

DIWAN CHAMAN LALL: With the consent of the Chair. You have to give your consent. If the time is not ripe for a .....

MR. DEPUTY CHAIRMAN: I have to get the facts from the Government.

DIWAN CHAMAN LALL: It is for you to give the necessary consent. If you consult the Government and then.....

MR. DEPUTY CHAIRMAN: Till then, the hon. Member will contain himself.

#### LEAVE OF ABSENCE TO DR. P. V. KANE

MR. DEPUTY CHAIRMAN: I have to inform the Members that the following letter has been received from Dr. P. V. Kane :—

“For a little over one month I have been suffering from several ailments, some of them being due to my old age (I am now in my 77th year). Throughout, I had been hoping that I might be able to attend the present session of the Rajya Sabha for some days at least. Though I feel somewhat better, I am advised by my doctors not to go to Delhi where the temperature has been very high. Under these circumstances, I request you to place this my application for leave of absence for the whole of the present session before the Rajya Sabha and to ask the Rajya Sabha to grant it in view of my ill-health.”

Is it the pleasure of the House that permission be granted to Dr. P. V. Kane for remaining absent from all meetings of the House during the current session?

(No hon. Member dissented.)

MR. DEPUTY CHAIRMAN: Permission to remain absent granted.

#### THE LIFE INSURANCE CORPORATION BILL, 1956—continued

##### Clause 25—Audit

SHRI JASPAT ROY KAPOOR (Uttar Pradesh): Sir, I move:

50. “That at page 14,—

(i) in line 28, after the words ‘audited by’ the word ‘two’ be inserted;

(ii) in line 30, after the word ‘and’ the words ‘one of’ be inserted; and

(iii) in line 32, after the word ‘and’ the words ‘the other auditor shall be appointed by the policy-holders in the prescribed manner, and they be inserted.”

SHRI S. N. MAZUMDAR (West Bengal): Sir, I move:

51. “That at page 14, in lines 31 and 37, for the word ‘Corporation’ the words ‘Comptroller and Auditor General of India’ be substituted.”

(This amendment also stood in the names of Shri J. V. K. Vallabharao and Shri K. L. Narasimham.)

MR. DEPUTY CHAIRMAN: The clause and the amendments are before the House. We have to finish before one o’clock. Please take note. By one o’clock we have to finish all stages of this Bill.

SHRI JASPAT ROY KAPOOR: Sir, amendment No. 50 which stands in my name is to clause 25 of the Bill which is a very contentious clause. My amendment suggests that in place of one auditor who is at present proposed to be appointed by the Corporation, with the previous approval of the Central Government, there should be two auditors. One auditor will be there as provided herein and there will be one additional auditor elected by the policy-holders in such manner as may be prescribed. That is my amendment. Of course,

the manner of his appointment will be prescribed by rules made by the Corporation and the Central Government and such rules will come up before Parliament for such amendment or modification as Parliament may choose to make therein.

This clause 25, as I have already submitted, is a very contentious clause and an unhappy controversy has arisen in this respect, and it is a controversy which has assumed a rather ugly shape. It appears as if there is a tug-of-war going on between the Finance Minister and the Auditor-General. That is obviously very unhappy. Of course, we can quite appreciate the Auditor-General's anxiety that his position should be very well safeguarded. He is jealous, and naturally he ought to be, about his rights and privileges and we should also be jealous and see that no government account escapes his auditing eye. But then, I would submit that it was a little over-jealous on his part to have gone about canvassing as it were. He had circulated, as we heard it from the papers and from the proceedings of the other House, a note to some Members of Parliament, only to some Members of Parliament and not to all. It is also bad enough and very improper, if I may say so, with all respect to the Auditor-General, that he should have sent that note directly to the Members and not through the proper channel.

MR. DEPUTY CHAIRMAN: That will do, Mr. Kapoor, this aspect has been discussed and all aspects of this question have indeed been placed before the House. So a long speech is not necessary.

SHRI S. N. MAZUMDAR: It was in the other House.

SHRI JASPAT ROY KAPOOR: So far as this aspect of the question is concerned, I do not remember having heard anyone discussing it here. Being a little hard of hearing, I might have missed hearing it when

somebody else was speaking on it. But I don't think anyone has done it.

MR. DEPUTY CHAIRMAN: But we have only 45 minutes more.

SHRI JASPAT ROY KAPOOR: I shall be very brief and I will take much less time. I will be much shorter if I am allowed to proceed uninterrupted. What I am submitting is that the underlying idea of the suggestion made by hon. Members in the other House and in this House is that the Auditor-General and Comptroller should have the right to audit these accounts, that these accounts should be audited by some independent authority. I should have very much wished that the Government had agreed to this suggestion. But as it is not acceptable to the Finance Minister, I would not like to pursue this controversy any further. But I request that the underlying idea of this suggestion might be accepted by the Government by accepting my amendment. What we want is that there should be an independent audit. That independent audit, of course, cannot be carried out by the auditor who will be appointed by the Corporation with the previous approval of the Government. Obviously, when the Corporation is the employer and the auditor is its employee, we cannot expect that audit to be carried out in an independent manner. We have not forgotten the recent example, the recent case of the audit not having been properly carried out in the case of the Bharat Insurance Company. For some time past, the previous auditor had been auditing the accounts of this concern without disclosing the true state of affairs. It was only the latest auditor who could find out and report to Government the regrettable state of affairs.

It has been the experience of everyone who has been associated with any company, be it an insurance company or any joint stock company, that the auditors are virtually at the

mercy of the management, more or less. Nominally of course, the auditor is appointed by the shareholders, in the general meeting, but for all practical purposes, the directors have their hold on the auditor. So whatever the management wants is acceded to by the obliging and accommodating auditor. I do not say that all auditors are so obliging, but mostly it is so. Therefore, when Government is going to undertake such a huge business, it should see to it that the audit is carried on by an independent auditor. Let the Finance Minister and the Government have their own way.....

MR. DEPUTY CHAIRMAN: That will do.

SHRI JASPAT ROY KAPOOR: I am just closing, Sir. If you do not want me to make my point on such an important question.....

MR. DEPUTY CHAIRMAN: I want hon. Members to take only two to three minutes each. We have got only 45 minutes more and we have so many amendments to be gone through. Every amendment is important and every clause is important. But we have to push through this business. This matter has been stressed and overstressed by hon. Members and also replied to.

SHRI S. N. MAZUMDAR: That was in the other House, Sir, not here.

MR. DEPUTY CHAIRMAN: No, in this House also, during the general discussion. Then the point was raised that in addition to the auditor appointed by the Corporation, the Auditor-General also should audit the accounts. All these aspects have been discussed.

SHRI JASPAT ROY KAPOOR: If only you will leave it to us, Sir, to finish all stages of the Bill by one o'clock, we shall do so and we shall have our own priority with regard to these amendments.

MR. DEPUTY CHAIRMAN: I am afraid if we are not able to finish all the items, then the last few clauses will have to be guillotined. That is the only remedy left to me. I hope, hon. Members will not lead me to do that. Let us get through the business with mutual cooperation.

SHRI JASPAT ROY KAPOOR: I will take only one more minute. I therefore submit that an independent auditor should be appointed and he should be appointed by the policyholders. Now the question arises, in what way he should be appointed. Let the Government have its own way, just as they like, of not having the accounts audited by the Auditor-General. That matter is over. But then, let us have an additional auditor also. Nothing will be lost if they accept this suggestion, only a little more money will have to be spent. But the question arises, how that auditor is to be appointed by the policyholders. Initially, I would leave the manner of his appointment to be prescribed by the rules. But my suggestion then would be that only policyholders, who hold policies of Rs. 20,000 and above, should be allowed to have a say in this matter. The number of such policyholders should not be very large and the vote can be cast by post. That will satisfy most of us, and I am sure, nothing would be lost. The Government would not suffer either in prestige or in the principle, to which they seem to stick in a very hard and fast manner, namely, that the Auditor-General should not audit the accounts. What will they lose if they accept this amendment? It will satisfy them. Sir, the reputation of the Government is at stake in this matter and they should, for their own sake and for the sake of their reputation, accept this suggestion of mine.

SHRI S. N. MAZUMDAR: Sir, I will take only one minute. This point has been discussed to some extent in this House, but it was exhaustively discussed only in the other House, where the Finance Min-

[Shri S. N. Mazumdar.]  
ister described it as a basement  
resistance.

THE MINISTER FOR REVENUE AND  
CIVIL EXPENDITURE (SHRI M. C.  
SHAH): But the amendment does not  
refer to the Auditor-General.

SHRI S. N. MAZUMDAR: I am not  
yielding.

SHRI BHUPESH GUPTA: (West  
Bengal): An unyielding Minister  
should not be yielded to.

MR. DEPUTY CHAIRMAN: But the  
Minister has sat down. You also  
please sit down.

SHRI S. N. MAZUMDAR: But we  
do not understand the resistance that  
is being offered by the Government  
to this suggestion. I feel, there were  
apprehensions, starting from the  
Prime Minister to the Finance Minis-  
ter, that the finances and the audit-  
ing of the affairs of the statutory  
corporations should not be handed  
over to the Auditor-General, that  
hereby it will impede efficiency, but  
here we have the sad experience of  
a huge colossal waste of public  
money, and after the recent Audit  
reports, these apprehensions are all  
he more strengthened. Then, Dr.  
Ganzru explained the other day that  
efficiency of the functioning of public  
corporations need not be impaired if  
the Auditor-General is given this  
charge. He made some useful sug-  
gestions, so far as I remember. So  
do not understand the resistance  
which is being offered by the Govern-  
ment to this.

SHRI M. C. SHAH: Sir, so far as  
the amendment is concerned, there is  
not a word about the audit by the  
Comptroller and Auditor-General, or  
by auditors appointed by the Com-  
ptroller and Auditor-General. Sim-  
ply, the amendment wants to have  
the auditor appointed by the policy-  
holders. There is no tug-of-war  
between the Finance Minister and the  
Comptroller and Auditor-General, as  
mentioned by him.

MR. DEPUTY CHAIRMAN: Mr.  
Mazumdar's amendment is No. 51.

SHRI B. C. GHOSE (West Ben-  
gal): The Minister does not look into  
everything.

