

**TWENTY FOURTH REPORT**

**COMMITTEE ON PUBLIC UNDERTAKINGS  
(2007-2008)**

**(FOURTEENTH LOK SABHA)**

**SPECIAL CONTINGENCY POLICIES ON MOBILE HANDSETS  
BY INSURANCE COMPANIES**

**MINISTRY OF FINANCE**

**(Action Taken by the Government on the recommendations contained in the 16<sup>th</sup> Report of the Committee on Public Undertakings (14<sup>th</sup> Lok Sabha) on Special Contingency Policies on Mobile Handsets by Insurance Companies)**



**Presented to Lok Sabha on 04.12.2007**

**Laid in Rajya Sabha on 04.12.2007**

**LOK SABHA SECRETARIAT  
NEW DELHI**

**December, 2007 / Agrahayan 1929(S)**

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**COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS**  
**(2007-2008)**

**Chairman**

**Shri Rupchand Pal**

**Members, Lok Sabha**

2. Shri Ramdas Bandu Athawale
3. Shri Ramesh Bais
4. Shri Gurudas Dasgupta
5. Smt. Sangeeta Kumari Singh Deo
6. Shri Francis K. George
7. Dr. Vallabhbhai Kathiria
8. Ch. Lal Singh
9. Dr. Rameshwar Oraon
10. Shri Shriniwas Patil
11. Kunwar Jitin Prasada,
12. Shri Kashiram Rana
13. Shri Mohan Rawale
14. Shri Ramjilal Suman
15. Shri Ram Kripal Yadav

**Members, Rajya Sabha**

- 16 Prof. Ram Deo Bhandary
- 17 Shri R.K. Dhawan
- 18 Shri Mahendra Mohan
- 19 Shri Ajay Maroo
- 20 Shri Pyarimohan Mohapatra
- 21 Shri K. Chandran Pillai
- 22 Shri Dinesh Trivedi

**Secretariat**

- |    |                     |                      |
|----|---------------------|----------------------|
| 1. | Shri S.K. Sharma    | Additional Secretary |
| 2. | Shri J.P. Sharma    | Joint Secretary      |
| 3. | Smt. Anita Jain     | Director             |
| 4. | Shri N.C. Gupta     | Deputy Secretary     |
| 5. | Shri H. Ram Prakash | Under Secretary      |

## **INTRODUCTION**

I, the Chairman, Committee on Public Undertakings having been authorized by the Committee to submit the Report on their behalf, present this Twenty Fourth Report on Action Taken by the Government on the recommendations contained in the Sixteenth Report of the Committee on Public Undertakings (Fourteenth Lok Sabha) on Special Contingency Policies on Mobile Handsets by Insurance Companies based on Chapter 10 of C&AG's Report No. 4 (Commercial) of 2005.

2. The Sixteenth Report of the Committee on Public Undertakings (2006-2007) was presented to Lok Sabha on 15 December 2006. Action Taken Replies of the Government to the recommendations contained in the Report were received on 13 September 2007. The Committee on Public Undertakings considered and adopted this Report at their sittings held on 26<sup>th</sup> November, 2007. The Minutes of the sitting are given in Appendix – I.

3. An analysis of the action taken by the Government on the recommendations contained in the 16<sup>th</sup> Report (2006-07) of the Committee is given in Appendix -II

**New Delhi  
26 November, 2007  
5 Agrahayan, 1929(S)**

**RUPCHAND PAL  
Chairman  
Committee On Public Undertakings**

## CHAPTER I

### REPORT

This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Sixteenth Report (Fourteenth Lok Sabha) of the Committee on Public Undertakings (2006-2007) on Special Contingency Policies on Mobile Handsets by Insurance Companies which was presented to Lok Sabha on 15<sup>th</sup> December, 2006

2. Action Taken notes have been received from Government in respect of all the 8 recommendations contained in the Report. These have been categorized as follows:

- (i) Recommendations/Observations that have been accepted by the Government: (Chapter II)  
Sl. Nos. 2, 3 and 5 (Total 3)
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies :(Chapter III)  
Sl. Nos. 1 and 7 (Total 2)
- (iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee: (Chapter IV)  
Sl. No. 6 and 8 (Total 2)
- (iv) Recommendation/Observation in respect of which final reply of the Government are still awaited: (Chapter V)  
Sl.No. 4 (Total 1)

The Committee will now deal with the action taken by the Government on some of the recommendations in the succeeding paragraphs.

### RECOMMENDATION NO. 4

#### SETTLEMENT OF CLAIMS

3. The Committee in their Sixteenth Report have recommended as under: -

“The Committee were informed that out of 1,38,879 claims lodged by Reliance Industries under Default Liability Policy (DLP) only 103928 could be investigated. The balance 34,000 claims were not settled because further new claims started pouring in. Similarly many claims filed under handset policy could not be investigated. As a result, outstanding claims to tune of

Rs. 31.74 crores under DLP and around Rs.62.80 crores under handset policy remain unsettled. Besides claims to the tune of Rs. 66.52 crores in respect of Default Liability Policy issued to Tata Teleservices are still outstanding.

The fact that such huge number of claims are still outstanding indicate a very sorry state of affairs in NICL in the matter of settlement of claims. This is also evident from the fact that with regard to settlement of claims, CVO's note dated September 5, 2005 *inter-alia* observed "If the underwriting was bad, the claim management was still worse. No verification was done regarding the genuineness of the claims." The Committee deplore that not only NIC failed to investigate all the cases of claims which were filed but it also did not exercise proper care to check the veracity of such claims. No wonder that such callous approach of NIC in settlement of claims caused huge losses to the company.

The Committee believe that NICL could have contained their losses to a large extent, if it had done proper claim investigation. Here the Committee would like to refer to the claim investigation done by OIC, in which, out of 61193 claims lodged for settlement, OICL repudiated around 36728 claims. The Committee therefore feel that the responsibility for such acts of omission squarely lies with H.O./R.O. of NICL as they failed to properly advise Kalyan D.O. and initiate corrective steps. The committee further note that NICL had raised a demand on RIL to repay an amount of Rs 6.97 cr on claims that were wrongly settled. However RIL did not accept NICL's contention and have not repaid any amount. This also indicates the undue haste with which NICL first settled the claims and sought refund later.

