

[Shri Narendra Budania]

and indirectly connected to this town but they have been deprived of watching the programmes of Doordarshan.

This town is the centre of Churu, Taranagar and Jhunjhunu tehsils. In view of the importance of this town, it is essential that Doordarshan programmes should be telecasted properly. There has been a long standing demand of the people of this area in this regard, but so far the Union Government has not paid any attention towards it. Therefore, the Union Government is requested to give instructions to set up a L.P.T. at Dudhwakhara in Churu district (Rajasthan) on priority basis without any delay.

13.01 hrs.

*The Lok Sabha then adjourned for Lunch till
Fourteen of the Clock*

14.08 hrs.

*The Lok Sabha re-assembled after Lunch at Eight
Minutes past Fourteen of the Clock*

[MR. DEPUTY-SPEAKER *in the Chair*]

INSURANCE REGULATORY AUTHORITY BILL*

[English]

THE MINISTRY OF FINANCE (SHRI P. CHIDAMBARAM): I beg to move :**

"That the Bill to provide for the establishment of an Authority to protect the interests of holders of insurance policies and to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto be taken into consideration."

With your permission, I would like to make a few brief introductory remarks. As this august House is aware, the Common Minimum Programme of the Government stated and I quote . . .

"We have gained considerable experience in the working of the banking sector.

* Published in the Gazette of India, Extraordinary Part II, Section-2 dated 24.7.97

** Moved with the recommendation of the President.

The said experience will be applied to the restructuring of the insurance industry. But, at the same time, public sector companies like LIC, GIC etc., will be strengthened. Keeping in view the Common Minimum Programme of the Government, in the Budget speech this year I had proposed certain structural reforms in the insurance sector. Following the announcement of the Budget, LIC and GIC have already been delegated financial powers to make non-scheduled and non-consortium investments without obtaining the prior approval of the Government. I had also announced the intention of the Government to allow LIC to enter into joint ventures in the pension business, and allow UTI to expand its retirement benefit plan into a fullfledged pension fund. In the health insurance sector it was proposed that GIC and its subsidiaries would be permitted to float joint ventures, and a few Indian companies, i.e., Indian-controlled with majority Indian ownership, will be permitted to enter the health insurance business. LIC and GIC would be given the power to determine the terms and conditions of service of its employees and agents.

All these proposal require change in the existing insurance laws. I am also happy to inform this House that LIC and GIC have been given a full compliment of members for their Boards, and both are today Board-managed companies.

Before the aforesaid reforms are implemented, it is necessary to have a strong statutory Insurance Regulatory Authority in position. Such an authority would formulate comprehensive regulations for all the service providers in the insurance industry and monitor their performance on a regular basis in the interest of healthy growth of insurance industry and safeguarding the interest of the insuring public. For this purpose, as announced by me in 1996 Budget, I introduced on 20th December, 1996 the Insurance Regulatory Authority Bill to give statutory status to the interim IRA. This Bill was referred to the Standing Committee on Finance for examination. The Standing Committee has since submitted its report to this House on the 9th of May, 1997. The Standing Committee, as you are aware, was composed of 30 Members of this hon. House and 15 Members of the Rjya Sabha. The Standing Committee has made a number of recommendations. I am glad to inform the House that we have accepted the recommendations made by the Standing Committee. I will introduce the amendments to the Bill in the light of the recommendations which have been accepted by the Government.

Briefly, the following are the major recommendations made by the Committee and, as I said, I am glad to inform the House that we had accepted the recommendations.

1. The number of whole time members should be increased from three to five. – That has been accepted.
2. At least three whole time members should have not only knowledge but also possess actual experience of general insurance, life insurance and actuarial science. – An amendment is being introduced to give effect to this provisions.
3. The Chairperson/whole time members on completion of their term would be eligible for being considered for further employment in the Authority on the basis of their performance subject, however, to the age limitation. – This is also being accepted.
4. The ineligibility of the Chairpersons/whole time members should be restricted to two years after ceasing to be a member of the IRA. – We have accepted that also.
5. The restriction on reemployment should not be limited to private companies alone in the insurance sector but should apply to the entire insurance sector for a period of two years – That recommendation is also being accepted.
6. The Standing Committee said that the Chairperson should also have the power of general superintendence and direction of the Board and may also exercise all powers and do all acts and things which may be exercised or done by the Board. – We have accepted this recommendation and we are giving to the Chairperson the power of general superintendence and direction in administrative matters. For the quasi-judicial matters, the Board has to act as a collective body. We do not think that there will be an emergency requiring a quasi-judicial decision where the Chairperson has to act alone. Therefore, we are accepting this recommendation giving the power of general superintendence and direction on administrative matters to the Chairperson. On quasi-judicial matters, we would like the body to act collectively, sitting together.
7. The Members of the IRA, on ceasing to be