MR. DEPUTY CHAIRMAN: You  
are referring to Mr. Kapoor's amend-  
ment, which is No. 50, whereas Mr.  
Mazumdar's amendment is No. 51.

SHRI JASPAT ROY KAPOOR: My  
amendment is a humble one. His  
is very ambitious.

SHRI M. C. SHAH: I thought that  
only Mr. Kapoor had moved and  
not my friend Mr. Mazumdar. If he  
has moved....

MR. DEPUTY CHAIRMAN: Both  
the amendments are moved.

SHRI M. C. SHAH: With regard  
to my friend, Mr. Mazumdar, I have  
already replied yesterday *in extenso*  
and I do not think, I should take  
the time of the House. My friend,  
Mr. Mazumdar, was there and all  
those arguments I had advanced  
stand good today and for a time to  
come.

Now about Mr. Kapoor's amend-  
ment, it is almost impracticable. I  
do not think an auditor should be  
appointed by the policyholders and  
he wants now to restrict it to the  
policyholders having policies worth  
Rs. 20,000 or more, that is to say,  
he wants to leave all others as if they  
are of no account, and if there is to  
be a general meeting of policyhol-  
ders, then ordinarily the auditors  
are elected. I do not know how it  
will be feasible, how much expen-  
diture will have to be incurred even  
by post. As a matter of fact, the  
interest of the policyholders will  
be supreme in a Corporation and  
the auditors, who will be recom-  
mended by the Corporation and who  
will be approved by the Govern-  
ment, will take all the care to see  
that all the accounts are audited  
very well and perfectly. I do not

think, this is a very practical proposition. If it were a practical proposition, we should pay attention to that also, but I feel that it is a most impracticable proposition.

MR. DEPUTY CHAIRMAN: Do you press your amendment?

SHRI JASPAT ROY KAPOOR: No, Sir. We are meeting each other half way. So I beg leave to withdraw my amendment.

\*Amendment No. 50 was, by leave, *withdrawn*.

MR. DEPUTY CHAIRMAN: The question is:

51. "That at page 14, in lines 31 and 37, for the word 'Corporation' the words 'Comptroller and Auditor-General of India' be substituted."

MR. DEPUTY CHAIRMAN: (After a count) Ayes—11; Noes—27.

The motion was negatived.

SHRI B. C. GHOSE: Numbers will not always function against reason.

SHRI M. C. SHAH: Reason is there.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 25 stand part of the Bill."

The motion was adopted.

Clause 25 was added to the Bill.

Clause 26—Actuarial valuations

MR. DEPUTY CHAIRMAN: There are two amendments. Mr. Ghose.

SHRI B. C. GHOSE: I move:

52. "That at page 15, line 3, after the words 'of the Corporation'

\*For text of amendment, vide col. 3931 *supra*.

the words 'on a zonal basis' be inserted."

53. "That at page 15, lines 1 to 5, the existing clause 26 be renumbered as sub-clause (1) of that clause, and after line 5, the following be inserted, namely:—

"(2) The first valuation shall be held as on the 31st December, 1957."

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

SHRI B. C. GHOSE: This is a very simple matter. I hope the hon. Minister appreciates the purpose of this amendment, namely, that if we want efficiency, then there should be an actuarial valuation, not of the whole Corporation as such, but of the different zones, and secondly, there is no mention when the first valuation will be held and therefore, I have suggested a particular date.

SHRI M. C. SHAH: Sir, I do not understand the necessity of having this actuarial valuation on the zonal basis because all the policies, that will be taken will be by the Central Corporation, by that one institution. There will be only one institution. Therefore, the actuarial valuation must be of the entire business and therefore, it is not necessary to have actuarial valuation on a zonal basis.

With regard to the date, we have already stated that every two years there will be the actuarial valuation and a report on it submitted. Later on, it may be one year. Today we have not fixed it, but ordinarily it will be two years.

SHRI B. C. GHOSE: When will it be first?

SHRI M. C. SHAH: The Corporation starts, say, from the 15th August, 1956. For the period from the 15th August, 1956, to the 15th August, 1958, two years after, there will be actuarial valuation.

MR. DEPUTY CHAIRMAN: The question is:

52. "That at page 15, line 3, after the words 'of the Corporation' the words 'on a zonal basis' be inserted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

53. "That at page 15, lines 1 to 5, the existing clause 26 be renumbered as sub-clause (1) of that clause, and after line 5, the following be inserted, namely:—

'(2) The first valuation shall be held as on the 31st December, 1957'."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 26 stand part of the Bill."

The motion was adopted.

Clause 26 was added to the Bill.

Clause 27 was added to the Bill.

Clause 28—Surplus how to be utilized.

SHRI S. N. MAZUMDAR: I move:

54. "That at page 15, line 15, after the word 'Corporation' the following be inserted, namely:—

'two and a half per cent. thereof shall be utilised for the payment of valuation bonuses to the employees of the corporation who are workmen under the Industrial Disputes Act, 1947'."

(The amendment also stood in the names of Shri Satyapriya Banerjee, Shri N. C. Sekhar, Shrimati Parvathi Krishnan, Shri Perath Narayanan Iyer, Shri Abdur Rezzak Khan, Shri

K. L. Narasimham and Shri J. V. K. Vallabharao).

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

SHRI S. N. MAZUMDAR: This amendment is very simple. The clause itself provides that, if after investigation and valuation, there is a surplus, then, not less than 95 per cent. of such surplus shall be allocated to the policy-holders, but I want through this amendment that a portion of the surplus should also be given to the employees as bonus. I need not dilate on this and I hope, he will accept it.

SHRI M. C. SHAH: We cannot accept that. We have already provided that 95 per cent. of the surplus will go to the policy-holders and 5 per cent. will go to the Government. Now, with regard to the bonus, it cannot be linked up with this. It all depends upon the working of the Corporation and I am sure that the demands will be there about bonus and they will have to be decided on merits.

SHRI S. N. MAZUMDAR: So you accept it in principle?

SHRI M. C. SHAH: How can I accept it?

MR. DEPUTY CHAIRMAN: The question is:

54. "That at page 15, line 15, after the word 'corporation' the following be inserted, namely:—

'two and a half per cent. thereof shall be utilised for the payment of valuation bonuses to the employees of the Corporation who are workmen under the Industrial Disputes Act, 1947.' "

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 28 stand part of the Bill."

The motion was adopted.

Clause 28 was added to the Bill.

Clauses 29 to 34 were added to the Bill.

*Clause 35—Repatriation of assets and liabilities in the case of foreign insurers in certain cases*

MR. DEPUTY CHAIRMAN: Yes, Mr. Kishen Chand.

SHRI KISHEN CHAND (Hyderabad): I move:

57. "That at page 17, at the end of line 7, after the word 'assets' the following be inserted, namely:—

'provided that an appreciation of assets will be transferred to the Corporation.' "

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

SHRI M. C. SHAH: This clause deals with the repatriation of assets and liabilities in the case of foreign insurers. The Second Schedule itself lays down the basis of valuation of both assets and liabilities. Liabilities have to be valued on the very stringent basis laid down in that Schedule and the assets are to be valued at the market value. If these are taken together, they provide ample security to the policyholders, but the suggestion of the hon. Member is at variance with the provisions of the Second Schedule and therefore, cannot be accepted.

MR. DEPUTY CHAIRMAN: The question is:

57. "That at page 17, at the end

of line 7, after the word assets the following be inserted, namely:—

'Provided that an appreciation of assets will be transferred to the Corporation.' "

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 35 stand part of the Bill."

The motion was adopted.

Clause 35 was added to the Bill.

Clauses 36 to 43 were added to the Bill.

*Clause 44—Act not to apply in certain cases*

✓ SHRI P. S. RAJAGOPAL NAIDU (Madras): Sir, I move:

61. "That at page 20, after line 2, the following be inserted, namely:—

'(dd) any insurer, which is a co-operative society, registered under the Central Act or any of the State Acts;'

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

62. "That at page 20, after line 13, the following proviso be inserted, namely:—

'Provided that notwithstanding anything contained in this section, if any composite insurer specified in clause (c) retrenches any employee who is a workman under the Industrial Disputes Act, 1947, after the 19th day of January, 1956, such employee shall become an employee of the Corporation as from the appointed day or the date of retrenchment, whichever is later; and where no specific provision has been made in this section, section 11 shall apply to such employee, as if—

[Shri S. N. Mazumdar.]

(a) the controlled business of such composite insurer had been transferred to and vested in the Corporation;

(b) for references to the appointed day, reference to the date of retrenchment of such employee had been substituted;

(c) for the words 'if this Act had not been passed' the words 'if he had not been retrenched' had been substituted; and

(d) for the proviso to sub-section (1), the following proviso had been substituted, namely:—

'Provided that nothing contained in this sub-section shall apply to any such employee who has not by notice in writing given to the Corporation before the expiry of one month from the appointed day or from the date of his retrenchment, whichever is later, communicated his intention of becoming an employee of the Corporation;'

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

MR. DEPUTY CHAIRMAN: The clause and the amendments are open for discussion.

✓ SHRI P. S. RAJAGOPAL NAIDU: Sir, I will offer my remarks very briefly. In the first reading, I spoke at great length about the exemption of co-operatives from the purview of this Bill. I will add further now, that I have a lurking fear whether the nationalisation of co-operatives will stop with this or whether it may be extended to banks also when they

are to be nationalised. We all know that there are a large number of co-operative banks existing in the country, and I would like to know from the hon. Minister whether the nationalisation of co-operatives would end with this, or whether it would extend even to co-operative banks in case banks are to be nationalised.

SHRI S. N. MAZUMDAR: Sir, my amendment deals with the question of employees who have been retrenched or who are likely to be retrenched after the passing of the ordinance nationalising the insurance business. This concerns particularly the employees of composite insurers who are trying in some cases to retrench their employees who belong to the general side. I have some information that the General Assurance Society of Ajmer is contemplating to close down the Bombay Branch as a preliminary to close down the entire general insurance business. It will lead to the unemployment of 200 employees. Since such cases of retrenchment have already taken place, all that I want through this amendment is that the employees who have been retrenched should be absorbed by the Corporation and the employees who are likely to be retrenched by the composite insurers as a result of the closing down of their general side of the business should also be absorbed by the Corporation.

