efficient~~ social service! All these agents will be vtrfying with one another in securing more and more business.

SHRI M. C. SHAH: An hon. Member from Agra has pleaded for Agra, but we cannot agree. There were only four zonal offices, and then we thought we should have a fifth zonal office and we selected Kanpur. Kanpur is a central commercial city of U.P. and therefore we have selected it. Now, in the clause there is provision that in future, if need be, there could be more zonal offices. If there is any necessity, Agra's case may be considered, but today it is not possible to have two zones, one at Kanpur and another at Agra, in U.P.

SHRI JASPAT ROY KAPOOR: I never suggested that there should be two zones in U.P. I said Agra in place of Kanpur.

MR. DEPUTY CHAIRMAN: The question is:

> 33. "That at page 12, line 39, for the word 'Kanpur' the word 'Agra' be substituted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

> 34. "That at pages 12-13, for lines 38-39 and 1-2, respectively., the following be substituted, namely: —
>
> '(2) The Corporation shall establish nine zonal offices, one

each for forty millions of population at suitable places, and, subject to the previous approval of the Central Government, may establish such other zonal offices as it thinks fit".

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

35. "That at page 13, for lines 3 and 4, the following be substituted, namely: —

'(3) Each zonal officer may, with the previous approval of the Central Government, carry on business in any part of India.'"

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

36. "That at page 13, line 6, for the words 'Zonal Manager' the words "Zonal Board' be substitu ted".

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 18 stand part of the Bill."

The motion was adopted.

Clause 18 was added to the Bill.

Clause 19 to 21 were added to the Bill.

Clause 22—*Zonal Managers*

SHRI B. C. GHOSE: Sir, I move:

38. "That at page 13, line 37, for the words 'whether a member or not' the words *'not* being a Member' be substituted."

SHRI KISHEN CHAND: Sir, I move:

39. "That at page 14, line 1, for the word 'may' the word 'shall' be substituted."

40. "That at page 14, line 2, after the word 'thereto' the words 'of whom half are elected representatives of policy-holders' be inserted."

-SHHr-Br-G;-GHQSE^-Si~~r~~, ~~I mo~~vet

SHRI S. N. MUZUMDAR: Sir, I move:

43. "That at page 14, after line *ff* the following be inserted, namely: —

'(2A) Not less than one-fifth of the number of members of such Board shall either be elected by the employees of the Corporation employed within the territorial limits of the zone by the secret ballot and in the prescribed manner or be nominated by the Trade Union or Federation of Trade Unions of the employees of the Corporation employed within the territorial limits of the zone or of a substantial portion of such employees'."

44. "That at page 14, line 7, for the words 'an Employees and Agents Relations Committee' the words 'an Employees Relations Committee and an Agents Relations Committee' be substituted."

45. "That at page 14, line 10, for the words 'employees and agents' the words 'employees, or of its agents, as the case may be' be substituted."

46. "That at page 14, line 11, for the words 'the employees and agents on the Committee' the words 'employees or of such agents, as the case may be, on such Committees' be substituted."

47. "That at page 14, line 15, for the words 'and secure' the following be substituted, namely: —

'the settlement of any dispute between the employees and the Corporation or between the agents and the Corporation or to secure.'"

(Amendments Nos. 43 to 47 also stood in the names of Shri Satya-priya Banerjee, Shri N. C. Sekhar, Shrimati Parvathi Krishnan, Shri P. Narayanan Nair, Shri A. R. Khan, Shri K. L. Narasimham and Shri J. V. K. Vallabharao.)

SHRI B. C. GHOSE: The Corporation would be concerned with policy matters, and the Zonal Managers will be in the nature of executives. I do not think it is a good principle of administration that an executive in that position should also be allowed to become a member of what might be called a Board of Directors, and therefore I have suggested that a Zonal Manager should not be permit-ed to become a member of the Corporation. That is the intention of my amendment.

SHHI KISHEN CHAND: I will say only a word. These advisory bodies advising the Zonal Managers should have elected representatives of the policy-holders.