The Committee, desire that a thorough enquiry should be conducted in the matter of settlement of claims for fixing of responsibility on officials on whose behest claims were settled without proper documents.

As significant number of claims are still pending, the Committee desire that a panel of investigators as directed by NICL's Board be formed for proper investigation of claims and their settlement. Action on this front should be time specific and expedited. The Committee would like to be apprised of the progress on this issue within the next six months."

4. The Government (Ministry of Finance) in their action taken reply on the above recommendation have stated as follows: -

"NICL has reported that the matters pertaining to the granting of cover as also settlement of claims are the subject matter of an investigation being conducted by the Economic offences wing of Central Bureau of Investigation, Mumbai.

Besides, departmental action have been initiated against three officials of the Company. The report of the Commissioner of Departmental Inquiries has been received and action to be taken on the report is under process.

The advices of the Central Vigilance Commission have been sought on initiating departmental action against a few other officials.

As per the Board's advices, a panel of investigators have been entrusted with the task of investigating the Default claims. Appropriate action shall be taken upon receipt of their reports. NICL shall keep the Committee apprised about the progress in this regard."

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II) dated 31.05.2007).

5. The remarks of Office of C&AG on the Reply of the Government was as follows:-

As a result of departmental inquiries, NICL has imposed major penalties on two officials and minor penalty with recovery has been imposed on one official. In this connection, the amount so recovered/to be recovered may kindly be intimated to Audit.

Further course of action on the advice of CVC for major penalty against eight officials will be watched in Audit.

6. The comments of the Ministry on the above mentioned remarks of C&AG is as follows:-

NICL has reported that the concerned Divisional Office is in the process of working out the amount recoverable out of the incentive paid to the Development Officer as a result of credit being given for the business received from M/s Reliance Infocom. Quantum of the amount recovered will be informed as soon as the recovery is effected.

Further, CBI investigations are still going on in the matter.

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II) dated 13.09.2007)

#### **7. Comments of the Committee**

**The Committee in their original report had desired that a thorough enquiry should be conducted for fixing of responsibility on officials on whose behest claims were settled without proper documents. Also, the Committee wanted NICL to apprise them of the progress made by the panel of investigator's entrusted with the task of investigating the claims.**

**The Committee note that regarding the enquiry against officials, the Government have stated that departmental action have been initiated against three officials and advice of CVC has been sought on initiating departmental action against a few other officials. Hence, the Committee would like to treat the replies as interim and await the progress and action taken in this regard.**

**Regarding settlement of claims the Committee have been informed that NICL shall take appropriate action on receipt of reports from the investigators appointed to investigate the claims. The Committee desire that investigation on settlement of claims may be expedited and the Committee may be apprised about the progress in this regard.**

## **RECOMMENDATION NO. 6**

### **ROLE OF THE THEN CONCERNED CMD OF NICL**

8. The Committee in their Sixteenth Report have recommended with regard to the role of the then CMD, NICL as under:-

“The Committee believe that the executive accountability in a commercial organization begins with the CMD. From the audit para, CVO’s note and as also Committee’s own examination, the Committee feel that in the entire business beginning from the issue of SCP, settlement of claims, opting for ART, lack of reinsurance, non-invoking of cancellation clause etc., the role and conduct of the concerned CMD was far from satisfactory.

From the CVO’s note of September, 2005, the Committee observe that, the then CMD of NICL, was fully aware of the issuance of SCP and he had written a letter on 10<sup>th</sup> July 2003 to Reliance Infocom Chairman thanking him for patronizing NICL and assuring him of prompt settlement of claims. The Committee are highly constrained to note that when the claims were settled and losses were mounting, the CMD did not act to protect the financial interests of the Company. He took no steps either to cancel the policy or to make proper investigation into settlement of claims. Further when the company was reeling under huge losses on account of single policy, the CMD should have brought the matter to the Board’s notice for their appropriate direction. However, instead of seeking direction of Board, the Committee note that then CMD tried to mislead the Board by seeking ART cover and camouflaging it as reinsurance support. All these facts/points the needle of suspicion to the concerned CMD.



Despite the fact that issue of SCP had resulted into huge losses to company the Committee are surprised to note that the Ministry did not deem it fit to put the CMD on notice and seek explanation on the issue. The Committee strongly believe that without the knowledge of the then CMD, things could not have gone thus far. Hence the Committee strongly recommend that Ministry should prefer CBI to investigate the role of the then CMD in the entire issue relating to SCP to RIL separately and a report of action taken thereon may be given to the Committee.”

9. The Government (Ministry of Finance) in their action taken reply on the above recommendation have stated as follows:-

“Chief Vigilance Officer, NICL has informed that the Central Bureau of Investigation (CBI) has registered a case under RC-10/E/2005/CBI/EOW/Mumbai dated 11th November, 2005 for faulty underwriting as well as irregular settlement of claim under two policies issued by NICL in favour of Reliance Infocomm. CBI is conducting investigation against the persons who appear to be prima facie involved in the case. CVO, NICL has also informed that, based on the recommendations of the Central Vigilance Commission (CVC), departmental action for major penalty have been initiated against the officials of the National Insurance Company Limited involved in the faulty underwriting as well as irregular settlement of the claims. Since the case is already there with CBI, its reference again to CBI for investigating the role of the then CMD would not serve any purpose. If CBI, during investigation, finds the involvement of the then CMD into any of the irregularities, it would automatically write to the Government for appropriate action.”

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II) dated 31.05.2007).

10. The remarks of Office of C&AG on the Reply of the Government was as follows:-

The final outcome of the investigations carried out by CBI may kindly be intimated in due course.

11. The comments of the Ministry on the above mentioned remarks of C&AG is as follows:-

The final outcome of the investigations carried out by the CBI would be intimated to the Office of C & AG as and when made available by the CBI.

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II) dated 13.09.2007)

## **12. Comments of the Committee**

In their original report the Committee had observed that in the entire business beginning from the issue of SCP, settlement of claims, opting for ART, lack of reinsurance, non invoking of cancellation clause etc, the role and conduct of the concerned CMD was far from satisfactory. The Committee had, therefore, strongly recommended that the Ministry should prefer CBI to investigate the role of the then CMD and apprise them about the action taken thereon.

