

LOK SABHA DEBATES

LOK SABHA

Friday, March 24, 1995 Chaitra 3, 1917 (Saka)

The Lok Sabha met at Eleven of the Clock

[Mr. SPEAKER in the Chair]

ORAL ANSWERS TO QUESTIONS

[Translation]

Foreign Insurance Companies

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161. SHRIMATI KRISHNENDRA KUR (DEEPA):
SHRI SOBHANADREESWARA RAO VADDE:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government propose to allow foreign insurance companies to operate in India;

(b) whether any American delegation visited India in the recent past in this regard;

(c) if so, the details thereof;

(d) whether the Government are aware that employees of insurance sector staged a 'dharna' in New Delhi on January 30, 1995 against the Union Government's move in this regard; and

(e) if so, the reaction of the Government thereto and the steps proposed to be taken to safeguard the interests of the employees in this insurance sector?

[English]

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKARA MURTHY) (a) to (e) *Statement* is laid on the Table of the House.

STATEMENT

The International Insurance Council (IIC), Washington, D.C., USA, organised visit of a mission consisting of U.S. insurance companies, to India from 28th January to 4th February, 1995. The purpose of the Visit, inter alia, was to understand the economic and trade policies of the Indian government and to assess the market potential and opportunities for participating in the insurance business in India.

2. Some employees of the Life Insurance Corporation of India (LIC) and General Insurance Corporation (GIC) staged a dharna outside the Jeevan Bharti Building of LIC in New Delhi on 30th January, 1995 to protest against this visit.

3. The Government has not yet taken decision on the recommendations of the Malhotra Committee to liberalise the insurance sector. Relevant aspects, including the legitimate interests of the insurance employees, will be kept in view, while deciding this.

[Translation]

SHRIMATI KRISHNENDRA KUR (DeePa): Mr. Speaker, Sir, I would like to know from the hon. Minister whether the Government of India has taken a decision of granting permission to the foreign Insurance Companies to

enter into the Indian market and participate in the insurance business? If so, the reasons therefor? In this connection, I would also like to know whether the grant of permission to the foreign insurance companies for entering into the Indian market will not make an adverse effect on the Indian insurance industry? Whether the Government is aware that with the advent of these companies into India there will be an increase in the rates of insurance premium and small scale industries, like the Agro-insurance, the cattle insurance, slum insurance will be devoid of insurance benefits and the foreign companies would like to cover only such industries as will give them huge profits?

[English]

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): Mr. Speaker, Sir, as my colleague has just now mentioned, the Government have taken no decision with regard to the entry of foreign insurance companies in our country. Therefore, as of now, it is purely hypothetical. Naturally, before final decision is taken, all the issues that hon. Member has mentioned, will also be kept in view.

[Translation]

SHRIMATI KRISHNENDRA KUR (DeePa): Mr. Speaker, Sir my second supplementary constitutes an important question. People generally complain about delayed payments of insurance amount even after the maturity of the policy. Has the Government drafted any scheme for effecting improvement in the functioning of the insurance companies, their clients' services and for accruing profits? If so, the details thereof?

[English]

SHRI MANMOHAN SINGH: Sir, this is a separate issue. It is not related to the question which deals with the foreign insurance companies' role. But certainly, I can assure the hon. Member that I am aware of the fact that there are complaints about delay in payment of various dues to policy-holders.

I think, the time has come when our country should recognise that certain amount of competition in the insurance industry will be good for India. We have today a situation of monopoly. Some of these problems, therefore, do not get resolved. Within the constraints, every effort is being made to address the problems of policy-holders. But some competition will, in the final analysis, would also further strengthen the pressure to improve the quality of service.

SHRI SOBHANADREESWARA RAO VADDE: Mr. Speaker, Sir, both Life Insurance Corporation of India and General Insurance Corporation of India, through their subsidiaries, are rendering excellent service to this country by way of contributing to the national development. LIC is contributing nearly Rs. 25,000 crore to the Eighth Plan and similarly, General Insurance Corporation of India has invested several thousand crores of rupees for construction of houses to the poor, drinking water schemes and such other governmental developmental programmes.

In view of this fact, I would like to know from the hon.