SHRI M. C. SHAH: So far as the question posed by my hon. friend, Mr. Naidu, is concerned, I feel that a reply can be given only when the question about the banks is taken up. So far as insurance is concerned, I have already replied—it may be satisfactory to him or it may not be, I cannot say—that, as we are taking over a monopoly, we cannot allow any other organisation to....

SHRI P. S. RAJAGOPAL NAIDU: The same thing will apply to the banks.



SHRI M. C. SHAH: About the banks. I do not know when they will be nationalised and I am not in a position to say anything about that.

With regard to the composite insurance companies, yesterday, I explained to the House that the life insurance sector was always to be kept separate. They are under an obligation to keep it separate under the provisions of the Insurance Act. We propose to take over all those regular employees belonging to the life sector and we have already given an assurance to that effect. With regard to the general insurance side, we cannot be saddled with the responsibility of taking over those employees. There may be some unfortunate cases here and there, where the general insurance business may have to be stopped and closed down. There may only be a case or two like that as the companies are very keen to continue their general insurance business. I can only tell my hon. friend that when we expand the business and when we need more employees for this Life Insurance Corporation, certainly we will give preference to those who have been retrenched by the general sector. That much I can say; we will be sympathetic towards them and we will try to give them preference when we take in more hands and I am sure, we will require more employees for our Corporation as we propose to expand the business.

✓ SHRI P. S. RAJAGOPAL NAIDU: Sir, I beg leave to withdraw my amendment

\*Amendment No. 61 was, by leave, withdrawn.

MR. DEPUTY CHAIRMAN: The question is:

62. "That at page 20, after line 13, the following proviso be inserted, namely:—

\*For text of amendment *vide* col. 3943 *supra*.

53 R.S.D.—4.

'Provided that notwithstanding anything contained in this section, if any composite insurer specified in clause (c) retrenches any employee who is a workman under the Industrial Disputes Act, 1947, after the 19th day of January, 1956, such employee shall become an employee of the Corporation as from the appointed day or the date of retrenchment, whichever is later; and where no specific provision has been made in this section, section 11 shall apply to such employee as if—

(a) the controlled business of such composite insurer had been transferred to and vested in the Corporation;

(b) for references to the appointed day, reference to the date of retrenchment of such employee had been substituted;

(c) for the words 'if this Act had not been passed' the words 'if he had not been retrenched' had been substituted; and

(d) for the proviso to sub-section (1), the following proviso had been substituted, namely:—

"Provided that nothing contained in this sub-section shall apply to any such employee who has not by notice in writing given to the Corporation before the expiry of one month from the appointed day or from the date of his retrenchment, whichever is later, communicated his intention of becoming an employee of the Corporation;."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 44 stand part of the Bill."

[Mr. Deputy Chairman ]

The motion was adopted.

Clause 44 was added to the Bill.

*Clause 45—Special provisions regarding certain composite insurer*

SHRIMATI PARVATHI KRISHNAN:  
Sir, I move:

63. "That at page 20, lines 14 to 23, the existing clause 45 be renumbered as sub-clause (1) of that clause and after line 23, the following be inserted, namely:—

(2) All employees of a composite insurer, the assets and liabilities appertaining to the controlled business of whom has been transferred to the Corporation under this section, shall become employees of the Corporation as from the date on which the transfer of assets and liabilities is completed and where no specific provision has been made in this section, section 11 shall apply to such employees as if—

(a) the controlled business of such composite insurer had been transferred to and vested in the Corporation;

(b) all references to the appointed day were references to the date on which the transfer of the assets and liabilities under clause (a) of sub-section (1) is completed; and

(c) for the words 'if this Act had not been passed' the words 'if the assets and liabilities had not been transferred as required by clause (a) of sub-section (1) of section 45' had been substituted."

(The amendment also stood in the names of Shri S. N. Mazumdar, Shri Satyapriya Banerjee, Shri N. C. Sekhar, Shri Perath Narayanan Nair, Shri Abdul Rezzak Khan, Shri K. L. Narasimham and Shri J. V. K. Vallabharao.)

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

SHRIMATI PARVATHI KRISHNAN: This amendment is more or less the same as the last one and I would not like to take up the time of the House. I would only appeal to the Minister to be sympathetic towards this sort of employees and I hope that in the last few minutes he would have again thought this matter and would be in a position to accept this amendment.

SHRI M. C. SHAH: Under this clause, there is only one solitary composite insurer under the management of an Administrator whose life insurance business will be transferred later and that is the case of Jupiter General Insurance Co. It is now under an Administrator and its assets and liabilities relating to life insurance will be taken over and therefore, there might be some difficulty so far as the general insurance part of that company is concerned. But we propose to deal with those employees very sympathetically and as far as possible, we will take them and we will just give them some place somewhere. That much I can say, but I cannot accept the amendment as it is.

MR. DEPUTY CHAIRMAN: The question is:

63. "That at page 20, lines 14 to 23, the existing clause 45 be renumbered as sub-clause (1) of that clause and after line 23, the following be inserted, namely:—

(2) All employees of a composite insurer, the assets and liabilities appertaining to the controlled business of whom has been transferred to the Corporation under this section, shall become employees of the Corporation as from the date on which the transfer of assets and liabilities is completed and where no specific provision has been made in this

section, section 11 shall apply to such employees as if—

(a) the controlled business of such composite insurer had been transferred to and vested in the Corporation;

(b) all references to the appointed day were references to the date on which the transfer of the assets and liabilities under clause (a) of sub-section (1) is completed; and

(c) for the words 'if this Act had not been passed' the words 'if the assets and liabilities had not been transferred as required by clause (a) of sub-section (1) of section 45' had been substituted.'"

(After a count) There are six for amendment and a huge majority against it.

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 45 stand part of the Bill."

The motion was adopted.

Clause 45 was added to the Bill

Clauses 46 and 47 were added to the Bill.

Proposed New Clause 47A—No bar for Parliament membership.

SHRI P. S. RAJAGOPAL NAIDU: Sir, I move:

64. "That at page 20, after line 30, the following new clause be inserted, namely:—

'47A. It is hereby declared that no person who holds any office of profit under an insurer whose controlled business has been transferred to and vested in the Corporation under this Act shall be

disqualified, or ever to have been disqualified, for being chosen as, or for being, a Member of either House of Parliament.'"

MR. DEPUTY CHAIRMAN: The amendment is before the House.

SHRI P. S. RAJAGOPAL NAIDU: Sir, this is by far a very important amendment which will affect, knowingly or unknowingly, several Members of this House as well as of the other House. My amendment deals with the prevention of disqualification for membership of Parliament. Sir, we know that according to section 7 of the Representation of People Act, a person shall be disqualified for being chosen as, or for being, a member of either House of Parliament or Legislative Assembly or Legislative Council of a State if he is a director or managing agent or holds any office of profit under any Corporation in which the appropriate Government has any share or financial interest. Sir, in this Corporation, which is going to be set up, the Central Government will have a share and also a financial interest and as such if any Member of Parliament holds any office of profit either by being a Branch Manager of an insurance society or being an agent of an insurance society, he will be disqualified from the date on which the Government forms this Corporation. Sir, I shall refer to the Life Insurance (Emergency Provisions) Bill which was passed some time back by our House as well as by the other House. Clause 15 of that Bill says:

"It is hereby declared that no person who holds any office of profit under an insurer, the management of whose controlled business has vested in the Central Government under this Act, shall be disqualified, or ever to have been disqualified, for being chosen as, or for being, a member of either House of Parliament."

I would like to know why this particular clause has been omitted in the present Bill.

[Shri P. S. Rajagopal Naidu.]

When a provision has been made for the prevention of disqualification of membership of Parliament in the Life Insurance (Emergency Provisions) Bill, under which the Central Government had taken over for the time being, for a temporary period, all the life insurance business—and now it is being handed over to the Corporation from a particular date which will be notified later—I would like to know why a clause to this effect has not been provided for in the present Bill, namely, the Life Insurance Corporation Bill? Does it mean that when insurance is directly under the control of the Government, there is a protection given and when it is transferred to the Life Insurance Corporation, that particular protection is withdrawn? We all know that there are several Members of Parliament, and also members of State Legislatures, who have been pursuing this avocation of either being directly employed in an insurance company or they have been acting as insurance agents. Now, what will happen? They will all be disqualified if they do not intimate the Central Government of their ceasing to be a branch manager or an insurance agent as such. Does it mean that all these people should be thrown out of employment? I would go to the extent of suggesting that at least give them temporary protection for one year or two years so that they may try to have an alternative avocation in life. Now, it will mean that they will be immediately thrown out of employment, or if they do not intimate that they have ceased to be a branch manager or insurance agent as such, they will cease to be Members of Parliament. This is a very serious matter and I wish that the entire House gives consideration to this amendment. I strongly urge that the Government also should give consideration and accept my amendment.

SHRI H. C. DASAPPA (Mysore): Sir, I won't take much time. I only rise to support the amendment moved

by my friend, Mr. Rajagopal Naidu. It is rather difficult to understand why the original clause that was there in the Emergency Provisions Bill has now disappeared. In fact, when any such marked change or departure occurs in a Bill like this, it was the responsibility of the hon. Minister to explain why they have chosen to adopt such a course. Now, he has not put before the House any reason whatever for having omitted that particular clause. So far as this Corporation is concerned, it raises a very big issue. If the policy is to be adopted in the case of this Corporation, namely, that any servant or any employee under the Corporation cannot be a member of the Legislature or the Parliament, it means that in regard to other corporations, the same attitude should be adopted. I want to know from the hon. Minister whether the Government have applied their mind seriously to this aspect of the question and come to a decision, as a matter of policy, that no servant of any Corporation of the Government can be a Member of Parliament or the Legislature, and every such appointment must be treated as an office of profit.

SHRI P. D. HIMATSINGKA (West Bengal): May I suggest one thing? It may be difficult for the hon. Minister to accept it straightaway, because this will not become an Act unless it is passed by the other House. I suggest, let it be passed and as soon as Parliament adjourns, they may pass an Ordinance and save this disqualification.