The Ministry in their reply have stated that the matter is under investigation by CBI and if during the investigation, it finds the involvement of then CMD into any of the irregularities then CBI will automatically write to the Government for appropriate action.

The Committee do not accept the reply of the Ministry as they have not acted upon the specific recommendation of the Committee to investigate the role of the then CMD. Even at the time of submission of their original report, the Committee were very much aware that CBI was investigating the matter for faulty underwriting and irregular settlement of claims. However, since the needle of suspicion pointed towards the role of the then CMD in the whole issue, the Committee had categorically recommended for special investigation of his role by CBI but unfortunately the reply is unsatisfactory and Ministry has failed to act upon it. The Committee deprecate the Ministry for their inaction and reiterate their earlier recommendation and would like to be apprised of the action taken in this regard.

## RECOMMENDATION NO. 8

### CONTROL AND SUPERVISION BY MINISTRY OF FINANCE

13. The Committee in their Sixteenth Report have recommended with regard to the Control and Supervision by Ministry as under:-

“The Committee note that the National Insurance Company Ltd. and Oriental Insurance Company Limited come under the Ministry of Finance. The Ministry has two nominees as part-time Directors in the Board of these companies. As they are non-executive positions, these nominees attend Board Meetings, which are infrequent and agenda driven. The Ministry reviews their overall financial and physical performance at the end of financial year.

While committee appreciate that by way of functional and financial autonomy to PSUs, Ministries should not interfere into their day to day activities they feel that Ministries ought not be altogether ignorant of such happenings like issuance of SCP and consequent losses in Public Sector Undertakings under their control. In the extant case, the Committee feel that the response of the Ministry to the happenings have been shoddy and apathetic. When the Ministry received a complaint from the CVC against the then CMD, NICL, they forwarded the same to him for explanation. The Committee are unable to understand as to how CMD of a company would send an adverse report against himself. This speaks volume of the type of action taken by senior officials of the Ministry particularly associated with vigilance matters.

Further, the Committee are of the view that the role of the part-time Government Directors was merely that of passive listeners as they failed to seek any clarification when the issue of approval for ART was discussed in the Board Meeting on 12<sup>th</sup> June, 2004. The Secretary (Financial Sectors) during his evidence agreed that the part-time Government Directors could have sought more information on any of the agenda matters placed before the Board of NICL as Govt. nominees. This reflects very poorly on the part-time Directors occupying the position. They should be aware of the responsibilities they discharge as Part-time Directors and also should take full cognizance of the fact that they are representing the Government of India.

The Committee, therefore, feel that present system of control and supervision of the PSUs by the Ministry needs to be further strengthened. The Committee recommend that the Ministry should appoint a group of experts to study the weaknesses of the present system to suggest remedial measures for ensuring better supervision by the Ministry. The Committee further recommend that the feasibility of inducting Independent Directors who

can function without any fear or favour in the Board of PSU insurance companies should also be explored.”

14. The Ministry of Finance in their action taken reply on the above recommendation have stated as follows:-

“Normally, in the case of complaints against the executives / employees of the Insurance Companies, as per the procedure laid down in the CVC Manual, Chief Vigilance Officer of the Insurance Company is asked to investigate the matter. In cases where allegations are against the CMD of the company, the investigation is not entrusted to the CVO of the company as he is subordinate to the CMD. In such cases, factual comments are asked from the CMD himself and future course of action is decided accordingly. In the instant case also, the then CMD of NICL was asked to provide factual comments on the complaint received from the CVC and these were sent to the CVC for consideration and further action. Incidentally, CVC acted upon the comments and recommended departmental action for major penalty against four officials of the company. Later, CBI took over the matter and investigation into claim-settlement and underwriting irregularities is still on.

Regarding appointing a group of experts to study the weaknesses of the present system to suggest remedial measures for ensuring better supervision, it may be mentioned that IRDA from time to time deputed the experts for carrying out inspection of the Insurance Companies. M/s G.V.R. Risk Management Associates Pvt. Limited, Hyderabad were deputed by IRDA for carrying out inspection of NICL during May 9 to June 6, 2005. The report submitted by M/s G.V.R. covered following issues:

- a. Business profile of NIC
- b. Accounting concerns
- c. Intermediaries conduct
- d. Technical conduct of business
- e. Default liability policy and its impact on the company
- f. Financial controls and internal audit system
- g. Corporate governance
- h. Reinsurance management
- i. MACT claims provisions

A proposal for nominating Non-official independent Directors on the Boards of the Public Sector Insurers has already been sent to ACC for approval. Appointment of these Directors would definitely strengthen the Boards of the Public Sector Insurance Companies.”

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II) dated 31.05.2007).

15. The remarks of Office of C&AG on the Reply of the Government was as follows:-

The latest status of the proposal, sent by the Ministry to ACC for approval, may kindly be intimated to Audit. A copy of the findings and recommendations of M/s. G.V.R. Risk Management Associates Pvt. Ltd., Hyderabad along with the status report of action taken on the recommendations may kindly be made available to Audit.

16. The comments of the Ministry on the above mentioned remarks of C&AG is as follows:-

“11 names have been approved by the ACC for appointing Non-official independent Directors on the Boards of the public sector insurers and accordingly appointment orders have been issued.

As desired by the Office of C & AG, copies of the said appointment orders and copy of the findings and recommendations of M/s. G.V.R. Risk Management Associates Pvt. Ltd., Hyderabad along with the status report of action taken on the recommendations have been sent to the Office of C & AG vide letter No. 64/132/2004-OSD-Ins.(Vol.II) dated 29.8.2007. A copy of the same is enclosed.”