Minister whether the Government will keep in its mind the recommendations of the Vivian Bose Committee which have clearly pinpointed the deficiencies and lapses and misuse that had taken place when these insurance organisations were in the private sector, basing upon which these two organisations have been nationalised. While the Government takes a decision to allow the foreign insurance companies to enter India, which may not be in our national interest, I would like to know from the hon. Finance Minister whether the Government will try to take some more steps to further improve the efficiency and skill of the employees by getting information about several new innovative schemes which are being implemented abroad and implementing the same in LIC and its subsidiaries so that they will strengthen and further the national interest and at the same time, will be helpful to the people also. I would like to have a categorical answer to these questions.

SHRI MANMOHAN SINGH: I agree with the hon. Member that our insurance industry, both in the field of life insurance and general insurance, has given, on the whole, a good account of itself. But as the other hon. Member has just now pointed out, there are problem areas like the quality of service; there is scope of expanding the service to improve the skill and to reduce the cost. In taking any final decision about the future shape of things, all relevant factors including the report which the hon. Member has mentioned will be kept in view and we will do nothing which is against India's national interest.

DR. KARTIKESWAR PATRA: I would like to know from the hon. Minister about the recommendations of the Malhotra Committee to liberalise the insurance sector and how it affects the legitimate interest of the employees who have started their *dharna* and agitation on 30th January.

SHRI MANMOHAN SINGH: Mr. Speaker, Sir, I would like to state categorically that there is no basis for any agitation or *dharna* on the part of any section of the employees in the insurance industry. We have, in the two insurance wings, about two lakh people. Against this, we have eight crore policy holders.

DR. KARTIKESWAR PATRA: What about the recommendations of the Malhotra Committee?

SHRI MANMOHAN SINGH: I am answering your question.

Therefore, the House should guide the Government as to whose interests are supreme—these eight crore policy holders or the two lakh employees. The Government has gone out of its way to protect the interest of employees. I had repeatedly said that there was no proposal to retrench any Government employee. Recently, we have agreed to give a pension benefit to the insurance employees at a substantial cost to the policy holders. Therefore, there is no scope for any section of employees to resort to the path of agitation.

Now, about the question which was asked about the Malhotra Committee, I can briefly recapitulate. These recommendations have been discussed.

Firstly, they have recommended that the private sector should be allowed to enter insurance business. But no

single company should be allowed to transact both life and general insurance business. The number of new entrants should be controlled.

Secondly, the minimum paid-up capital for a new entrant should be Rs. 100 crore. However, a lower capital requirement can be prescribed for state level cooperative institutions taking up life insurance business.

Thirdly, the promoters' holding in a private insurance company should not exceed 40 per cent of the total. However, if the promoters wish to start with a higher holding, they should be permitted to do so provided their holding is brought down to 40 per cent within a specified period of time through public offering. No person other than the promoters should be allowed to hold more than one per cent of the equity. Promoters should at no time hold less than 26 per cent of the paid-up capital.

Fourthly, if and when entry of foreign insurance companies is permitted, it should be done on selective basis. They should be required to float an Indian company for the purpose, preferably in joint venture with Indian partner.

Fifthly, before the private sector is allowed to enter the insurance field, the Controller of Insurance should start functioning effectively.

Sixthly, regulatory and prudential norms as well as conditions for ensuring level playing field among insurers should be finalised early so that intending entrants into the insurance business should be aware of the stipulations that they would have to comply with. These conditions should aim to ensure that life insurance sector does not neglect the small man or the rural business and that the general insurance has the balanced portfolio.

Seventhly, though nationalised insurance companies are in a position to face competition, it is essential that they quickly upgrade their technology, reorganised themselves on more efficient lines and are enabled to operate as broad-run enterprises.

This is the gist of the Malhotra Committee's recommendations.

SHRI HANNAN MOLLAH: Sir, as per the reply, these foreign companies are coming to survey the potential of their markets. I would like to know from the hon. Minister: What are the concessions or opportunities or the conditions these companies are asking to be provided by the Government of India during the discussion; secondly, whether we have studied the areas of confrontation with our insurance companies and the foreign companies; and thirdly, whether we are preparing our insurance companies to improve these weak areas so that they can face those foreign companies when they start functioning?

SHRI MANMOHAN SINGH: Mr. Speaker, Sir, the Government is not entering into any negotiations with any foreign company. As of now, the insurance industry in our country remains nationalised. Therefore, unless and until we take a decision to the contrary, I think it is premature to start any discussion with anybody, and nor has any specific demand been made on the Government.