SHRI H. N. KUNZRU (Uttar Pradesh): Mr. Deputy Chairman, I am not in favour of the view expressed by Shri Rajagopal Naidu. In January last, the persons employed by the insurance companies in the capacity mentioned by Shri Naidu knew that unless they chose some other means of obtaining their livelihood they would become Government servants. Do they need any further protection? Is it desirable really that people who are for all practical purposes and who

will be for all practical purposes Government servants in future....

SHRI P. S. RAJAGOPAL NAIDU: A provision is made in clause 15 of the Life Insurance (Emergency Provisions) Bill....

MR. DEPUTY CHAIRMAN: Order, order. Let him finish.

SHRI H. N. KUNZRU: Is there any reason why they should be granted any further exemption?

SHRI P. S. RAJAGOPAL NAIDU: They should be intimated of it in advance.

SHRI H. N. KUNZRU: They had the intimation when the Life Insurance (Emergency Provisions) Bill was passed. I think, it will be setting a very bad precedent, a precedent worse than was set by the Bill that validated certain irregularities committed by certain Members of the Vindhya Pradesh Legislature. I hope that Government will not be tempted to follow that undesirable precedent now. I sympathise with those Members of Parliament who at present have become employees of the Government, but they have known for some time what their future position will be and they should have adjusted themselves to it. If, however, any concession is to be made, it ought not to go beyond the next general election. There is no case whatsoever for allowing such people to stand for election to Parliament in future.

SHRI P. S. RAJAGOPAL NAIDU: I have no objection to such a concession being made.

SHRI M. C. SHAH: I am grateful to my friend, Dr. Kunzru, for having lightened my task of replying to those Members who wanted to have this clause as proposed in 47A. Those who are servants or employees of the Corporation, cannot stand and it will be a very wise policy. The only question is with regard to the agents who will

not be considered to be salaried employees of the Corporation and for them the Government have sympathy. And, therefore, the Government proposed a new clause to be added to the Bill so far as agents were concerned—those who had to work on a commission basis. We were advised by the Law Ministry, that this disqualification will not apply to those agents. However, we wanted to make sure. But the opinion of the Select Committee was that for this clause there was no place in this Bill, but that such a clause can be inserted in the Representation of the People (Second Amendment) Bill, and that might be considered at that time....

SHRI P. S. RAJAGOPAL NAIDU: What about the intervening period?

SHRI M. C. SHAH: As I have already explained and as explained by Dr. Kunzru....

*(Interruptions).*

MR. DEPUTY CHAIRMAN: Order, order. Let him go on.

SHRI P. S. RAJAGOPAL NAIDU: My friend won't yield.

SHRI M. C. SHAH: I yield.

SHRI P. S. RAJAGOPAL NAIDU: From the date on which this Bill is passed, till the date on which the Representation of the People Act is amended, the disqualification will apply.

SHRI M. C. SHAH: That will be with regard to the employees of the Corporation. I say that, so far as the employees of the Corporation are concerned, we cannot make them qualified for standing to the Legislatures or to both Houses of Parliament. It is a very bad policy, a very dangerous policy to allow the employees of a Government corporation to stand for election to the Legislatures of the States, or to both Houses of Parliament. I meant the agents only who

[Shri M. C. Shah.]

will be getting commission. There were certain apprehensions in the minds of some Members, who were agents of insurance companies, but we were advised that we cannot provide a clause here in this Bill, and that it can be taken up in the Representation of the People (Second Amendment) Bill. That is what I stated. We will not ever agree to employees of the Corporation to stand for these Legislatures and to waive this disqualification. I, therefore, feel that Government cannot accept this amendment, though they are in full sympathy with the case of the agents only.

SHRI K. SURYANARAYANA: May I seek one clarification? Previously, there was no ban on the staff who were working as licensed agents to get some income. Now, there is no clarification in the Bill about this. The custodians may object to low-paid staff—working as licensed agents or something like that. So, I request the hon. Minister to clarify this point at this stage and assure the low-paid staff in this respect that they can work as they were doing previously in the private companies. The Corporation also should not object to this.

SHRI M. C. SHAH: I do not follow the question. Who are licensed agents? They are agents who bring business and get some.....

MR. DEPUTY CHAIRMAN: Whatever applies to Government employees or the employees of the Corporation, I think agents do not come in.

SHRI M. C. SHAH: They are in a different position.

MR. DEPUTY CHAIRMAN: They are not employees of the Corporation.

The question is:

64. "That at page 20, after line 30, the following new clause be inserted, namely:—

'47A. It is hereby declared that no person who holds any office of

profit under an insurer whose controlled business has been transferred to and vested in the Corporation under this Act shall be disqualified, or ever to have been disqualified, for being chosen as, or for being, a member of either House of Parliament.'"

The motion was negatived.

Clauses 48 and 49 were added to the Bill.

*The First Schedule—Principles for Determining Compensation*

SHRIMATI PARVATHI KRISHNAN: Sir, I move:

65. "That at pages 23 to 26, for the existing PART A of the First Schedule, the following be substituted, namely:—

#### 'PART A

The compensation to be given by the Corporation to an insurer having a share capital on which dividend or bonus is payable, who has allocated as bonus to policyholders the whole or any part of the surplus as disclosed in the abstracts prepared in accordance with Part II of the Fourth Schedule to the Insurance Act in respect of the last actuarial investigation relating to his controlled business as at a date earlier than the 1st day of January, 1955, shall be ten times the share of the surplus so disclosed which was allocated to share-holders

• *Explanation 1.*—Where no share of the surplus so disclosed was allocated to share-holders or where the share allocated was below  $3\frac{1}{2}$  per cent. the share allocated shall be deemed to be  $3\frac{1}{2}$  per cent.

*Explanation 2.*—An insurer incorporated outside India shall be deemed to have allocated to shareholders the same percentage of the surplus as disclosed in

the abstracts prepared in accordance with Part II of the Fourth Schedule to the Insurance Act in respect of the last actuarial investigation as at a date earlier than the 1st day of January, 1955, as the percentage of the surplus in respect of the world business of the insurer as ascertained with reference to the last actuarial investigation relating to such business as at a date earlier than the 1st day of January, 1955, which is allocated to share-holders, such percentage being computed subject to the provisions of Explanation 1 and any amount in excess of  $7\frac{1}{2}$  per cent. being ignored:

Provided that in the case of any such insurer in respect of whom an order has been made under section 35 the amount computed as follows shall be deemed to be the surplus:

(a) there shall be deducted from the surplus as disclosed in the abstracts aforesaid, interest at  $3\frac{1}{2}$  per cent. per annum for one year calculated on the assets specified in any order made under sub-section (2) of section 35;

(b) with respect to the balance arrived at under clause (a) there shall be computed an amount that bears the same proportion to the said balance as the liability on policies appertaining to the controlled business of the insurer, other than those expressed in any foreign currency issued on the lives of persons who are not citizens of India, bears to the liability in respect of all policies appertaining to such business, the liabilities on policies being computed as at the 31st day of December, 1955, in accordance with the provisions contained in clause (b) of the Second Schedule:

Provided further that—

(a) in any case where the order made under section 35 is

with reference to sub-section (2) only, the preceding proviso shall have effect as if clause (b) had been omitted therefrom; and

(b) in any case where the order made under section 35 is with reference to sub-section (3) only, the preceding proviso shall have effect as if—

(i) clause (a) had been omitted;

(ii) in clause (b) the words, brackets and letter 'with respect to the balance arrived at under clause (a)' had been omitted; for the words 'the said balance' the words 'the surplus' had been substituted; and for the words, brackets and letter 'with the provisions contained in clause (b) of', the words and letter 'with method A specified in' had been substituted.

*Explanation 3.*—Where an insurer is an insurer incorporated outside India whose paid-up capital is outside India, the provisions contained in this part shall have effect as if a sum equal to that part of the paid-up capital of the insurer as determined by the Central Government to be allocated to the controlled business of the insurer had been deducted from the surplus of the share which is allocated or deemed to have been allocated in accordance with the provisions of this part."

66. "That at page 23, for lines 5 to 30, the following be substituted, namely:—

"The compensation to be given by the Corporation to an insurer having a share capital on which dividend or bonus is payable, who has allocated as bonus to policy-holders the whole or any part of the surplus as disclosed in the abstracts prepared in accordance

[Shrimati Parvathi Krishnan.]

with Part II of the Fourth Schedule to the Insurance Act in respect of the last actuarial investigation relating to his controlled business as at a date earlier than the 1st day of January, 1955, shall be ten times the annual average of the share of the surplus allocated to share-holders as disclosed in the abstracts aforesaid in respect of the relevant actuarial investigations multiplied by a figure which represents the proportion that the average business in force during the calendar years 1950 to 1955 bears to the average business in force during the calendar years comprised in the period between the date as at which the actuarial investigation immediately preceding the earliest of the relevant actuarial investigations was made and the date as at which the last of such investigations was made.'"

(The amendments Nos. 65 and 66 also stood in the names of Shri S. N. Mazumdar, Shri Satyapriya Banerjee, Shri N. C. Sekhar, Shri P. Narayanan Nair, Shri Abdur Rezzak Khan, Shri K. L. Narasimham and Shri J. V. K. Vallabharao.)

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

SHRI BHUPESH GUPTA: Sir, I would like to speak on this Schedule which deals with the question of compensation. I wish, we had a little more time to examine this particular Schedule which is so important in this Bill and see as to whether it is right from the point of view of our country's interest and also from the point of view of the public sector. We have serious objections to this whole Schedule and it is most regrettable that the Government has not presented to us any kind of particulars which would give us an idea as to what amount of compensation would be paid at least to the bigger concerns in the life insurance business which has been nationalised

today. That is the difficulty with the Government. We have been told in the other House that the compensation might come to Rs. 4,50,00,000. Other statements have also been made, and we do not know exactly how much money will have to be taken from the State Exchequer in order to feed the bosses of the insurance world.

We cannot accept the principles on which the Schedule is based, for the simple reason that life insurance business is not the same as a joint stock company or industrial undertaking or ordinary commercial firm. Here, the money accumulated is in the nature of a trust. With very little capital, they have accumulated huge fortunes. And these calculations of assessment are based on surpluses. The origin of profit is the surplus. Where do these surpluses come from? They come from the policy-holders' savings. They do not come from any other source whatsoever. No risk is involved in the matter, as far as the investor is concerned, namely, the shareholder who takes the share in an insurance company. Today, you find the Oriental Life Insurance Company carrying on business running into crores of rupees, only with a capital of Rs. 6 lakhs, and they have got properties worth crores of rupees. Where do these funds come from? Do they come from the invested share-capital or from some other source? They come from the surpluses.