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II) dated 13.09.2007)

**17. Comments of the Committee**

**While analyzing the role of Ministry regarding the control and supervision on Insurance Companies, the Committee in their original report had recommended that the Ministry should appoint a group of experts to study the weaknesses of the present system and to suggest remedial measures for ensuring better supervision and control. However, the Committee are dismayed to note that the Ministry has not taken any action in this regard.**

**The Committee do not agree with the contention of the Ministry as inspection carried out by experts deputed by IRDA does not cover the aspect of supervision and control by Ministry. The very fact that inspite of IRDA’s inspection such types of irregularities took place shows that there is a need to make the inspection system by IRDA experts more fool-proof. The Committee therefore, reiterate that the present system of control and supervision by the Ministry needs to be strengthened. They therefore desire**

**that the Ministry should appoint an expert group to study and suggest measures to strengthen the control and supervision of the Ministry over the insurance companies.**

**Regarding the induction of independent Directors in the Board of Insurance Companies, the Committee note that appointment orders have been issued. The Committee would like to be apprised of the progress made in this regard.**

## **CHAPTER II**

### **RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT**

#### **RECOMMENDATION NO. 2**

##### **REINSURANCE PROTECTION FOR SCP**

The Committee have been informed that the Insurance Companies have Reinsurance Departments which decide on the Reinsurance arrangements to be made by the Company. The Reinsurance arrangements in respect of standard policies are well laid down.

The Committee note that before issuing the mobile handset and default liability policies, NIC did not carry out any exercise to evaluate the risks associated with the policy. As the SCP's policies were being given for the first time in the country, the Committee feel that the NICL ought to have checked for the availability of reinsurance protection. The Committee do not agree with the contention that NICL did not check for Reinsurance before the issue of the policy, considering the low value per Handsets. As the aggregate risk amounts covered under the two policies are Rs. 4931 crores under Handset Policy and Rs. 4981 crores under Default Policy, the Committee feel that it was imperative on the part of NICL to have arranged for reinsurance.

The Committee highly deplore the inaction on the part of H.O. officials to arrange for reinsurance of SCP. Had the Reinsurance Division properly evaluated risk involved in issuance of SCP in question and taken Reinsurance cover before the issue of policy, the colossal losses to the Company could have been avoided. The Committee recommend that before issuing any policy in future NICL should make proper assessment of risk involved in the policy and take adequate steps for reinsurance cover.

The Committee therefore strongly recommend that such guidelines should be amended so as to make reinsurance mandatory for SCPs also.

#### **Reply of the Government**

Special Contingency Policies are issued to meet the special requirements of a client which are not met by Standard Insurance Policies. Covering of Events, Mobile equipments, Cameras, Electronic Testing equipment etc. have been the subject matter of Special Contingency Policies. NICL has centralized the authority to accept SCPs at Head office. Utmost care is taken to ensure that no risk is accepted beyond its retention limits. Wherever it is felt necessary and beyond the retention limit, adequate Facultative Reinsurance support is arranged.

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II) dated 31.05.2007).

### **Remarks of Office of C&AG on the Reply of the Government.**

There are no remarks to offer.

### **Comments of the Ministry on the remarks of Office of C&AG**

No further comments to offer.

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II) dated 13.09.2007)

### **RECOMMENDATION NO.3**

#### **CANCELLATION CLAUSE IN THE SCP**

The Committee note that in the MOU signed on December, 2002 between NICL and RIL for SCP covering handsets all risks, the MOU contained a condition that either side might cancel the policy by giving seven days notice in writing.

After the policy came into force, the Committee note that within a short time, the NIC got huge claims. In view of large claims and huge amount involved for settlement the Committee are surprised that NICL had not thought it fit to invoke the cancellation clause provided for in the policy even after the claims ratio was becoming worse. The Committee are not convinced with the reply of NICL that 90% of the total premium was already received in the first year and hence, cancellation clause was not invoked. Even the Ministry of Finance has expressed the view that the Company ought to have cancelled the policy by invoking the cancellation clause. The Committee, therefore, deplore their actions of NICL for not invoking the cancellation clause despite the fact that claim ratio exceeded to alarming proportions.

The Committee also note that in the default liability policy, Reliance wanted to protect their financial interest and hence did not want any cancellation clause to be incorporated. The Committee strongly opine that PSU Insurance Companies like NICL should instead of yielding to the demands of customers protect their commercial interest too.

#### **Reply of the Government**

National Insurance Company Limited has reported that it has noted the advice of the Committee regarding not yielding to the unreasonable demands of customers and protecting its commercial interest too.

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II) dated 31.05.2007).



## **Remarks of Office of C&AG on the Reply of the Government.**

NICL has not so far issued any specific guidelines in this regard to operating offices/divisions in Head Office. Moreover, NICL has not devised any mechanism to ensure that Company's interest will not be compromised while deciding the terms and conditions of the 'SCPs' in future.

## **Comments of the Ministry on the remarks of Office of C&AG**

NICL has reported that the authority to issue cover under Special Contingency Policies is now vested solely with the head office. A copy of Master Circular No. CMD-0708-020-Mis-003 dated 11.9.07 issued by the head office of NICL to all Regional Offices is enclosed.

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II) dated 13.09.2007)

## **RECOMMENDATION NO.5**

### **ALTERNATE RISK TRANSFER (ART)**

The Committee note that as SCP policies were not covered by Reinsurance Protection, the Company had to bear the brunt on the financial front due to the large outgo of funds on the settlement of claim. Having understood the implications of such outgo of funds on its financial performance, NIC looked for Alternate Risk Transfer (ART) to smoothen the balance sheet of the Company.

The Committee note that unlike reinsurance where risk is covered Alternate Risk Transfer is an arrangement of risk-financing and not risk-sharing. The Committee take strong exception to NIC's attempt to mislead them as also their Board which is evident from the fact that in their agenda paper of Board Meeting held on 12 June 2004, ART was camouflaged as an reinsurance protection. The Committee would also like to reprimand the Board of Directors of NICL for failing to seek proper justification for ART before granting approval for ART.

The Committee strongly believe that happening of this nature do not augur well for Public Sector Insurance Companies. The Committee, therefore, recommend that Ministry should impress upon all public sector insurance companies that they should refrain from resorting to ART in a casual manner.

## **Reply of the Government**

While **National** has confirmed having taken note of the recommendations of the Committee for future guidance, '**Oriental Insurance Company Limited**' '**United India Insurance Company Limited** ' and '**New India Assurance Company Limited**' have confirmed that they have never resorted to the ART of the sort subscribed by NICL. Ministry has already issued necessary instructions to all the Companies.

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II) dated 31.05.2007).

**Remarks of Office of C&AG on the Reply of the Government.**

There are no further remarks to offer.

**Comments of the Ministry on the remarks of Office of C&AG**

No further comments to offer.