members, should not be permitted to join companies where insurance funds are deployed. Insurance funds today are deployed in the form of equity, in the form of project finance and in the form of loans and these run into 1500 companies between LIC and GIC. Therefore, if we accept this recommendation, we will be virtually closing the door to employment of these people

In another part of the Report, the Committee said that they must not be debarred, they must be allowed to take up employment after two years. Once I accept that recommendation, if I accept this also, virtually all employment will be closed because LIC and GIC today are major investors and I am told there are about 1460 companies. So, we are unable to accept this recommendation. But we can discuss this matter during the course of the debate. There are other minor changes which were recommended by the Committee. We have accepted all those recommendations.

In all fairness, I must point out, there is a note of dissent by one Member of the Rajya Sabha to the Report. But I take it that the note of dissent is reflective of the fact that there was a full discussion in the Committee; that all aspects were considered; all sections were given a full opportunity to give their views; and if at the end of such detailed deliberations if all the Members of the Committee embracing all political parties, have subscribed to the majority Report and only one hon. Member has expressed the dissent, I think, that is democracy in full play and I would urge all hon. Members who represented other parties on the Committee to support this Bill.

I am confident that in the course of the debate I will make every effort to persuade even that Member to agree to the changes that we are making. But I would expect all hon. Members who represented their parties on the Committee, 44 other Members of the Committee who have supported this Bill – to support this Bill.

Sir, I may point out that LIC today operates in several countries abroad. It has branches in London, Mauritius and Fiji. It has entered into an international joint venture in Bahrain which carries on activities in Saudi Arabia, Kuwait and Bahrain. In Kenya, GIC and LIC together have a joint venture under the name, Kenindia. Similarly, GIC has a large number of subsidiaries abroad and is operating abroad. In fact, they are directly operating in 18 countries and they are operating through subsidiary and associate

[Shri P. Chidambaram]

companies in 14 countries. So, we are in the process of building LIC and GIC into international companies and that is the way in which insurance sector will grow in the future. And I think we must also prepare for such growth in India and the first step towards that is to give statutory powers to the non-statutory IRA which is today functioning, which was set up by the previous Government. It is functioning as a non-statutory body but the time has come to empower that body and give it statutory powers.

With these remarks, I would commend the Bill to this House along with the amendments recommended by the Committee which the Government has accepted. I would request the hon. Members to cooperate and pass this Bill.

MR. DEPUTY-SPEAKER :

Motion moved :

"That the Bill to provide for the establishment of an Authority to protect the interests of holders of insurance policies and to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto, be taken into consideration."

The time recommended for discussion by the Government is three hours.

[Translation]

SHRI THAWAR CHAND GEHLOT (Shajapur) : Mr. Deputy Speaker, Sir, the Minister of Finance has introduced the Insurance Regulatory Authority Bill, 1996 with the objective of removing the inconveniences being experienced by the Insurance Companies such as the LIC and the GIC. Since there is mismanagement in these organisations, country's economy is also affected. Due to this very reason and also in view of the mismanagement and irregularities in these companies' action has been initiated to set right the situation. Earlier, a controller looked after the work of these companies which will henceforth be controlled by an Authority with full powers. As a matter of fact, this is a welcome Bill. The Hon'ble Minister has mentioned a few points. Some amendments suggested and the recommendations made by the Committee are proposed to be accepted by the Minister. In the case of one or two recommendations, the Hon'ble Minister stated that these will be considered later on.