As you know, Sir, the earnings of insurance companies are actually from premiums that are paid by policy-holders. There is over-loading of premium. It must have been pointed out during the course of the debate. There is also another way of getting these funds, that is, when the mortality rate goes down. Now, take the premium of a policy-holder. It continues to accumulate. Out of this, the surplus is created. The risk is diminished if the mortality rates goes down and a surplus is obtained in order to be distributed as profit. But



if there is a decline in the mortality rate of the country, the credit does not go to the insurance business, because they do not invest in health services and other things. It is due to other reasons—social reasons and other activities—on the part of the State and public bodies that, during a given period, the mortality rate goes down. But the benefits accruing from these, as far as insurance is concerned, goes to insurance bosses, and this is something which is totally unacceptable from any point of view.

Then, there is the overloading of premium. What is overloading of premium? It means that the collected premium is much more than the premium required for meeting the expenses and liabilities. That is what is meant by 'overloading of premium' and the surplus is taken out of it. Therefore, the origin of the surplus funds is the crux of the matter. It is the policy-holders' savings. It is not something which the investor gets or the share-holder gets or the insurance bosses get by risking their funds in certain types of investments.

Now, the calculation has been made in this case as though it is a company in which some people sink their money in a business venture, take some risk and all that. Insurance should not at all fail unless they have got such bosses who manage the business and run away with the funds of policy-holders, who defalcate, embezzle, misappropriate the funds or mismanage the whole business. Otherwise, there is no reason as to why there should be any loss in an insurance concern. In the experience of our own country, we clearly find that insurance companies have gone into liquidation when the bosses or those in management have been allowed to defalcate or embezzle the public funds in that manner. Here again, you are putting a premium on these people.

What are you taking? You are taking from the insurance companies

not some of the properties which they have had out of their particular investments, not their ancestral properties, not even the property which has been acquired out of the share-capital and all that. It is on the basis of the surplus obtained from the policy-holders' money that you are calculating compensation. The policy-holders are not getting anything. Who is getting? The money is being given to share-holders, and it again is concentrated in the hands of the few. What is this calculation, I would like to know. It is absolutely wrong in the case of insurance companies, if you calculate as if it is an ordinary joint stock company.

Therefore, Sir, this principle is totally unacceptable to us. When they deal with insurance companies, I repeat it, it is a sort of trust property, and that trust money is held by the insurance management. It is the money which belongs to the policy-holders. You are only eliminating a kind of trusteeship. You step into the shoes of those people who have the policy-holders' money in trust.

Now, you can take it over. You will be justified in it. (*Time bell rings.*) Guillotine should not come on that point.

You will be justified in taking over these things because they have been guilty of defalcation, corruption, embezzlement and theft of public funds. Remove them from their trusteeship. They do not need any consideration whatsoever. I am not talking about small people. Why should we provide for such people? How can you justify that that gentleman who did those sort of things in the Bharat Insurance Co., or similar institution, should be entitled to heavy compensation under this Bill? Why should such people be compensated? Their place is somewhere else. We find that they do not even live inside a jail and they come out

[Shri Bhupesh Gupta.]  
on bail. And provisions are made here to pay heavy compensation to these people. It is totally repugnant to any good public policy and morality. The whole business of compensation in this particular case is such that it should not be acceptable to any man who wants to go by normal standards in a democratic society.

You will say that our Constitution is there. Does your Constitution prevent this? I say, it does not prevent it. In the first place, you have got the Fourth Amendment under the Constitution, which we can invoke. You may allow any amount of compensation and it will not be justifiable in any court of law. You have got this path open to you. When the question of nationalisation of the Imperial Bank of India came up, we were told by the hon. Prime Minister and others, that, because of certain prior commitments, compensation had to be given on a higher scale and for that, the Constitution amendment could not be invoked. But I ask you on what grounds they are giving such heavy compensation to these people? The Oriental will be getting, I am told, Rs. 1,50,00,000, or some such thing, as against the paid-up capital of Rs. 6,00,000. It is a loot. It is a grand loot which is being allowed to the bosses of the insurance business. It is scandalous that they should have gone out in this ugly manner to appease these insurance tycoons who should be brought before the court of law for punishment.

MR. DEPUTY CHAIRMAN: That will do.

SHRI BHUPESH GUPTA: Just two minutes, Sir.

MR. DEPUTY CHAIRMAN: Time is over. Yesterday you promised that you would co-operate with the Chair.

SHRI BHUPESH GUPTA: I am co-operating, Sir. They should accept at least this amendment. These bosses want the pound of flesh, and you are giving that pound of flesh to them. All that we want is that you should not give to them as much money as you have proposed to give. Do not try to be generous at the cost of the community, and at the cost of the public. That clause is preposterous, and would be rejected by the entire country. Sir, the hon. Minister is thumping the Table, I do not know why. (Time bell rings.) Sir, I would ask him at least to consider the suggestion that we have made. He should not set such an absurd and wrong example before the country, when the Government is nationalising certain things on account of certain developments.

SHRI M. C. SHAH: Sir, I am afraid I cannot accept the advice of my friend, Mr. Bhupesh Gupta. Our conception of fairness is fundamentally different from the conception of the Party to which the hon. Member belongs. When we say that we want to give fair compensation, we mean that that fair compensation must be given. My friend has possibly exhausted all the adjectives that he could find.....

SHRI B. C. GHOSE: He has still more.

SHRI M. C. SHAH: Oh There are still some left over. Perhaps, Sir, he is under misapprehension. I do not know whether he has studied the entire scheme of compensation. He wants that we should not give compensation to those who have misappropriated, who have embezzled, and who have done so much harm to the general interests of the policy-holders. But, Sir, we are not giving compensation to the managements. We are giving compensation to the insurers to be paid to the shareholders.

SHRI BHUPESH GUPTA: Do they not hold shares? Are they not shareholders?

SHRI M. C. SHAH: To all those shareholders, mostly coming from the middle classes, we cannot deny the fair compensation that is due to them. The Constitution also makes a provision for the payment of fair compensation. Now, Sir, I do not understand how he has calculated it as ten times. Sir, he must understand the business of insurance. The valuation of the insurance companies takes place every three years, and they find the surplus after taking the value of the assets minus the liabilities. Out of that, 92½ per cent. goes to the policy-holders and the remaining 7½ per cent. is allocated to the shareholders. There are certain companies which have allotted two to three per cent. in order to make their financial position very sound. But we have raised that to 3½ per cent. Now, they will get a certain sum every year, and we have capitalised it. Suppose they get 5 per cent. By multiplying it by 20, we get the compensation. And they will get the interest of 5 per cent. Now, that is a very fair compensation. It is not a generous compensation. As a matter of fact, the shareholders have complained, and perhaps my friend, Mr. Bhupesh Gupta, may also have received one or two telegrams from the shareholders in Calcutta.

SHRI BHUPESH GUPTA: Those telegrams are sent to you.

SHRI M. C. SHAH: Therefore I say, Sir, that we are giving them only less than 40 per cent. of the intrinsic value. Therefore, we are not generous. But when we are taking over the insurance business of more than Rs. 1,100 crores, and when we are taking over the Life Fund to the extent of Rs. 380 crores, we must pay to the shareholders who are primarily responsible for contributing capital to the insurance companies.....

SHRI BHUPESH GUPTA: Sir, I seek your protection. This is misleading the House. How much is the paid-up capital?

SHRI M. C. SHAH: Will you please listen to me? Sir, let us take the example of the Oriental Life Insurance Company. He has stated that the paid-up share is Rs. 200. That company was founded 80 years back. If he had invested that Rs. 200 eighty years back, he would have got Rs. 10,000 today. We have to calculate the amount of interest on that sum. We are simply giving them.....

SHRI S. N. MAZUMDAR: Sir, the instalments are paid from their profits.

SHRI M. C. SHAH: These are the calculations. If you know some arithmetic, you can easily find out how Rs. 200 becomes Rs. 10,000 after 80 years. Today we are giving them only reasonable compensation. I have said that the entire compensation will be not more than Rs. 450 lakhs, and we are taking over life funds to the extent of Rs. 380 crores and a business of more than Rs. 1,100 crores. Is this compensation generous? Apart from the life fund, which is calculated at Rs. 380 crores, we are taking over all their assets. Suppose a company goes into liquidation, after paying the liabilities, whatever assets there are will be distributed among the shareholders.

SHRI BHUPESH GUPTA: The assets did not come from Dalmia's backyard. The assets came from the pockets of the policy-holders.

SHRI M. C. SHAH: Perhaps he does not know about the working of insurance companies. There is one company in Madras. That company, whatever they may be paid, if it went into liquidation, they would have got much more than what we are going to pay them. Now, when we say that we want to pay compensation, we must pay fair compensation. It is no use advancing arguments on ideological grounds of expropriation. We are not for expropriation. We are for giving just and fair compensation.

[Shri M. C. Shah.]

Therefore, the scheme that has been evolved is the fairest one, not generous. Therefore, I say that we cannot accept this amendment. I would have explained the matter further but time is up.

MR. DEPUTY CHAIRMAN: The question is:

65. "That at pages 23 to 26, for the existing PART A of the First Schedule, the following be substituted namely:—

#### PART A

The compensation to be given by the Corporation to an insurer having a share capital on which dividend or bonus is payable, who has allocated as bonus to policy-holders the whole or any part of the surplus as disclosed in the abstracts prepared in accordance with Part II of the Fourth Schedule to the Insurance Act in respect of the last actuarial investigation relating to his controlled business as at a date earlier than the 1st day of January, 1955, shall be ten times the share of the surplus so disclosed which was allocated to share-holders.

*Explanation 1.*—Where no share of the surplus so disclosed was allocated to share-holders or where the share allocated was below  $3\frac{1}{2}$  per cent. the share allocated shall be deemed to be  $3\frac{1}{2}$  per cent.