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II) dated 13.09.2007)

## **CHAPTER III**

### **RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES**

#### **RECOMMENDATION NO.1**

##### **POWER TO ISSUE SPECIAL CONTINGENCY POLICY (SCP)**

The Committee note that NACL issued two policies under Special Contingency Policies (SCPs), namely, Handset all risks cover and Default liability policy to Reliance Industries Limited. As per audit Default liability policy was also issued to Tata Teleservices Limited. These policies were issued during the year from 2002-04.

The Committee were informed that Special Contingency Policies (SCP) are issued by the Insurance Companies, when covers are not available under any existing standard policies. Normally SCP's are issued for events like art exhibitions, cultural programmes, cricket matches, etc. which are specific event related. However, the Committee are surprised that NACL resorted to issue of SCP for covering mobile handsets which do not fall under the above categories of activities.

The Committee were also informed that the power to issue the SCP does not lie with either the Divisional Office (D.O.) or Regional Office (R.O.) and all SCPs are referred to Head Office before acceptance of the proposal. In the extant case Committee note that the Head Office (H.O.) did not exercise proper due diligence when the D.O. / R.O. sent the proposal to them for approval. The Committee regret to note that without fully analyzing the implications of the policy, the H.O. communicated to Mumbai Regional Office that as the maximum value per Handset was within their acceptance limits they may take an appropriate decision in the matter.

As the number of handsets to be covered were approximately 50 lakhs and the aggregate risk was about Rs. 4931 crore for Handset policy and Rs. 4981 crore for Default liability policy, the Committee strongly feel that the stand of H.O. to allow Kalyan D.O. to take appropriate decision in the matter was not proper and in their opinion, it reflects nothing but their evasive attitude.

The Committee understand that the proposal for the policies covering the mobile handsets from RIL and for default liability were received by all the PSU insurers. However, only National Insurance Company Limited (NIC) and Oriental Insurance Company Limited (OICL) accepted the proposal and other PSU insurers did not agree for the same as they considered it to be a very risky venture. As no such policy had been issued both before and after the issue of extant SCP, the Committee would like to conclude that the NACL acted with undue haste without fully assessing the risk involved and anticipating the claims that could be lodged.

The issue of SCP and settlement of claims without proper scrutiny, is indicative of lack of accountability and failure of supervisory mechanism in NICL. The Committee recommend that the Ministry / NICL should take appropriate remedial measures to strengthen internal controls and supervisory mechanisms so that, instances of this kind do not recur in future.

In view of the above the Committee recommend that Ministry of Finance in consultation with IRDA should amend the guidelines suitably so as to plug the loopholes in the issuance of Special Contingency Policies and tailor-made Policies to the customers in future.

### **Reply of the Government**

National Insurance Company Limited (NICL) has reported that till September, 2004, its Regional Offices had limited authority to issue Special Contingency Policies (SCP). Following the events pertaining to the covers granted to Reliance Industries, NICL has withdrawn this authority and the power to grant cover under SCPs now vests with the Head office.

Special Contingency Policies are issued to meet the special requirements of a client which are not met by Standard Insurance Policies. Covering of Events, Mobile equipments, Cameras, Electronic Testing equipment etc. have been the subject matter of Special Contingency Policies.

NICL has subsequently not granted any such Default covers. NICL has also centralized the Authority to grant covers under SCPs at Head Office. Such proposals are referred to Head Office in a format designed to elicit the relevant information. While deciding upon acceptance of and pricing of cover, the probable maximum loss due to a single event and the aggregate losses during the policy period are kept in mind and limits put thereon wherever warranted.

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II ) dated 31.05.2007)

### **Remarks of Office of C&AG on the Reply of the Government**

Notwithstanding above, the fact remains that Ministry of Finance did not consult IRDA to amend the guidelines so as to plug the loopholes in the issuance of 'Special Contingency Policies'.

### **Comments of the Ministry on the remarks of Office of C&AG**

To plug the loopholes, the National Insurance Company Limited has already centralized the Authority to issue SCPs.

The Insurance Regulatory and Development Authority (IRDA) was consulted in the context of guidelines for SCP and as per their opinion, the Insurance Policies including SCPs are developed and issued as per the broad underwriting policy which is approved by the respective Boards of the Companies. Further, with the de-tariffing of non-life insurance business effective from 1<sup>st</sup> January, 2007,

considerable freedom has been granted to insurance companies, both in the public sector and in the private sector in the matter of framing and pricing of products. As per revised 'File & Use' guidelines in respect of products designed for individual clients, there is no requirement for the insurer to file such products.

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II) dated 13.09.2007)

## **RECOMMENDATION NO.7**

### **ORIENTAL INSURANCE COMPANY LIMITED**

The Committee note that Oriental Insurance Company Limited also underwrote the default liability policy of RIL as was done by NICL. They insured 17.10 lakhs handsets under default liability policy (DLP). The Committee regret to note that the OICL without carrying out in-house assessment with regard to pros and cons of SCPs, underwrote the policy mainly because NICL had already issued a similar policy and also in order to gain entry into the business of Reliance Industries Ltd.

The Committee have been informed that OICL had expected default of around 2% of the total number of connections issued in the instant case wherein 17.5 lakh handsets were insured. Claims settled by OICL were 24,465 only which are less than 2%. The Committee wonder why even though default was less than anticipated 2% yet OICL incurred losses which shows that at the time of issuance of SCP proper assessment in fixing the premium was not done. Had OICL fixed the premium as per the perceived risk losses altogether could have been avoided.

OICL has justified the issuance of SCP on the ground that the overall business portfolio was profitable even though this particular policy had incurred losses. The committee however find that issue of SCP to gain entry into the business of RIL is against GIPSA guidelines which says that each policy should be treated separately and cross-subsidisation is not permissible. The Committee deplore the action of OICL for underwriting a business knowing fully well that particular business will bring losses to the company. In the opinion of the Committee, the PSUs are to function as commercially viable business and they should focus on strong business models for the long term rather than achieving growth through short-term methods.

### **Reply of the Government**

The Oriental Insurance Company Limited (OICL) has submitted adequate statistical details in support of its decision of underwriting SCP for handset along with other profitable portfolio of the client. However, the final results show that more precautions are required to be taken in future. The tendency to grab business should be replaced by sound principles of underwriting where each risk *per se* is evaluated and rated. The company agrees with the final remarks of the Committee that PSUs are to function as commercially viable business and they should focus business models for the long term rather than achieving growth through short-term

methods. OICL has further submitted that claims have been properly handled by it with thorough investigation and there is no excess payment or under charge pointed out by C & AG necessitating further follow-up of any recovery.