I would like to draw the attention of Hon'ble Minister towards the fact that these insurance companies primarily depend heavily on the policy holders and the insurance agents. The Development Officers and other personnel working in these companies play a secondary role. But all these categories of officials are equally important for strengthening these companies. However it was noticed for several years that the Development Officers and other officials are concerned for their own interests and they safeguard their interests. But the insurance agents and policy holders, who work hard, day and night, to strengthen these companies, deposit insurance money, help strengthen the economy of the country, experience several hardships. No attention is paid towards them. A sum of about 50,000/- crores has been given as loan to various national and state level institutions through these insurance companies and thus this sector is lending support in managing the economy of the country and looking after the interest of the people. However dishonesty and corruption prevalent in other sectors is spreading its tentacles in such institutions also day by day. Useless expenditure is made by these companies. The agents and the policy holders have brought all these facts to the notice of the Hon'ble Minister. The Minister has given an assurance to take action in this regard. I believe that after setting up of the authority, attention will be paid to all these aspects and efforts will be made to address these problems.

Recently a conference was held in Indore. The Hon'ble Minister was scheduled to attend it but he could not make it to the conference. An M.D. and a Chairman went there. The Conference was held on the 11th and 12th of October, 1996. The figure of expenditure incurred on holding this conference is incredible. Rs. 1.5 crore have been spent for holding the conference. It is not only a matter of concern but also calls for an enquiry. I request that an enquiry be held and action initiated against the corrupt elements and other officials responsible for bringing the companies to such a pass. The delegates who attended the Conference were taken to Ujjain and Onkareshwar on pleasure trips.

[English]

SHRI P. CHIDAMBARAM : I did not attend any conference recently.

[Translation]

SHRI THAWAR CHAND GEHLOT : I myself said that the Hon'ble Minister did not attend the conference. I said that he was supposed to attend it but ultimately the M.D.

and the Chairman went there. I am giving the details of expenditure incurred on holding that conference. 365 delegates attended the Conference.

[English]

SHRI P. CHIDAMBARAM : Who attended that Conference ?

SHRI THAWAR CHAND GEHLOT : The Chairman and the M.D.

SHRI P. CHIDAMBARAM : The Interpretation is saying something like NDF.

[Translation]

SHRI THAWAR CHAND GEHLOT : An expenditure of Rs. 1.5 crore was incurred on the Conference. The Conference was held for two days and 365 delegates attended it. Such irregularities are increasing day by day. When the policy of a policy-holder is matured or it lapses due to certain reasons, it takes time to work out its paid-up value and certain problems are experienced about that. A restriction of three years is imposed thereupon. A demand has been made many a time that this stipulated period of three years should be lowered to two years but no action has been taken as yet in this regard. Similarly so far as the issue of paid-up value is concerned, irregularities and corrupt practices are being noticed in fixing the same. Hence improvements are required to be made in this regard also. The interests of agents are not protected. The agents contract the policy-holders first and convince them somehow, otherwise at times the policy holder fails to understand the reasons for getting his life insured when he is not going to die so soon and expecting a longer life. They enquire about the benefits of taking an insurance policy because the bonus paid ultimately is comparatively lower than the interest said by the banks on the same amount. I have made a demand in this regard several times and also approached the previous Finance Minister with the demand that the amount of annual bonus payable to the policy-holder should be raised. If you make a calculation, you will find the amount of bonus is quite lower in comparison to the interest paid under the savings bank accounts. There is a need to raise the amount of bonus but nothing is being done in this regard whereas the Development Officers, other officers and employees are enjoying all sorts of facilities. In the case of Zonal Officers, an expenditure of Rs. 40,000/- was incurred just for

rearranging the flower-pots, replacing the old flower-pots and plants with new pots and plants. An enquiry should be held into this useless expenditure and a decision taken, so as to remove the irregularities.

There are other cases of irregularities as well. I feel that there will be some improvement in this direction after setting up of this authority. I also feel that if the management of these companies or the supervisory body or the officials responsible for taking action against the irregularities have good intentions, everything will be all right. A provision has been made for having a number of Members but no provision to check corruption has been made. No legal provision has been made in this regard. That is why I feel that this sector too is going to incur losses just like the nationalised banks. If one takes into account the situation prevailing in these insurance companies in the last three years, one would find that in proportion to the number of policy holders and in proportion to the hard work put in by the agents, the annual useless expenditure is continuously rising. Or it could be taken this way that there has been a rise in other expenditures under the head of establishment expenditure. It would be better if efforts are made to keep a check on it.