*Explanation 2.*—An insurer incorporated outside India shall be deemed to have allocated to share-holders the same percentage of the surplus as disclosed in the abstracts prepared in accordance with Part II of the Fourth Schedule to the Insurance Act in respect of the last actuarial investigation as at a date earlier than the 1st day of January, 1955,

as the percentage of the surplus in respect of the world business of the insurer as ascertained with reference to the last actuarial investigation relating to such business as at a date earlier than the 1st day of January, 1955, which is allocated to share-holders, such percentage being computed subject to the provisions of Explanation 1 and any amount in excess of  $7\frac{1}{2}$  per cent. being ignored:

Provided that in the case of any such insurer in respect of whom an order has been made under section 35 the amount computed as follows shall be deemed to be the surplus:—

(a) there shall be deducted from the surplus as disclosed in the abstracts aforesaid, interest at  $3\frac{1}{2}$  per cent. per annum for one year calculated on the assets specified in any order made under sub-section (2) of section 35;

(b) with respect to the balance arrived at under clause (a) there shall be computed an amount that bears the same proportion to the said balance as the liability on policies appertaining to the controlled business of the insurer, other than those expressed in any foreign currency issued on the lives of persons who are not citizens of India, bears to the liability in respect of all policies appertaining to such business, the liabilities on policies being computed as at the 31st day of December, 1955, in accordance with the provisions contained in clause (b) of the Second Schedule:

Provided further that—

(a) in any case where the order made under section 35 is with reference to sub-section

(2) only, the preceding proviso shall have effect as if clause (b) had been omitted therefrom; and

(b) in any case where the order made under section 35 is with reference to sub-section (3) only, the preceding proviso shall have effect as if—

(i) clause (a) had been omitted;

(ii) in clause (b) the words, brackets and letter 'with respect to the balance arrived at under clause (a)' had been omitted; for the words 'the said balance' the words 'the surplus' had been substituted; and for the words, brackets and letter 'with the provisions contained in clause (b) of', the words and letter 'with method A specified in' had been substituted.

**Explanation 3.**—Where an insurer is an insurer incorporated outside India whose paid-up capital is outside India, the provisions contained in this part shall have effect as if a sum equal to that part of the paid-up capital of the insurer as determined by the Central Government to be allocated to the controlled business of the insurer had been deducted from the surplus of the share which is allocated or deemed to have been allocated in accordance with the provisions of this part."

The motion was negatived.

**MR. DEPUTY CHAIRMAN:** The question is:

66. "That at page 23, for lines 5 to 30, the following be substituted, namely:—

"The compensation to be given by the Corporation to an insurer having a share capital on which dividend or bonus is payable, who has allocated as bonus to policyholders the whole or any part of

the surplus as disclosed in the abstracts prepared in accordance with Part II of the Fourth Schedule to the Insurance Act in respect of the last actuarial investigation relating to his controlled business as at a date earlier than the 1st day of January, 1955, shall be ten times the annual average of the share of the surplus allocated to share-holders as disclosed in the abstracts aforesaid in respect of the relevant actuarial investigations multiplied by a figure which represents the proportion that the average business in force during the calendar years 1950 to 1955 bears to the average business in force during the calendar years comprised in the period between the date as at which the actuarial investigation immediately preceding the earliest of the relevant actuarial investigations was made and the date as at which the last of such investigations was made."

The motion was negatived.

**MR. DEPUTY CHAIRMAN:** The question is:

"That the First Schedule stand part of the Bill."

The motion was adopted.

The First Schedule was added to the Bill.

The Second Schedule was added to the Bill.

### *The Third Schedule*

**SHRI JASPAT ROY KAPOOR:** Sir. I move:

70. "That at page 31, for lines 3 to 9, the following be substituted, namely:—

"The compensation payable to a chief agent shall consist of—

(a) seventy-five per cent. of the overriding commission specified in the contract relating to

[Shri Jaspat Roy Kapoor.]

chief agency with the insurer on the renewal premiums received by the Corporation during a period of ten years from the appointed day in respect of the business procured by the chief agent before the appointed day; and such compensation shall be determined and paid quarterly for the said period;

(b) overriding commission specified in the contract relating to chief agency with the insurer on the new business which may be secured for five years after the appointed day, through the agents working under his chief agency on the appointed day, and such compensation shall be determined and paid quarterly for the said period."

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

72. "That at page 31, line 6, after the word 'premiums' the words 'subject to a minimum of one per cent. and first year's premiums' be inserted."

73. "That at page 31, lines 7 to 9, for the words 'by the chief agent before the appointed day; and such compensation shall be determined and paid annually for the said period', the following be substituted namely:—

"through the chief agent's organisation and such commission shall be determined and paid to the chief agent or his nominees monthly or quarterly as the Corporation deems fit for the said period;

Provided that the Corporation will allow to the chief agent the option of receiving the above compensation in one lump sum according to any reasonable formula laid down by Government."

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

74 "That at page 31, line 9, for the word 'annually' the word 'quarterly' be substituted."

75. "That at page 31, after line 9, the following proviso be inserted, namely:—

'Provided however that the chief agent may commute the compensation payable to him according to the formula to be prescribed.' "

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

SHRI H. C. DASAPPA: I am thankful to you for having allowed me a minute to say a few words on this. It is a simple amendment on the whole, and I do not think, there is any difficulty in understanding it, and I would therefore, just state it. The provision now is to give to the chief agents, for a ten year period, their over-riding commission on the renewal premiums only. Now, my amendment suggests only this, that renewal premiums are rights which have accrued to them. Certainly it is not compensation. It is merely a contractual obligation on the part of the Corporation or the Government to pay them what is their due and what has accrued to them as a matter of right. What is there by way of compensation? Compensation should only be given on a certain contingent thing happening because of the Corporation coming into being, i.e., loss of service. I ask the Government whether they have provided one pie by way of compensation for the loss of their jobs. Most of them are past their middle age. They cannot switch over very easily to a new job. That is their predicament. What I suggest in the first place is that, just as they have allowed for special agents compensation for premiums, so the same formula or the same principle should be applied to the chief agents also. I have said that any reasonable formula

which the Corporation deems fit may be adopted.

Secondly, about the monthly and quarterly. They are thrown out of their jobs. They have no earnings. There is no interim period for them to just take to a new vocation or occupation. The Schedule provides that they must be paid only annually. There was some suggestion that on account, they would pay every quarter or so. The amendment is very simple, i.e., they may be paid quarterly, or monthly as they deem fit.

**SHRI B. C. GHOSE:** I will just say one word, because my amendments are more or less similar to Mr. Dasappa's. They have nothing to do with the compensation that is paid, but just with the manner of payment of the compensation. I understand that the hon. Minister gave an assurance that 'on account' payment will be made and it will be of the order of 75 per cent. of what the chief agents' past earnings were. It may be satisfactory, if it is adhered to. He can also give an assurance that the question of commutation will also be considered and, if necessary, an amendment brought forward because of this reason: The reason is that the hon. Minister said that he wants these people to look after the business and they should look after the business in order to earn the premiums. The hon. Minister cannot force them to look after the business. If they do not look after the business and the business is not on the books of the companies, they will lose the commission. Therefore, that question is not really relevant. I have suggested that any formula could be prescribed by the Government, and that formula need not be very satisfactory from their point of view—in order that it may act as a deterrent to their dissociating themselves from the work by which the policies would be in force.

**SHRI H. N. KUNZRU:** I support the views expressed by Mr. Dasappa and Mr. Ghose. It is only reasonable that people who will be thrown out of employment ought to be paid some-

thing not annually but periodically, say quarterly or monthly. It is also desirable that people who have lost their livelihood should be enabled to engage in some other business or undertaking, or some other activity which will enable them to maintain themselves and their families. For this purpose, it is necessary to have a provision relating to commutation of a proportion of what the chief agents will be entitled to. I hope that these considerations will not be rejected by Mr. Shah, because at least, he will not have to take the time of the other House which he seems to be mortally afraid of.

**SHRI JASPAT ROY KAPOOR:** I wholeheartedly associate myself with what has been stated by my hon. friend, Mr. Dasappa. If it is not possible for the Finance Minister to accept my amendment or Mr. Dasappa's, then, let him give at least an assurance that in the case of these chief agents who will be thrown out of employment, the Corporation would do its best to employ them in the Corporation and take advantage of their longstanding experience. It will be to the advantage of the Corporation, and it will also mean, a sort of rehabilitation of the chief agents. This amendment is worthy of the Government's consideration.

**SHRI M. C. SHAH:** Sir, there are about 250 or so chief agents in the whole of India. Their contract was for ten years. The trend has been to eliminate these chief agents and to revert to branch offices. Now, when the question came up, we had been more than fair in giving them their commission on renewal premiums for a period of ten years. Originally, the amendment was to pay them for eight years at 60 per cent. Then it was increased to 75 per cent. and ten years. The chief agents have to keep certain establishments and they have to pay those expenses from the renewal commission that they get. They get commission of the first year and then they spend over special agents and agents but at the same time, for collection of

[Shri M. C. Shah.]

renewal premium business also, they had to spend some money. Therefore, we came to a decision that now they will not have to keep that establishment and incur expenditure. So 75 per cent. of that renewal commission would be more than sufficient. Therefore, we agreed to that 75 per cent. we agreed for 10 years. About payment to them, I have all sympathy that they may be paid quarterly, if possible, but what we have stated is that we will pay them on account. We must know how much will be payable to them in the year. It may not be that all renewal premium will be paid in one month. That must be spread throughout the year. We will just take account. We want rather to pay even monthly on account. Suppose a renewal premium to the extent of certain sum has been recovered or received by the corporation, naturally on that basis, we will pay and, if necessary, we will also pay quarterly, and at the end of the year, the account will be settled, and whatever is found due to them will be paid. It will only be a question of adjustment. We don't want to be hard to these people.