The delegation, that is referred to in this question,

came on a private visit. They were not invited by our Government. They met various people but it was not a meeting between the Government of India and the insurance companies.

[Translation]

SHRI DAU DAYAL JOSHI: Mr. Speaker, Sir, the comprehensive reply of the hon. Minister does not seem to clarify our doubts. I would like to ask the hon. Minister that many foreign companies have sent proposals, delegations etc. to him. From which foreign countries has he received informal proposals? In his reply, he talked of competition which means that he is going to do away with nationalisation. It may be clarified whether he wants to have a competition by inviting foreign insurance companies or by encouraging other agencies in India itself?

[English]

SHRI MANMOHAN SINGH: Mr. Speaker, Sir, regarding insurance there are several countries who have expressed interest in coming to the Indian market. But we have not entered into negotiations with anybody. Some of them have commented on various recommendations of the Malhotra Committee but the Government — as I have emphasised — has not entered into any negotiation with any of these foreign companies.

As far as the question of future set up of this industry is concerned, as of now, this industry is entirely in the nationalised set up. But one has to recognize that there is still a lot of scope for improvement.

I would like this House to think about this particular suggestions that there is need for more competition. This competition does not, necessarily, have to be on the basis of foreign companies. There are several modalities open. Government has not taken a final view in this matter.

[Translation]

SHRI DATTA MAGHE: Mr. Speaker, Sir, I would like to ask the hon. Minister that there has been a lot of expansion in Life Insurance business and you have stated that eight crore people are related to this insurance company. There exist some consultative committees in other departments like the Railway department etc. comprising of peoples' representatives but there is no consultative committee in this sector either at the divisional level, zonal level or the Central level. I have worked in LIC for 10-15 years and I am aware that even today, policy holders face a lot of difficulties. A consultative or advisory committee should be constituted for insurance sector comprising of representatives from Lok Sabha or Rajya Sabha. Are you going to constitute these committees of such people as are familiar with the working of this sector? These companies have a turnover of crores of rupees but due to the fact that the whole business is being run by the bureaucrats no ordinary person can have an access to them. So, are you going to take the peoples' representatives in this committee?

[English]

MR. SPEAKER: Does it arise out of this question?

SHRI MANMOHAN SINGH: Mr. Speaker Sir, what the hon. Member has stated does not have any direct bearing on the main question. However, I take note of his suggestion.

[Translation]

SHRI RAJVEER SINGH: Mr. Speaker, Sir, there is a discussion on the entry of foreign companies in the insurance business. I would like to ask a specific question that in rural areas the farmers insure their cattle but the company's services are so poor that in case of death of the animal, the poor farmer has to go from one office to another with the insurance policy. In this connection, we have many a times written letters to the hon. Finance Minister. I am coming to my question. In view of such a pitiable condition of these insurance companies and their poor services, it seems that the Government is writtily bent upon eroding the efficiency of the country's insurance companies to pave way for the entry of foreign companies. Is it a fact?

[English]

SHRI MANMOHAN SINGH: Sir, with all respect, I would like to say that there is no basis for the presumption that the Government is not interested in improving the efficiency of the Life Insurance Corporation of India or of the General Insurance Corporation of India. It is certainly true that in rural areas, there are problems regarding the expansion of services both of the General Insurance Corporation and the Life Insurance Corporation. In the Budget that I have presented in this august House only a few days ago, I have made provisions for expanding the Group Life Insurance in rural areas.

With regard to the various schemes of the General Insurance Corporation, if the hon. Member brings any specific instances to my notice, I will have them looked into.

+ External Debt

162. SHRI M.V.V.S. MURTHY:

PROF. UMMAREDDAY VENKATESWARLU:

Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government have worked out the detailed projections regarding the declining trend in the external debt of the country;

(b) if so, the details thereof including India's total outstanding external debt as on date;

(c) the extent to which the outstanding external debt is likely to remain at a lower level both in absolute terms and as a percentage of GDP by 2000 AD; and

(d) the steps taken by the Government to reduce the burden of external debt?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKHARA MURTHY): (a) to (d). A *Statement* is laid on the Table of the House.

Statement

(a) and (b). Even though there has been an increase in the total external debt up to 1993-94, the rate of