The Government has made a provision in this Bill for appointment of a Chairman to the Authority. A Provision has been made for disqualifying the members but no provision has been made for disqualifying the Chairman. If a Chairman appointed to the Authority becomes insane, he still cannot be removed by the Government. While such a provision exists for the members. If the member becomes insane or bankrupt, he can be removed by giving him a three months' notice. But there is no such provision for removal of the Chairperson. Once a person becomes the chairperson, he thinks that he cannot be removed from that office. It appears from the Bill wherein a provision has been made for the supersession of even the Board as a whole if it muddles, but there is no separate provision for removal of the chairperson or take action against him in case he muddles. Earlier there was provision for seven members but now it has been conceded to raise that number to nine. There is a provision to remove these members collectively but if the chairperson indulges in irregularity, no provision has been made for his removal. We would like to be enlightened on it, now or later.

[English]

SHRI P. CHIDAMBARAM : I will explain. If you kindly

[Shri P. Chidambaram]

see Clause 4, it says, "The authority shall consist of the following members, namely :-

- (a) A Chairperson;
- (b) not more than three whole-time members;
- (c) not more than four part-time members. . ."

All of them are members. Now if you read Clause 6, it says, "The Central Government may remove from Office any member. . .". That 'member' is 'all the members who constitute the Authority'. Therefore Clauses 6 will apply even to the removal of the Chairman.

[Translation]

SHRI THAWAR CHAND GEHLOT : I have read Clause 6(1) which he is mentioning. Clause 6(1) states that the Central Government may . . . from office any member, the word 'member' is written therein which has caused doubt and therefore I seek clarification thereof. The word member is written therein and the chairperson has been shown as distinct from the members. Therefore I am making the submission.

[English]

SHRI P. CHIDAMBARAM : Please see clause 2(1) (f). It reads as :

"Member includes the Chairperson".

Clause 4 says :

"The Authority shall consist of the following members including Chairperson."

So, the provision to remove member means provision to remove the Chairperson.

MR. DEPUTY-SPEAKER : It is very clear.

[Translation]

SHRI THAWAR CHAND GEHLOT : Sub-clause "f" says that the term 'Member' means full time or part time member of the Authority and it also includes the chairperson. It is clear, if it is so, it is all right, otherwise we were thinking that nobody can remove him from that office. In this way they will continue to commit irregularities. Then there is the provision in section 11(1) that the Authority is competent to appoint such officers and other

employees as the Authority deems necessary for discharging its functions under this act efficiently. Set up of the staff should be decided earlier. The set up of the staff must have been decided before hand i.e. in view of the business to be transacted there would be so many person, so many clerks, UDCs and LDCs. The number of the staff need to be decided beforehand, otherwise the officer will misuse this clause at will as at many places we see that every single IAS or IPS officers has as many as 4,6,8 or even nine peons at his disposal. Many times we ask 'Sir, what do you do with as many as nine peons' they are never able to tell. The same type of misuse will start here. So I would request that it will be better to determine it beforehand.

After that there is a provision in section three that determination of all the questions to come up before the Authority in its meeting will be made by the majority of the members present and voting and if the votes are equal, the vote of the chairperson or, in his absence, that of the presiding officer will be the second or casting vote. My request is that if there are nine members and two or three members are present and two cast their votes, then it will be the decision. After taking decision on the issue, it will be implemented. When total members are nine, it will be wrong if any provision or regulation is made with the concurrence of two members. So I request that there should be a condition of two-third majority present and voting. I have earlier said that if three members out of nine members are present and two say that this should be done, then it would become a law. If this is done the law would not reflect the true spirit with which it was framed. So, I request that more than half of the total number or the majority should take a decision. If five out of nine take decision then it should be implemented otherwise not. It will be very good if you do this. It will be better if you make a provision of quorum. Nothing has been mentioned about quorum. There should definitely be provision of quorum, otherwise the same situation will arise as I have told earlier. So it will be better if the provision of quorum is more than half or two-third.

In Clause 5(1) it is stated that by giving a written notice of not less than three months to the Central Government he could resign from his post. These members or the Chairman could resign from their post by giving a notice of three months. I know that there is provision of one month notice if a Central Government employee or the State Government employee resigns. He will give a notice of

three months and his post will remain vacant for three months or he will give notice earlier or he will take medical leave, then the number of the members of the Authority will become less.

Instead of one month that post will remain vacant upto two three months. If he takes medical leave for three months, there is provision of it and the authority will wait for three months and that post will remain vacant for three months. It will affect the work of the Authority. So instead of three months there should be a provision of resignation by giving a notice of one month. It will be good if such a provision is made in this section.