About commutation, we have considered that question very sympathetically, but there are certain factors which must be taken into account. They get renewal commission only on the renewal premiums received by the Corporation. We don't know how many policies are going to lapse—the policies that they had secured, or how many will be surrendered. About maturity also, every year there will be certain policies maturing and so there will be a slow decrease in the payment to be given to those people. It is a very uncertain factor and so this commutation case is very difficult. It is not like pension that they will get permanently Rs. 400 or Rs. 300 every month if they live. In such cases, commutation is easy as a part of that can be commuted by a certain formula being evolved. Here these are very uncertain cases. It may be that those who have taken policies may not be

in a position to pay further premiums and they may get that paid up. They may lapse. On all those policies, they will not be entitled to any renewal commission. So it is difficult. Otherwise we would like them to commute and if they get commutation, they will be liable to income-tax and we will get money also.

SHRI H. C. DASAPPA: The law of average is there.

SHRI M. C. SHAH: Suppose the chief agent has put in insurance business of Rs. 1 lakh and there are about 30 policies, how anybody is to know whether those 30 persons will continue to pay renewal premiums, whether they will not get their policies paid up, or whether those policies may not lapse. About calculation regarding maturity, provided the premium is paid regularly, one can know that such and such a policy will mature on such and such year, say 1958 or 1969, that too provided the premiums are paid till the policies mature. These are very uncertain factors. It is easy to say, 'Why should we not do this or that'. We are also as sympathetic as hon. Members here. We have also human feelings and we know the difficulties but at the same time, we must realise that we are the trustees and as trustees we have to act in all these matters. We cannot allow a farthing to be wasted or paid in excess of what is due. Therefore we say, that we agree to give for 10 years. We have also given an assurance regarding payment quarterly if possible, as my friend Mr. Ghose says. I go further and say even monthly on account we will pay. That assurance will be there. I don't understand why all these unnecessary .....

SHRI H. C. DASAPPA: What about compensation for loss of occupation?

SHRI M. C. SHAH: Then all these insurance companies also will ask for compensation for loss of their business. I cannot understand why Mr. Dasappa applies this principle to chief agents



only and not to the companies. They are also losing their business and they are debarred from that. They may also ask for compensation. I am sorry I cannot accept it. I can only say that we will treat this very sympathetically.

SHRI JASPAT ROY KAPOOR: I only wanted to know if he could assure us that he would take over chief agents so far as possible.....

SHRI M. C. SHAH: We may not be misunderstood. We have already stated that those chief agents who have got special knowledge of having this insurance business, if they are prepared, and if they are suitable, and if they are prepared to work on terms that are offered by the Corporation, certainly we will be glad to take them.

SHRI JASPAT ROY KAPOOR: I beg leave to withdraw my amendment No. 70.

\*Amendment No. 70 was, by leave, withdrawn.

SHRI H. C. DASAPPA: He seems to have expressed a lot of sympathy. I accept it. I beg leave to withdraw my amendments Nos. 72 and 73.

†Amendments Nos. 72 and 73 were, by leave, withdrawn.

MR. DEPUTY CHAIRMAN: The question is:

74. "That at page 31, line 9, for the word 'annually' the word 'quarterly' be substituted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

75. "That at page 31, after line 9, the following proviso be inserted, namely:—

\*For text of amendment, *vide* col. 3970 *supra*.

†For text of amendments, *vide* col. 3971 *supra*.

53 R.S.D.—5.

"Provided however that the chief agent may commute the compensation payable to him according to the formula to be prescribed,"

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That the Third Schedule stand part of the Bill."

The motion was adopted.

The Third Schedule was added to the Bill.

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

SHRI M. C. SHAH: Sir, I move:

"That the Bill be passed."

MR. DEPUTY CHAIRMAN: Motion moved:

"That the Bill be passed."

I want to put the question. We have exceeded the time by three and a half hours.

DR. W. S. BARLINGAY (Madhya Pradesh): I merely want to recite one verse.

MR. DEPUTY CHAIRMAN: Then I have to allow so many others.

DR. W. S. BARLINGAY: I am only reciting a verse. It will take half a minute.

MR. DEPUTY CHAIRMAN: All right.

DR. W. S. BARLINGAY: This is just by way of fun. It is a good fun. The verse is this:

[Dr. W. S. Barlingay.]

वृत्त्यन्वेषण दुःखकारणवशात् धर्मेषु काव्येषु च  
निःसार भवसागरोडुपमिवेत्युत्प्रेक्षितं जीवितम् ।  
तत्तापत्रयबूषितं सुतरलं राष्ट्रप्रतिष्ठं दधन्  
मन्त्रिन् देशमुखाभिध त्वमभवः संसारः ॥  
चिन्तामणि

It means: On account of the misery caused by the search for employment, life has been depicted, both in religion and in literature, as being devoid of any substance or value, like a raft set afloat on the ocean of existence. Such a life which has been polluted by three sorts of sorrows and is transitory or evanescent you have established in the nation. That is to say, you have nationalised life insurance. Therefore, O Minister, Deshmukh, you have.....

SEVERAL HON. MEMBERS: Not Deshmukh, but Shah.

DR. W. S. BARLINGAY: But the originator was Mr. Deshmukh. Therefore, Oh, Minister, Deshmukh, you have in the true sense of your name, become "Chintamani" of the entire humanity, that is to say, the charm-  
*stone* which removes all anxiety regarding the insecurity of life in this world.

MR. DEPUTY CHAIRMAN: I wonder if the Minister can reply in verse.

SHRI M. C. SHAH: I only regret that Mr. Deshmukh is not here, otherwise he would have replied in verse.

SHRI P. N. SAPRU (Uttar Pradesh): Mr. Deputy Chairman, I have only just two words to say on this Bill. It is a matter of regret that on a Bill of such vital importance, our contribution has been almost nil.

SHRI H. C. DASAPPA: Why almost? It is altogether nil.

SHRI P. N. SAPRU: We in this House, moved a number of amendments and they were worthy of serious consideration, but as the dead-line had been fixed, these amendments were not considered on their merits. Such an attitude makes debates farcical in this House. Therefore, I think, there ought to be better arrangements so far as the business of the House is concerned. We were not associated in the initial stages of this Bill. We were not members of the Select Committee and now, when amendments are moved here we are told that they cannot be accepted, because if the amendments are accepted, the matter will have to go to the other House. Well, this House should not be treated as an appendage of the other House. This House is a revisory House and it should be allowed to function as a revisory House. That is the first thing I wanted to say.

The second thing that I would like to say is that importance should be attached to the question of audit. I think, the Auditor-General's responsibilities have been defined with some precision in the Constitution and if public corporations are to function in this country in a manner which will enable the public to repose confidence in them, it is necessary that your audit arrangements should be subject to the control of the Auditor-General. That, I think, was the view expressed by the Auditor-General and that view should have recommended itself to this House. But it did not do so. It was not acceptable to the Minister.

The third thing I want to say is that I have great sympathy for the chief agents and I hope, some provision will be made to absorb them in suitable capacities. But I should like representation too for the workers and the policyholders on the Central Corporation. Members of the Corporation will be nominated by the Government. The nominating authority being the Government, Government, while nominating the personnel to the

Central Corporation, can choose some workers and choose some policyholders and devise some machinery of finding out who the persons acceptable to the policyholders and the shareholders will be.

Personally, Sir, I am a convinced believer in nationalisation and I should like that principle to be extended as far as possible. Therefore, so far as the principle of the Bill is concerned, it has my unqualified support.

Thank you.

SHRI BHUPESH GUPTA: Sir, I would like to caution the Government with regard to one matter. I am not going to speak now on other aspects. You know, Sir, this measure, so far as it goes, we welcome, barring some of the clauses, especially the clause about compensation, which we would like Government to reconsider. We are not suggesting any extreme measure. We suggest that you should reduce the scale of compensation. Anyway, what I am now concerned is about the way the administration will be run. Here, I would like to strike a note of warning for the benefit of the Government. It is this. All these persons who have been dislodged from their entrenched positions will now try to wreck this nationalisation by all manner of activities and methods, and you must always guard against the agents of such people who are planted in this business in various ways. I would like the Government to take particular note of the behaviour of the custodians who have been appointed in the course of the last few weeks. They have proved themselves to be unworthy to be placed in that position. There may be exceptions here and there. That is possible. But Government should place this whole thing in the hands of people who are above suspicion, people who would like to make nationalisation a great success. We would not like to see men placed here who do not believe in this kind of

nationalisation at all, who are up in arms against such things, people who are entrenching themselves into the business with a view to wrecking this nationalisation. Of course, it will not be possible for them to pass any legislation undoing this measure. But it will be possible for them, through intrigues and machinations, to hold up this nationalisation to ridicule, to hold it up to contempt and it will be possible for them to create a public feeling against it. Such techniques have been used in the United Kingdom. Such techniques have been used in other countries also by the vested interests, and the same thing will be done in this country also, I am afraid, unless the Government is ever wide awake and alive to this danger.

Lastly, Sir, I would like the Government to take a really sympathetic consideration and view of the demands of the employees. We regret that though we have been pressing for the rights and the demands of the field workers, there was no response. I would like the Government, even at this stage, to take this into their heads very seriously that the insurance business is built up, has been built up and will be built up by people who are spread all over the country, by the field workers, by the employees and others. Therefore, these people should be given responsibility, they should be taken into confidence and their legitimate demands should be met as adequately as possible. They should be treated with sympathy and compassion. Unless you proceed in this way, it will not be possible to make this venture a success.

I would also request the Government to seriously consider the proposition that we have put forward, namely, that they should take up the nationalisation of general insurance business also in this country. It has got to be nationalised today. There is no earthly reason why it should not be, especially when its crux has been grabbed by foreigners. There is no reason whatsoever. The Government have got the power to do it.

[Shri Bhupesh Gupta.]

You know the country supports you. We also support you in this measure despite its limitations. We request the Government to decide, to make up its mind, to put the whole field of insurance business in the State sector. They should also see that all the patriotic people employed in this field have their role to play.

SHRI B. C. GHOSE: Sir, we have now started with the nationalisation of this life insurance. But the real difficulty will start now, because the business has to be organised. We have expressed the apprehension that if the Government is not very careful about the manner in which the organisation is established, the business integrated and managed, then the whole thing may stand discredited. So there is one thing I would like to bring to the notice of the hon. Minister. After nationalisation the principles and practices followed by a particular company have been adopted in regard to the business of all the companies. All those principles and practices were not necessarily the best.