OICL has further reported that it has taken the following precautions in underwriting SCP:

- a. OICL has not undertaken any policy on mobile handsets after the above mentioned SCP (Mobile Handset Default Liability);
- b. The rating of the SCP covering various elements of Insurance should be commensurate with the risk involved;
- c. Standard clauses e.g. cancellation clause, subrogation clause, under-Insurance clause should be used;
- d. Policy should be accepted by the Regional Office if they have an experience of similar policy in the past otherwise Head Office's approval should be taken;
- e. Only after ensuring Placement of Reinsurance, if required, the policy should be issued

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II) dated 31.05.2007).

#### **Remarks of Office of C&AG on the Reply of the Government.**

As has been observed by the Committee, the amount of premium was not commensurate with the quantum of risks covered under SCP. Further, the policy was issued without adequate investigation and safeguards.

#### **Comments of the Ministry on the remarks of Office of C&AG**

The Oriental Insurance Company Limited (OICL) has submitted that:

- i. At the time of underwriting the above policy – Special Contingency Policy (Default Liability Policy), it was gathered that the default rate under the mobile telephones was around 2% of the total number of connections. In the above case, the total number of connections underwritten were 17.5 lacs and the total number of claims settled were 24465 which is only 1.4% i.e. less than expected default of 2%.
- ii. The Special Contingency Policy being a non tariff policy therefore rate for such non tariff policies are decided keeping in view of other tariff business expected from the clients and overall expected claim experience jointly for tariff business and no tariff business.
- iii. In the year 2002-03, 'Oriental' was having profitable fire and engineering premium of Rs. 12.61 crores only and after underwriting of the above

mentioned Special Contingency (Default Liability) Policy, OICL got increased fire and engineering premium equal to Rs. 44.85 crores.

Against a premium of 17.03 crores under the above Special Contingency Policy, OICL settled claims including investigation charges amounting to Rs. 28.13 crores but overall claim experience under Fire & Engg. and this Special Contingency Policy was only 44.88%. Therefore, the decision to issue the Special Contingency Policy (Default Liability) alongwith other profitable fire and engineering insurances proved correct.

- iv. "Oriental" conducted full investigations of the claims lodged and as a result of the investigation, 36720 claims amounting to Rs. 38.56 crores were repudiated. So, while dealing with the claims, all safeguards were used and all claims were investigated through an outside agency and based on their findings, claims were paid or repudiated.

OICL, therefore, reiterates that the above Special Contingency Policy (Default Liability) Policy being a non tariff, was evaluated keeping in mind getting other profitable Fire and Engineering premium which came out to be true as the overall claim experience was only 44.8%.

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II) dated 13.09.2007)

## **CHAPTER IV**

### **RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE**

#### **RECOMMENDATION NO.6**

##### **ROLE OF THE THEN CONCERNED CMD OF NICL**

The Committee believe that the executive accountability in a commercial organization begins with the CMD. From the audit para, CVO's note and as also Committee's own examination, the Committee feel that in the entire business beginning from the issue of SCP, settlement of claims, opting for ART, lack of reinsurance, non-invoking of cancellation clause etc., the role and conduct of the concerned CMD was far from satisfactory.

From the CVO's note of September, 2005, the Committee observe that, the then CMD of NICL, was fully aware of the issuance of SCP and he had written a letter on 10<sup>th</sup> July 2003 to Reliance Infocom Chairman thanking him for patronizing NICL and assuring him of prompt settlement of claims. The Committee are highly constrained to note that when the claims were settled and losses were mounting, the CMD did not act to protect the financial interests of the Company. He took no steps either to cancel the policy or to make proper investigation into settlement of claims. Further when the company was reeling under huge losses on account of single policy, the CMD should have brought the matter to the Board's notice for their appropriate direction. However, instead of seeking direction of Board, the Committee note that then CMD tried to mislead the Board by seeking ART cover and camouflaging it as reinsurance support. All these facts/points the needle of suspicion to the concerned CMD.

Despite the fact that issue of SCP had resulted into huge losses to company the Committee are surprised to note that the Ministry did not deem it fit to put the CMD on notice and seek explanation on the issue. The Committee strongly believe that without the knowledge of the then CMD, things could not have gone thus far. Hence the Committee strongly recommend that Ministry should prefer CBI to investigate the role of the then CMD in the entire issue relating to SCP to RIL separately and a report of action taken thereon may be given to the Committee.

##### **Reply of the Government**

Chief Vigilance Officer, NICL has informed that the Central Bureau of Investigation (CBI) has registered a case under RC-10/E/2005/CBI/EOW/Mumbai dated 11<sup>th</sup> November, 2005 for faulty underwriting as well as irregular settlement of claim under two policies issued by NICL in favour of Reliance Infocomm. CBI is conducting investigation against the persons who appear to be prima facie involved in the case. CVO, NICL has also informed that, based on the recommendations of



the Central Vigilance Commission (CVC), departmental action for major penalty have been initiated against the officials of the National Insurance Company Limited involved in the faulty underwriting as well as irregular settlement of the claims. Since the case is already there with CBI, its reference again to CBI for investigating the role of the then CMD would not serve any purpose. If CBI, during investigation, finds the involvement of the then CMD into any of the irregularities, it would automatically write to the Government for appropriate action.

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II) dated 31.05.2007).

#### **Remarks of Office of C&AG on the Reply of the Government.**

The final outcome of the investigations carried out by CBI may kindly be intimated in due course.

#### **Comments of the Ministry on the remarks of Office of C&AG**

The final outcome of the investigations carried out by the CBI would be intimated to the Office of C&AG as and when made available by the CBI.

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II) dated 13.09.2007)

#### **Comments of the Committee**

*Please see paragraph 12 of Chapter I of the Report.*

### **RECOMMENDATION NO. 8**

#### **CONTROL AND SUPERVISION BY MINISTRY OF FINANCE**

The Committee note that the National Insurance Company Ltd. and Oriental Insurance Company Limited come under the Ministry of Finance. The Ministry has two nominees as part-time Directors in the Board of these companies. As they are non-executive positions, these nominees attend Board Meetings, which are infrequent and agenda driven. The Ministry reviews their overall financial and physical performance at the end of financial year.