Nomination or appointment of the members is provided in clause 4(c) that Central Government will appoint the honest, dedicated, eminent and meritorious persons. Nominated persons will be selected from among the persons having experience in Life Insurance, General Insurance, Insurance Science, Finance, Economics, Law, Accounting, Administration or any other legal branch which the Central Government thinks is beneficial for the Authority.

It will be better if experience of 5-7 years is added to this criteria so that the persons having such qualification should have experience of five to seven years in the requisite fields. The intention may be good but in due course of time such person who do not have requisite experience would be appointed and there would be favouritism also. Therefore this provision of experience of three to five years should be made. If this provision is made it will be good. I am giving this suggestion because when the intentions are not clear the provisions will be misused. If they will not get a chance to misuse the section, then the appointment will be made under the prescribed norms and criteria and there will be few irregularities. Corruption and irregularities in the country can be checked. Therefore, it is my humble request that a provision should be made determining the experience in this regard.

Hon. Finance Minister, I have said earlier that an Authority is being constituted in place of the Controller and that Authority is empowered with rights. It has also been stated that this Authority will work within the frame work of rules and regulations. I want to ask who will head that Authority? Would it be headed by the Central Government or any other agency or any other Authority.

Now-a-days people are expressing concern that Life Insurance Corporation and General Insurance Corporation

would be privatized. Even today it is being hotly debated. But before privatization we should seriously think whether this sector will be more efficient after that or not. We should ensure whether it will be in the interest of the country or not. In my opinion there is no need to privatize LIC and GIC because they are the only Public Sector Companies which are earning profit.

These companies are earning profits and, therefore, the *status quo*, i.e. present dispensation of their nationalisation should continue. I request you to increase the amount of bonus for policy holder. Paid-up value should be reduced to two years from the present three years. Interest rate on loan taken by the policy holders should be reduced because sometimes it is far more than the interest rate of nationalised banks. The interest rate charged on delay in payment of instalments is also quite high, and, hence, it should also be reduced. It will be better if interest rate charged on the delay of payments is fixed for the period of delay.

Now a days insurance agents are found committing so many irregularities. A system should be evolved in which the agents may not only become professionals but they should work in the interests of the insurance companies and policy-holders as well. It would be much better if such a system is developed in the interest of the companies and policy holders.

The ceiling of a gratuity is yet to be increased to Rs. 2.5 lakh. As per my information, insurance agents had given memorandum in this regard. Perhaps it was given to the former Finance Minister and it may be there in the official records. It will be better if attention is paid to it and some decision is taken in this matter.

Suppose an agent sells a policy and after sometimes due to some reasons if the agent leaves the job or is declared disqualified, no commission is paid on that policy. If any another agent revives such a lapsed policy he is not paid commission for the full period. Due to this reason agents do not take interest in the revival of such policies because they do not get commission for the lapsed period. The commission should be paid to the new agents for lapsed period as well.

At present mediclaim is not given to agents. It should be given to them. Policy holders as well as agents, both work for strengthening insurance companies and economy of the country, so their welfare should be taken care of.

[Shri Thawar Chand Gehlot]

Only then we will be able to strengthen the economy. My best wishes are with the hon. Minister. I am concluding now because you have rung the bell.

[Translation]

SHRI SRIBALLAV PANIGRAHI (Deogarh) : Mr. Deputy-Speaker, Sir, in the last three successive Budgets there have been mentions about this Insurance Regulatory Authority. First, in 1995, Dr. Manmohan Singh, in his Budget speech indicated that such an Authority was going to be set up soon. In fact, in pursuance of that, I think, in January, 1996 an Authority was set up after the Cabinet decision to that effect and that too in a notification. In 1996 Budget also, Dr. Manmohan Singh mentioned that statutory status would be given to such Authority already set up by notification.

Now we have this Bill before us in the House. In the meantime also, after its introduction in this very House, I think, on 20th December, 1996, the same was referred to the Parliamentary Standing Committee on Finance. The Committee, after detailed examination had made some recommendations. The hon. Minister of Finance has already observed in his introductory speech that whatever recommendations that have been made by the Standing Committee have been accommodated now. By and large the recommendations have been accommodated by way of amendments which he moved more.