SHRI K. L. NARASIMHAM: When I moved an amendment that the representatives of the employees should be on the Corporation, the Minister said that it could not be done. Here is a different case. This clause deals with the constitution of Boards in the different Zones. Now, the func-tion| of the Zonal Board is to advise the Zonal Manager, and even for the purpose of constituting these advisory bodies, the employees are not taken into consideration. I suggest that the

representatives of the employees to be elected by them, or nominated by the trade unions, should be on these Boards. At least one-fifth of the members should be elected by the employees.

SHRI BHUPESH GUPTA: This is an important amendment from the point of view of everyone in the country who wants that insurance in the State sector should be a success. As we all know, our proposals for including the representatives of the employees in the Corporation were not acceptable to the Government. But here, this is only an advisory body, but this advisory body has certain functions which are important. I do not see any reason why even this Government should not accept the representatives of the employees on the Board, employees who command the confidence of the general body of employees, or are

[otherwise put up by their organisa tions. Why should it be unacceptable to them? Hon. Ministers have been telling us about noble things, socialist, ideas, socialism and all that sort of thing. Very good. We respect the sentiments in the Congress Benches about socialism. I sincerely feel that there are many people.....

MR. DEPUTY CHAIRMAN: Clause. 22 sub-clause (3) is there already,

SHRI BHUPESH GUPTA: "Every person employed by the Corpora tion ....." Nothing is there.

MR. DEPUTY CHAIRMAN: We are one clause 22 and sub-clause (3) says:

"The Corporation shall constitute- in the prescribed manner for each zonal office an Employees and Agents Relations Committee con sisting of such number of persons as it thinks fit and every such Com mittee shall consist of representa tives of the Corporation and of its employees and agents ....."

SHRI BHUPESH GUPTA: Here ib clause 23 it says:

"For the purpose of enabling_____ "

MR. DEPUTY CHAIRMAN: V.re are. on clause 22 and not on 23.

SHRI M. C. SHAH: About Mr. Gupta's point, I may inform him that we have no intention of appointing as Zonal Manager a Member of the Corporation. Only this has been kept as . a flexible thing but the intention ls not to appoint a Member.

SHRI B. C. GHOSE: If you have no intention, you should not have it.

SHRI M. C. SHAH: About the Relations Committee, they talk about the-Advisory Committee. Therefore I thought it was not necessary. We have already provided for it and we have consulted the Labour Ministry also.

MR. DEPUTY CHAIRMAN: The (question is:

38. "That at page 13, line 37, for the words 'whether a member or not' the words 'not being a member' be substituted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The •question is:

39. "That at page 14, line 1, for the word 'may' the word 'shall' be substituted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The ^question is:

40. "That at page 14, line 2, after the word 'thereto' the words 'of whom half are elected representa tives of policy-holders' be insert ed."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

43. "That at page 14, after line 5, the following be inserted, name ly:-

'(2A) Not less than one-fifth of the number of members of such Board shall either be elected by the employees of the Corporation •employed within the territorial limits of the zone by the secret ballot and in the prescribed manner or be nominated by the Trade Union or Federation of Trade Unions of the employees of the Corporation employed within the territorial limits of the zone or of a substantial portion of such employees.'"

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

44. "That at page 14, line 7, for the words 'an Employees and Agents Relations Committee' the words 'an Employees RelationbCommittee and an Agents Relations Committee' be substituted."

The motion was negatived.

Amendments Nos. 45 and 46 were barred.

MR. DEPUTY CHAIRMAN: The question is:

47. "That at page 14, line 15, for the words 'and secure' the following be substituted, namely: —

'the settlement of any dispute between the employees and the Corporation or between the agents and the Corporation or to secure'".

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 22 stand part of the Bill."

The motion was adopted.

Clause 22 was added to the Bill.