While committee appreciate that by way of functional and financial autonomy to PSUs, Ministries should not interfere into their day to day activities they feel that Ministries ought not be altogether ignorant of such happenings like issuance of SCP and consequent losses in Public Sector Undertakings under their control. In the extant case, the Committee feel that the response of the Ministry to the happenings have been shoddy and apathetic. When the Ministry received a complaint from the CVC against the then CMD, NICL, they forwarded the same to him for explanation. The Committee are unable to understand as to how CMD of a company would send an adverse report against himself. This speaks volume of the type of action taken by senior officials of the Ministry particularly associated with vigilance matters.

Further, the Committee are of the view that the role of the part-time Government Directors was merely that of passive listeners as they failed to seek any clarification when the issue of approval for ART was discussed in the Board Meeting on 12<sup>th</sup> June, 2004. The Secretary (Financial Sectors) during his evidence agreed that the part-time Government Directors could have sought more information on any of the agenda matters placed before the Board of NICL as Govt. nominees. This reflects very poorly on the part-time Directors occupying the position. They should be aware of the responsibilities they discharge as Part-time Directors and also should take full cognizance of the fact that they are representing the Government of India.

The Committee, therefore, feel that present system of control and supervision of the PSUs by the Ministry needs to be further strengthened. The Committee recommend that the Ministry should appoint a group of experts to study the weaknesses of the present system to suggest remedial measures for ensuring better supervision by the Ministry. The Committee further recommend that the feasibility of inducting Independent Directors who can function without any fear or favour in the Board of PSU insurance companies should also be explored.

### **Reply of the Government**

Normally, in the case of complaints against the executives / employees of the Insurance Companies, as per the procedure laid down in the CVC Manual, Chief Vigilance Officer of the Insurance Company is asked to investigate the matter. In cases where allegations are against the CMD of the company, the investigation is not entrusted to the CVO of the company as he is subordinate to the CMD. In such cases, factual comments are asked from the CMD himself and future course of action is decided accordingly. In the instant case also, the then CMD of NICL was asked to provide factual comments on the complaint received from the CVC and these were sent to the CVC for consideration and further action. Incidentally, CVC acted upon the comments and recommended departmental action for major penalty against four officials of the company. Later, CBI took over the matter and investigation into claim-settlement and underwriting irregularities is still on.

Regarding appointing a group of experts to study the weaknesses of the present system to suggest remedial measures for ensuring better supervision, it may be mentioned that IRDA from time to time deputed the experts for carrying out inspection of the Insurance Companies. M/s G.V.R. Risk Management Associates Pvt. Limited, Hyderabad were deputed by IRDA for carrying out inspection of NICL during May 9 to June 6, 2005. The report submitted by M/s G.V.R. covered following issues:

- a. Business profile of NIC
- b. Accounting concerns
- c. Intermediaries conduct
- d. Technical conduct of business

- e. Default liability policy and its impact on the company
- f. Financial controls and internal audit system
- g. Corporate governance
- h. Reinsurance management
- i. MACT claims provisions

A proposal for nominating Non-official independent Directors on the Boards of the Public Sector Insurers has already been sent to ACC for approval. Appointment of these Directors would definitely strengthen the Boards of the Public Sector Insurance Companies.

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II) dated 31.05.2007).

#### **Remarks of Office of C&AG on the Reply of the Government.**

The latest status of the proposal, sent by the Ministry to ACC for approval, may kindly be intimated to Audit. A copy of the findings and recommendations of M/s. G.V.R. Risk Management Associates Pvt. Ltd., Hyderabad along with the status report of action taken on the recommendations may kindly be made available to Audit.

#### **Comments of the Ministry on the remarks of Office of C&AG**

11 names have been approved by the ACC for appointing Non-official independent Directors on the Boards of the public sector insurers and accordingly appointment orders have been issued.

As desired by the Office of C & AG, copies of the said appointment orders and copy of the findings and recommendations of M/s. G.V.R. Risk Management Associates Pvt. Ltd., Hyderabad along with the status report of action taken on the recommendations have been sent to the Office of C & AG vide letter No. 64/132/2004-OSD-Ins.(Vol.II) dated 29.8.2007. A copy of the same is enclosed.

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II) dated 13.09.2007)

#### **Comments of the Committee**

*Please see paragraph no. 17 of Chapter I.*

## **CHAPTER V**

### **RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED**

#### **RECOMMENDATION NO. 4**

##### **SETTLEMENT OF CLAIMS**

The Committee were informed that out of 1,38,879 claims lodged by Reliance Industries under Default Liability Policy (DLP) only 103928 could be investigated. The balance 34,000 claims were not settled because further new claims started pouring in. Similarly many claims filed under handset policy could not be investigated. As a result, outstanding claims to tune of Rs. 31.74 crores under DLP and around Rs.62.80 crores under handset policy remain unsettled. Besides claims to the tune of Rs. 66.52 crores in respect of Default Liability Policy issued to Tata Teleservices are still outstanding.

The fact that such huge number of claims are still outstanding indicate a very sorry state of affairs in NICL in the matter of settlement of claims. This is also evident from the fact that with regard to settlement of claims, CVO's note dated September 5, 2005 *inter-alia* observed "If the underwriting was bad, the claim management was still worse. No verification was done regarding the genuineness of the claims." The Committee deplore that not only NIC failed to investigate all the cases of claims which were filed but it also did not exercise proper care to check the veracity of such claims. No wonder that such callous approach of NIC in settlement of claims caused huge losses to the company.

The Committee believe that NICL could have contained their losses to a large extent, if it had done proper claim investigation. Here the Committee would like to refer to the claim investigation done by OIC, in which, out of 61193 claims lodged for settlement, OICL repudiated around 36728 claims. The Committee therefore feel that the responsibility for such acts of omission squarely lies with H.O./R.O. of NICL as they failed to properly advise Kalyan D.O. and initiate corrective steps. The committee further note that NICL had raised a demand on RIL to repay an amount of Rs 6.97 cr on claims that were wrongly settled. However RIL did not accept.