Sir, the insurance industry requires a high degree of regulation. There is no doubt about that. The office of the Controller of Insurance was there since 1938 under the Insurance Act, 1938 to discharge certain functions to direct, advise, question, prohibit, investigate, inspect, prosecute, search, seize, amalgamate, authorise, register and liquidate insurance companies. But there was a sea change in this industry subsequent to independence and by 1956, the Life Insurance Corporation of India which was hitherto in the private sector was taken over by the Government followed by the taking over of the General Insurance in the year 1972. This important decision of nationalising LIC and GIC was taken at that time. But things have dramatically changed again and now we are on the reverse gear. Although total privatisation is not coming back, I think I can say that it is going to be a mixed sector in which LIC and GIC will continue to be in the public sector.

SHRI P. CHIDAMBARAM : Mr. Deputy-Speaker, Sir,

I wish to repeat the statement which is made in the Common Minimum Programme that LIC and GIC will remain in the public sector.

SHRI SRIBALLAV PANIGRAHI : Yes; they will remain in the public sector. But this assurance should be followed in letter and spirit. Then they would also be strengthened, as quoted by the hon. Minister of Finance from the Common Minimum Programme.

Sir, there are some lurking apprehensions in our mind, because even in the Report of the Standing Committee, it is stated that the Committee are given to understand that setting up of a statutory Insurance Regulatory Authority is a prelude to liberation of the insurance sector and its opening to private and foreign players. This is what is stated in the Report of the Standing Committee.

SHRI P. CHIDAMBARAM : Why do you not read out the next sentence also for the benefit of other Members?

SHRI SRIBALLAV PANIGRAHI : I will read it out. There is no problem. But as you know, the Report of the Standing Committee is the property of the House.

In the next sentence, it is stated that the Committee feel that as and when the insurance sector is opened to private sector companies there should be a level playing field for all insurance companies whether in the public sector or in the private sector.

What happens in our administrative and bureaucratic set up is that there is always a gap between the cup and the lip. We mean very good things and very noble purposes are underlying our many legislations and enactments. But the implementation is so tardy and defective, sometimes, the noble objectives underlying such enactments are lost sight of or the implementation is such that the benefits do not go to the common people of the country.

In our country, the insurance coverage is very low. There is an immediate and urgent need to expand the insurance network in our country. As you know, despite whatever promises have been made by different Governments, crop insurance has remained a far cry. Crop insurance, in practice, is nowhere seen significantly. It has not been implemented significantly and it is not in evidence. Only in selected areas and in irrigated areas where the yield rate is very high, that is, where the cooperative system is working very well and they are advancing loans to the cultivators, there is some degree of implementation of this

crop insurance scheme and not anywhere else. There is an urgent and genuine need to bring crops under the insurance coverage.

I was going through the dissent note given by one hon. Member, belonging to the CPI (M), of the other House. He has many more apprehensions, not exactly on this level ground etc., but he has something else in his mind that 'foreign companies will come in and the Indian companies are not interested or are not willing. Even if they are interested, they do not have the means to participate in a significant way. Therefore, they propose to join their hands with some foreign companies. They want to enter the field like this.' Whatever it is, the hon. Minister of Finance, who is a very seasoned person and who has a lot of experience also, should very carefully consider all these aspects. We have to see that the interest of the common man, the poor man, is kept uppermost in our minds, and the national interests are not sacrificed at all.

Even in China, the multinationals are entering in a very big way. In fact, out of the Fortune 500 companies, about 212 companies are present in one city in China, that is, Shanghai. That is the single largest construction centre in the whole of the world. Three or four months before, this is what we have seen during our visit. The World Bank and the IMF are making investments there and China is extending them red carpet welcome. But at the same time, we must also note that China is not dictated by these organisations. On the other hand, I would say that China is in a position to dictate terms to these organisations. We should see that such a position arises or occurs in our country also.

We need not be dictated. Let them come. We need funds. We need expansion of our insurance network also. But, at the same time, our national interest should not be jeopardised and should not be sacrificed. At the same time, this purpose also should be served. The Government of India should be well aware and should be cautious and move forward very carefully.

I would say that there was Malhotra Committee also, appointed to look into the restructuring of insurance industry since the days of liberalisation in 1991 when there were some changes taking place in the financial system of our economy, to make to study of those changes, to discuss and to suggest what changes should be made in the insurance industry. This Malhotra Committee was set up in 1993 to make a study and to make recommendations.