Clause 23—Staff *oj the Corporation*

SHRIMATI PARVATHI KRISHNAN: Sir, I move:

48. "That at page 14, after line 22, the following proviso? be insert ed namely: —

'Provided that no person who is a workman under the Industrial Disputes Act, 1947, shall be trans ferred except with his consent or, when he is transferred to any place in the same zone, except on payment of compensatory allowance for any loss that he may-incur by reason of the transfer:

Provided further that the person employed for the procuration of business shall not ordinarily be transferred from any place where he was employed on the appointed day or where he was first employed by the Corporation.'"

(The Amendment also stood in the names of Shri S. N. Mazumdar, Shri Satyapriya Ban er j ee, Shri N. C. Sekhar, Shri P. Narayanan Nair, Shri A. R. Khan, Shri K. L. Nara-simham and Shri J. V. K. Vallabha I Rao.)

SHRIMATI PARVATHI KRISHNAN: The amendment more or less speaks for itself and once again raises the same issue and I hope the Minister, after having heard again and again the arguments for assurance being given to those employees who come under the definition of workmen under the Industrial Disputes Act, will accept this amendment.

SHRI M. C. SHAH: I don't think it is necessary. We will see that no inconvenience is caused when the transfer is absolutely necessary.

MR. DEPUTY CHAIRMAN: He gave you that assurance, that as far as possible.....

SHRI S. N. MAZUMDAR: Housing and other facilities should be given.

MR. DEPUTY CHAIRMAN: It v/ill be governed by Service rules.

SHRI BHUPESH GUPTA: We need not move some of the amendments if this assurance given here is published by the Government in the daily press because so many assurances are given, nobody knows. People would like to know what are the assurances when they are not kept.

SHRI M. C. SHAH: You must keep a record of them and then you might just refer to that if the assurance is not implemented.

MR. DEPUTY CHAIRMAN: Tlie question is:

48. "That at page 14, after line 22, the following provisos be inserted, namely: —

Trovided that no person who is a workman under the Industrial Disputes Act, 1947, shall be transferred except with his consent or, when he is transferred to any place in the same zone, except on payment of compensatory allowance for any loss that he may incur by reason of the transfer:

'Provided further that the, person employed for the procuration of business shall not ordinarily be transferred from any place where he was employed on the appointed day or where he was first employed by the Corporation.' "

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 23 stand part of the Bill."

The motion was adopted.

Clause 23 was added to the Bill.

Clause 24—*Funds* of *the Corporation*

SHRI KISHEN CHAND: Sir, I move:

49. "That at page 14, at the end of line 27, after the word 'therefrom' the following be inserted, namely: —

'provided that the Corporation maintains a life fund in which twenty-five per cent., of first years' premium and ninety-five per cent., of subsequent premiums are credited. All earningsof this: fund shall be credited to it. All claims shall be paid out of it. Seventy-five per cent., of the life-fund shall be invested in Government securities.'"

MR. DEPUTY CHAIRMAN: The clause and the amendment are before the House.

SHRI KISHEN CHAND: Under the present Insurance Act every insurance company has got to build up a life fund and has got certain percentages of the first year and renewal premiums to be paid to the life insurance fund. In the case of this company, the Government has stated *as* follows:

"The Corporation shall have its own fund and all receipts of the Corporation shall be credited thereto and all payments of the Corporation shall be made therefrom".

Under this section if the expense ratio is raised and the expenses are-increased, the life fund will go on

liminishing and the policy holders' noney will be in great risk. Therefore the Government should impose ;hat condition. The hon. Minister will say that there is section 27A of the Insurance Act. May I draw his attention to page 19 where its is stated:

> "The Central Government shall as soon as may be after the commencement of this Act, by notification in the Official Gazette, direct that the following sections of the Insurance Act shall apply to the Corporation subject to such conditions and modifications as may be specified in the notification."

Now the Government may modify against the interests of the policyholders. Governmnt may prescribe a lower percentage for the first year and renewal premiums to be kept in the life fund and there may be a big gap of several years betwen the notification in the official gazette and the coming into existence of the Corporation.

Therefore I submit that the Finance Minister will give an assurance that immediately after the Corporation comes into existence, clause 27A of the Insurance Act will be made operative and the interest of the policy-holders will be safeguarded.