#### **Reply of the Government**

NICL has reported that the matters pertaining to the granting of cover as also settlement of claims are the subject matter of an investigation being conducted by the Economic offences wing of Central Bureau of Investigation, Mumbai.

Besides, departmental action have been initiated against three officials of the Company. The report of the Commissioner of Departmental Inquiries has been received and action to be taken on the report is under process.

The advices of the Central Vigilance Commission have been sought on initiating departmental action against a few other officials.

As per the Board's advices, a panel of investigators have been entrusted with the task of investigating the Default claims. Appropriate action shall be taken upon receipt of their reports. NICL shall keep the Committee apprised about the progress in this regard.

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II) dated 31.05.2007).

### **Remarks of Office of C&AG on the Reply of the Government.**

As a result of departmental inquiries, NICL has imposed major penalties on two officials and minor penalty with recovery has been imposed on one official. In this connection, the amount so recovered/to be recovered may kindly be intimated to Audit.

Further course of action on the advice of CVC for major penalty against eight officials will be watched in Audit.

### **Comments of the Ministry on the remarks of Office of C&AG**

NICL has reported that the concerned Divisional Office is in the process of working out the amount recoverable out of the incentive paid to the Development Officer as a result of credit being given for the business received from M/s Reliance Infocom. Quantum of the amount recovered will be informed as soon as the recovery is effected.

Further, CBI investigations are still going on in the matter.

(Ministry of Finance O.M.No.64/132/2004-OSD-Ins. (Vol.II) dated 13.09.2007)

### **Comments of the Committee**

*Please see paragraph 7 of Chapter I of the Report.*

**New Delhi  
26 November, 2007  
5 Agrahayan, 1929(S)**

**RUPCHAND PAL  
Chairman  
Committee On Public Undertakings**

COPU MATTER

NO.F.64/132/04-OSD-Ins.(Vol.II)  
MINISTRY OF FINANCE  
DEPTT. OF FINANCIAL SERVICES  
INSURANCE DIVISION

3<sup>rd</sup> Floor, Jeevan Vihar,  
Parliament Street,  
New Delhi: 29.08.07

To,

Sh. Gurveen S. Choppy,  
Asstt. Comptroller & Auditor General (Commercial),  
Office of the Comptroller and Auditor General of India,  
10, Bahadur Shah Zafar Marg,  
New Delhi-110002.

Subject: Committee on Public Undertakings – Sixteenth Report on Special  
contingency Policies on mobile handsets.

Sir,

Please refer to your letter No. 485-CA-III/KOL II/MIP/COPU/26-2006/Vol.II  
dated 21.8.2007 on the above noted subject.

2. It is stated that action on the vetting remarks of the Office of CAG on the  
Action Taken Report is being taken by this Department.

3. With regard to vetting remarks on Recommendation No.8 i.e. Control and  
Supervision by Ministry of Finance, 11 names have been approved by the ACC for  
appointment as Part time Non-official Directors on the Boards of Directors of the  
public sector insurers and accordingly appointment orders have been issued on  
27.8.2007 vide Order No. 14/7/2003-Ins.IV. Copies of the appointment orders and  
the findings and recommendations of M/s G.V.R. Risk Management Associates Pvt.  
Limited, Hyderabad alongwith the Status Report of Action Taken on the  
recommendations by NICL are forwarded herewith as desired.

Yours faithfully,

Sd/-  
(LALIT KUMAR)  
Deputy Secretary to the Govt. of India

Encl: As above.

**MINUTES OF THE 12<sup>th</sup> SITTING OF THE COMMITTEE ON PUBLIC  
UNDERTAKINGS HELD ON 26<sup>th</sup> NOVEMBER, 2007**

The Committee sat from 1600 hours to 1620 hours.

**PRESENT**

**Chairman**

**Shri Rupchand Pal**

**Members, Lok Sabha**

- 2 Shri Ramdas Bandu Athawale
- 3 Smt. Sangeeta Kumari Singh Deo
- 4 Shri Francis K. George
- 5 Dr. Vallabhbai Kathiria
- 6 Ch. Lal Singh
- 7 Shri Shrinivas Patil
- 8 Shri Kashiram Rana

**Members, Rajya Sabha**

- 9 Shri Ajay Maroo
- 10 Shri Pyarimohan Mohapatra
- 11 Shri K. Chandran Pillai

**Secretariat**

- 1 Shri S.K. Sharma - Additional Secretary
- 2 Shri J.P. Sharma - Joint Secretary
- 3 Smt. Anita Jain - Director
- 4 Shri N.C. Gupta - Deputy Secretary
- 5 Shri Ajay Kumar - Deputy Secretary-II

**Office of the Comptroller & Auditor General of India**

- 1 Shri A.K. Awasthi Director General (Commercial)
- 2 Shri Naveen Kumar Principal Director (Commercial)

2. XXXXX XXXXXX XXXXXX XXXXXX
3. XXXXX XXXXXX XXXXXX XXXXXX

4. Thereafter, the Committee took up for consideration the draft Action Taken Report on the recommendations contained in the 16<sup>th</sup> Report of the Committee on Public Undertakings pertaining to Special Contingency Policies on Mobile Handsets by Insurance Companies. The Committee adopted the Report without any changes

5. The Committee authorized the Chairman to finalize the Reports for presentation.

6. The Committee then adjourned.

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## APPENDIX II

(Vide para 3 of the Introduction)

Analysis of the Action Taken by Government on the recommendations/ observations contained in the Sixteenth Report of the Committee on Public Undertakings (Fourteenth Lok Sabha) on “Special Contingency Policies on Mobile Handsets by Insurance Companies”.

I	Total number of recommendations	8
II	Recommendations that have been accepted by the Government [vide recommendations at Sl. Nos. 2,3 and 5 Percentage of total	3 37.5%
III	Recommendation which the Committee do not desire to pursue in view of Government’s replies [vide recommendation at Sl. Nos. 1and 7 Percentage of total	2 25 %
IV	Recommendations in respect of which replies of the Government have not been accepted by the Committee (vide recommendations at Sl. Nos. 6 and 8 Percentage of total	2 25%
V	Recommendations in respect of which final replies of Government are still awaited Sl.No. 4 Percentage of total	1 12.5%