The former Reserve Bank Governor had come forward with certain suggestions. As I said, after nationalisation of LIC in 1956 and GIC in 1972, the significance of this institution, the Controller of Insurance, was gradually minimised and in 1982, a very peculiar situation arose that there was no such institution and that got merged with the Ministry itself, with the Joint Secretary of the Ministry discharging the responsibility of the Controller. When this Joint Secretary was supposed to exercise control and to supervise the working of the management of the companies like LIC, GIC etc., in those days, his superiors, the Secretary and the Additional Secretary were sitting in the Board of Directors representing the Government. So, naturally it was a very complicated and a peculiar situation and there was, in fact, no control from this side. Naturally, the need for setting up such an Authority is very much there and this Bill seeks to achieve that purpose. There is no doubt about it. What are we doing today? There is a Committee and there is an Authority and that is not statutory. We will make it now statutory. Really that will be independent. It will enjoy autonomous character and thereafter granting statutory status to the IRA will mark the separation of the management function being exercised by the Government from the supervisory functions which has to be done by an independent and powerful Body outside the Government.

This is the purpose of the Bill and about the details as to how many members should be there, what should be the quorum etc., can be brought in the rules to be framed later on. Everything cannot go in the original Bill. After all, this was not only considered by the Standing Committee, but prior to this also, in different forums, trade unions, Chambers of Commerce, academics and also consumer interest groups, in all those Bodies, it has been considered.

14.59 hrs.

[SHRI BASU DEB ACHARIA *in the Chair*]

The hon. Minister said that whatever are the recommendations of the standing Committee, they have been by and large accepted. But I think that, through not wholly linked with this Bill, there are two other recommendations of the Standing Committee.

15.00 hrs.

One is regarding the dissolution of the Traffic Advisory Committee. I do not know whether that has been done.

SHRI P. CHIDAMBARAM : That is a separate amendment altogether.

SHRI SRIBALLAV PANIGRAHI : It is there in the Standing Committee's Report. The other one is about the increase in the premium of motor insurance and car insurance. These are the two recommendations contained in the Report. The Committee has rightly expressed its concern about the huge loss the GIC incurred on account of motor insurance. It has accumulated to Rs. 1500 crore by now with Rs. 600 crore of loss within a period of three years. Insurance also a commercial concept. The Insurance Company is a commercial company. Naturally, it should be looked into. At the same time, it is going to be opened up to the private sector. The private companies will be coming in. So, we have to see that our companies like the LIC and GIC etc. do have a level-playing field. When they are in the public sector, Government do have certain control over them. Crop Insurance and other areas are highly risky and vulnerable. They are entertaining cases and thereby also they are making losses. We are given to understand that the private multinationals and foreign companies, which are evincing some interest to enter this field in our country, are interested only in car insurance and things like theft, fire etc. all such things where the question of loss is not there. But it is a question of only making profit. So, as I said earlier, there should be a level-playing field for our Indian companies. About the public sector companies, private sector companies and foreign companies, a very judicious and reasonable view should be taken. Accordingly, the Government should move forward very carefully in this direction.

Again, I would say that there is a lot of scope for improvement of consumer services/customer services. Better service should be provided to the policy holders. They should be treated in a better way. There is so much of a necessity on that score.

Then, we have to simplify the rules, procedures etc. To cite an example, ten years back, I had myself taken a house building loan from the LIC. The procedure is very cumbersome. Even with all the assistance given to me willingly by the officers concerned, it was a very very difficult task for me, what to talk of the poor people. So many documents and all those things are not necessary. So, simplification of procedure and all those things should be taken into consideration.

Regarding payment of premium on the policy etc.,

there should be somebody to remind the policy holders. Somebody should come and do this job. That is where people sometimes invite the private sector. The private companies do this job very well. When they can do it, why not the Government companies also rise to the occasion to do this job properly ?

Thirdly, in our country, housing is a very big problem. As you know, a very high percentage of people do not have even house-site, what to talk of a dwelling unit. They do not have houses. The Housing Loan Scheme of the LIC etc. is there. A second thought should be given to it. It needs to be looked into afresh. If you take a loan of Rs. two lakh, for a period of thirteen years, you will have to pay every month probably Rs. 3,300 and then only you will be free from the debt. For taking a loan of Rs. two lakh, you have to pay Rs. 3,300 per month! The payment commences from the next month whether you have constructed the house or not. For a period of about 13 years, it will go on. I was making a calculation. It comes to more than Rs. 502 lakhs. You are ultimately required to pay more than Rs. 5 lakhs for a loan of Rs. 2 lakh. According to the principle of Damrupat, if the loan amount is Rs. 100, then the repayment should not be more than Rs. 200. Why should similar provision not be applied in the insurance and banking sectors ? Are we helping the needy people when they take loan to build a dwelling unit? I think, it is time to give a fresh look towards the policy of customers service.