SHRI M. C. SHAH: I cannot give any such assurance because now my friend Mr. Gupta keeps a record. This is not practical. He says 75 per cent, of the first year premium.

SHRI KISHEN CHAND: 25 per cent.

SHRI H. C. DASAPPA: 25 per cent, of the first year's premium.

SHRI M. C. SHAH:... .and 95 per cent, of the subsequent premium. Take 95 per cent., of the renewal premium. Really speaking from the 5 per cent, remaining we have to pay for all expenses—5 per cent, renewal commission and then perhaps 2 per cent, renewal commission to the Chief Agent. I don't know where all these sums will come from. It is most unrealistic approach that I have ever seen. So I don't agree to accept this amendment.

MR. DEPUTY CHAIRMAN: The question is:

> 49. "That at page 14, at the end of line 27, after the word 'therefrom' the following be inserted, namely: —
>
> 'provided that the Corporation maintains a life fund in which twenty-five per cent, of first year's premium and ninety-five per cent, of subsequent premiums are credited. All earnings of this fund shall be credited to it. All claims shall be paid out of it. Seventy-five per cent, of the life fund shall be invested in Government securities.' "

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

> "That clause 24 stand part of the Bill?"

The motion was adopted.

Clause 24 was added to the Bill.

MR. DEPUTY CHAIRMAN: We will take up clause 25.

MR. H. C. DASAPPA: The rest of the agenda may be held over till tomorrow. That is the idea. We can give about an hour.

SHRI M. C. SHAH: That will be better. We are also tired.

MR. DEPUTY CHAIRMAN: Tomorrow also we will have to sit. through the lunch and also sit late. Unless the House is prepared to sit till 7 or 8 tomorrow, it wiH not be possible. We will sit for half an hour more today and finish it.

SHRI H. P. SAKSENA: Let us finish it today and we will sit on.

SHRI AKBAR ALI KHAN: Let us go on till half past six.

(Interruptions.)

SHRI BHUPESH GUPTA: The Hon. Minister is tired.

MR. DEPUTY CHAIRMAN: If the House is prepared to sit one hour extra today, we can finish.

SHRI B. C. GHOSE: Shall we meet early tomorrow?

MR. DEPUTY CHAIRMAN: Till seven or eight, if the House is pre pared .....

SHRI B. C. GHOSE: Let us meet at 10-30 tomorrow.

MR. DEPUTY CHAIRMAN: There is the question hour.

SHRI B. C. GHOSE: 10-30 to 11-30 will be the question hour.

MR. DEPUTY CHAIRMAN: But Ministers have to be given intimation.

SHRI KISHEN CHAND: We will sit till six tomorrow also.

MR. DEPUTY CHAIRMAN: We have to sit one hour extra. We have other business.

6 P.M.

SHRI H. P. SAKSENA: Which means that we should finish this Bill today.

MR DEPUTY CHAIRMAN: I am prepared to sit for another half an hour.

SHRI B. C. GHOSE: But the Minister, Mr. Shah, seems to be tired.

SHRI GUPTA: Sir, you must have some compassion towards the hon. Minister.

MR. DEPUTY CHAIRMAN: And so we sit one hour extra, beyond six, till seven o'clock tomorrow and finish it. This will be taken up firsl tomorrow.

There is a message.

MESSAGE FROM LOK SABHA

THE CONSTITUTION (SIXTH AMENDMENT) BILL, 1956

SECRETARY: Sir, I have to report to the House the following message received from Lok Sabha, signed hy the Secretary of Lok Sabha:

"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 Constitution (Sixth Amendment) Bill, 1956, which has been passed by Lok Sabha at its sitting held on the 29th May, 1956 in accordance with the provisions of Article 368 of the Constitution of India."

I lay the Bill on the Table.

MR. DEPUTY CHAIRMAN: The House stands adjourned till 11 A.M. tomorrow.

The House then adjourned at two minutes past six of the clock till eleven of the clock on Wednesday, the 30th May 1956.