Also it appears that importance has been attached only to particular persons and there has been the tendency to attach too much importance to actuaries as such. Now, it is desirable that, when the process of integration will be gone into and the organisation will be set up, that people who have been conversant with and who have had experience of this business should be consulted, whether they are actuaries or not, and that the principles and practices of a particular company should not be considered to be the best that could be available.

Only one other point I should like to mention, which I had mentioned yesterday and to which Mr. Shah should pay attention. We do strongly protest against the Government bringing in here important measures at the fag end of this Session. It stultifies this House and I hope, you will convey our feeling in this matter to the

appropriate authorities so that legislative business may be better organised.

SHRI H. C. DASAPPA: Mr. Deputy Chairman, I associate myself entirely with the views expressed by Mr. Sapru and Mr. Ghose as regards the way in which important measures are brought towards the tail end of this summer Session and then being sought to be rushed through. I have referred to it and I do earnestly plead that work here will be taken more seriously and every opportunity given to the House to play its part and to fulfil its function properly in the Parliament of India.

Another matter which I would like to refer to is this. During this debate, I found a great deal of reference to the malpractices of insurance companies. I do not think, Sir, harping on that aspect is going to do any good. It may be here and there; there are certain companies, but by and large, we have got a series of companies which have rendered yeoman service to the nation and I would say this, that if malpractice of a few insurance companies is a good enough ground for nationalising life insurance, should it not be an equally good ground to nationalise all insurance. Is it that the malpractices of these companies are confined only to the life insurance business? So, Sir, I think it is far better that the reason is put on a higher footing than that.

Then, the third point which I want to refer to is a very important one and I want it to go on record. When we do nationalise, I think, we must not forget the basic idea that, as far as possible, our activities must be of a decentralised nature and character. I think, that is a wholesome principle to which we have been wedded, and this nationalisation could be equally nationalisation if it is done at the State level and, as far as possible, the Central Government must encourage these activities at State levels. I would like the hon. Minister to hearken to the words of caution that have been placed before the House here, and that is this,

Sir. If there is one big large giant structure in the Corporation, let us see how many employees there will be under that one Corporation and what are the repercussions of such a large 'labour force'. I would call it, all in an organised scale because the intelligentsia is not every kind of people. So it is possible, Sir, if you have got one Corporation, for such a large force to so organise and mobilise its force that they may bring the whole thing to a standstill, whereas in a decentralised structure, you may not have such an organisation and it will be quite for the betterment of the people; the objective will be fulfilled, but without the risks involved in it.

SHRI M. C. SHAH: I must dispel the impression created by my friend, Mr. Sapru. He was not here when we took the Company Law Bill. In the Company Law Bill, though the Government were in great haste to get the Bill passed, we had accepted some of the amendments here, two or three, when we thought that those amendments were absolutely necessary and even though that meant a delay of three or four months. Here also, Sir, as I stated yesterday, we will not be in a position to have the Corporation before August. We will have to make rules and regulations and all other arrangements. If there were amendments which, after careful consideration, required acceptance by the Government, the Government would not have hesitated to accept those amendments because, after all, the next Session will be on the 16th of July and we could have gone to that House on the 16th of July and could have got those amendments accepted by the House. In the meanwhile we would have proceeded to do preliminary work of having the constitution of the Corporation that is proposed there, the zonal offices, their divisions and sub-divisions and the advisory committees. During this time, we would have proceeded and also we would have been able to establish the Corporation in the month of August, but all those

amendments that were moved here.....

SHRI H. C. DASAPPA: Not all of them please.

SHRI M. C. SHAH: .....most of those that were moved here were moved in the Select Committee and moved in the Lok Sabha. We had considered them very very carefully and we came to the conclusion that those amendments are not necessary and therefore, we did not accept any amendment here. We have given great and careful consideration to every one of the amendments moved by the hon. Members and we always regard the views of the hon. Members with great respect. If it were found that there is going to be an improvement in the Bill that was passed by the Lok Sabha after full deliberation in the Select Committee, then certainly, Government would not have hesitated to accept that amendment, only on the ground that to do so would lead to some delay. Really speaking there would have been no delay in establishing the Corporation in August. Therefore, there was no deadline as such and there was no intention. It is far from any intention whatsoever on the part of the Government not to give full consideration and due respect to the views of all the Members of this House, who moved amendments and who advocated their points of view to be accepted. So I want to assure the Members of this House that that is farthest from the intention of the Government that because we wanted to just hasten, therefore, no amendment was accepted. Therefore, Sir, I have not said yesterday about the amendments.....

SHRI B. C. GHOSE: About the Select Committee, you stated that if you have a Select Committee, then it will be delayed and then you will not be able to have the Corporation by the 15th August. Even if you had a Select Committee, we could have passed it by the 18th or 19th of July, when the other House will be sitting. So there will be no trouble.

SHRI M. C. SHAH: There, there was great difficulty. As I said, if it were referred to the Select Committee and suppose the Select Committee made great changes.....

SHRI B. C. GHOSE: But how could they, if they are not good.

SHRI M. C. SHAH: After all, Members of the Select Committee were free to suggest changes and after their deliberations, they would have to make a report and when they have made the report, this House may not be sitting. This House would be meeting in August and in any case, I do not think, this House will meet on July 16 and then, after this House just passes, then we have to go to the Lok Sabha. Here is a question of one or two or three or four amendments, if they were necessary to be accepted. What I say is this. Therefore, I think, the Members will not be well advised in taking that view.

Now, as for the other points, we have already explained the position about the Comptroller and Auditor-General. This question has been debated at great length and my friend, Mr. Sapru, again referred to it. I may inform the House that this matter came up before the Committee, not once but twice, and the Cabinet as a whole had discussed this, very very carefully. And the Cabinet as a whole came to this decision that the provision made in the Bill in this regard was absolutely necessary. Therefore this is the considered view, the collective wisdom of the Cabinet reflected in this clause that finds a place in this Bill. It is not as if the Finance Ministry wanted this, as my hon. friend from Agra said that there was a tug of war between the Finance Minister and the Auditor-General. It conveys a very wrong impression. It is a question of policy. This is the policy laid down by the Government and we are bound to implement that policy. This is a policy decision made by the Government as a whole, and that is why this clause finds a place in the Bill.

My friend Mr. Gupta referred to compensation. I do not think, we can change it now. I have already explained the position very clearly but he will not be convinced. It is natural and one can appreciate it, because ideologies differ. We are not for appropriating anything without paying just and fair compensation.

Then, my friend Mr. Dasappa spoke about decentralisation. We have already said that after this Corporation is set up, there will be zones in different areas. There will be enough of decentralisation. There will be zonal managers, zonal advisory committees, division officers, sub-division officers and so on.

MR. DEPUTY CHAIRMAN: He did not mean that sort of decentralisation.

SHRI M. C. SHAH: He wants that there must be State Insurance Corporations and if we had that the main principle of nationalisation of insurance will be killed outright.

SHRI H. C. DASAPPA: Why? That is also nationalisation? Why does he disown the States?

*(Interruptions.)*

SHRI M. C. SHAH: Then, about these custodians. I may inform Prof. Ghose that we have already formed a Standing Committee of the Custodians with our senior officers, Secretary, the Joint Secretary, the Controller of Insurance etc. They will be holding meetings every now and then at Bombay, Madras, Calcutta and other places. There will thus be frequent consultation among those who know something about insurance, and all decisions are taken after full consultation. Now, he remarked that some of the custodians who have been put there have not managed the affairs well.

SHRI BHUPESH GUPTA: My name is not Prof. Gupta and I did not say.....

SHRI M. C. SHAH: My friend has got some impression from Calcutta.

There are always likes and dislikes with all human beings, and he cannot be an exception to that.

SHRI BHUPESH GUPTA: Bombay also.

(*Interruptions.*)

SHRI M. C. SHAH: He may have something or other against some custodian, but I have met all those custodians. They are all very enthusiastic about nationalisation and they are doing their very best to expand the business.

SHRI BHUPESH GUPTA: Is the hon. Minister in their custody?

SHRI B. C. GHOSE: What is the business they have done so far?

SHRI M. C. SHAH: It is more than that of last year. If you want to have figures, I can give them to you. The reports that we get are most encouraging, and after this Corporation is set up, I can assure my hon. friend, Professor.....

SHRI B. C. GHOSE: I am not a Professor.

SHRI M. C. SHAH:.....that the results will be more encouraging. He need not be afraid of the progress.

Sir, I think, these are the most important points. With regard to the question of respect for the views of the Members of the House, I wanted to dispel that impression they have, and that I have explained already.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill be passed."

The motion was adopted.

#### ANNOUNCEMENT RE STATEMENT BY RAILWAY MINISTER

MR. DEPUTY CHAIRMAN: The Railway Minister will make a statement at five o'clock.

SHRI S. MAHANTY: Will there be an opportunity for us to discuss the statement?

MR. DEPUTY CHAIRMAN: There cannot be a discussion on the statement.

SHRI BHUPESH GUPTA: But we all submitted in the morning.....

MR. DEPUTY CHAIRMAN: No discussions are allowed after a statement.

SHRI BHUPESH GUPTA: He can make the statement today, and it is for you to consider whether you should admit my motion.

MR. DEPUTY CHAIRMAN: That is a different matter.

#### ALLOTMENT OF TIME FOR CON- SIDERATION AND RETURN OF THE INDIAN INCOME-TAX (AMENDMENT) BILL, 1956.

MR. DEPUTY CHAIRMAN: I have to inform Members that, under rule 162(2) of the Rules of Procedure and Conduct of Business in the Rajya Sabha, one hour has been allotted for the completion of all stages involved in the consideration and return of the Indian Income-tax (Amendment) Bill, 1956, by the Rajya Sabha, including the consideration and passing of amendments, if any, to the Bill.

[THE VICE-CHAIRMAN (SHRI P. S. RAJAGOPAL NAIDU) in the Chair]

#### THE INDIAN INCOME - T A X (AMENDMENT) BILL, 1956.

THE MINISTER FOR REVENUE AND EXPENDITURE (SHRI M. C. SHAH):  
Sir, I beg to move:

"That the Bill further to amend the Indian Income-tax Act, 1922, as passed by the Lok Sabha, be taken into consideration."

Sir, this is a short Bill which, I am sure, hon. Members will have no hesitation in passing. It seeks to add an