With these words, I support this Bill. I would again request the Government through the hon. Finance Minister to carefully consider all these aspects. There has been a lurking apprehension in the minds of so many people about this. I also have some reservation or apprehension about that. But since there is an immediate need to expand our insurance network and other things, naturally this Bill has a lot of significance when we are moving forward with the rest of the world. The Government should keep its mind open and do everything possible to see that the purpose is achieved and, at the same time, our national interests remain in tact.

[Translation]

SHRI SHATRUGHAN PRASAD SINGH (Balua) (Bihar): Mr. Chairman, Sir, in the context of this Insurance Regulatory Authority Bill, 1996 I seek only one clarification from the Government. I would like to know as to how it propose to protect this industry from the apprehensions of

privatisation and other ill effects of this new law.

By setting up this Authority the Government is trying to remove mismanagement prevailing in this sector. It has been stated in its objects that this sector will be made competitive. Competition is inevitable in any sectors if another company is introduced in market in the same field. At the time of nationalisation, our attention was not drawn towards lacunae and mismanagement in the system and thus bureaucracy created its stronghold. We could not check their monopoly well in time. There is need to check this monopoly. The hon. Finance Minister has accepted the recommendations made by the Standing Committee of Parliament in this regard. But still there are some shortcomings.

Sir, the wave of privatisation is not blowing only in our country also but this phenomena is also being witnessed all over the world and multinational companies are being allowed in communist countries also. Just now learned hon. Member Shri Panigrahi has given the Example of China. Ours is a vast country. We also want that our country should also progress but liberalisation and privatisation have also posed some other threats to the society.

Mr. Chairman, Sir, the people of this country wish to get an assurance over it. I seek an assurance from the hon. Minister of Finance that the recommendations made by the Standing Committee would be accepted and included into it. One of the Members has given a note of dissent on it so I would like to know as to how Chidambaramji would satisfy him, so that this Bill could be passed unanimously.

Mr Chairman, Sir, lastly I would like to suggest that it should be ensured that the present flaws in setting up of authority are removed and amendments are made accordingly so that the bill is passed unanimously and Members having dissent are satisfied. I oppose the attempts being made for the privatisation in this sector or some other sector otherwise I have no objection. This bill is a welcome bill. With these words, I conclude my speech.

SHRI VISHAMBHAR PRASAD NISHAD (Fatehpur) :
Mr. Chairman, Sir, I rise to express my views on the Insurance Regulatory Authority Bill, 1996 Although Hon'ble Minister of Finance has provided for a number of exemptions, still there are drawbacks in it and I would like to draw the attention of Hon'ble Minister towards them. Many sorts of understandings are reached and irregularities

are committed. The money of the public is being looted.

Mr. Chairman, Sir, I would like to draw the attention of the Hon'ble Minister of Finance towards the year 1956. In 1956 and the later year many insurance companies sprang up all of a sudden. After getting itself registered as GIC, the company set up Chit Fund companies in each and every district throughout the country. On the basis of those very laws, thousands of such companies are operating in the country which collect deposits from the poor people tempting them by promising to double their money in our year.

Sir, such incidents might have come to your notice. Newsitems are published in the newspapers from time to time about such incidents. Recently the case of a Calcutta based company, Favourite Small Investment Limited came into light. It had more than 300 branches throughout the country. It embezzled crores of rupees belonging to lakhs of people. Nobody is there to protect the interests of the poor people whose hard earned money has been lost. All our citizens are not educated and even the educated fall prey to it upon seeing the reference to the letters issued by the GIC and RBI under whose rules and regulations the companies are purported to have been set up. They show certificates that they are approved by the GIC and are controlled by the RBI. On seeing all these references, even the educated can not escape the trap laid. Similarly there was the Peerless company and other such companies are looting the money of the common man.

Mr. Chairman, Sir, about the LIC, I would like to submit that there is a need for an amendment. Let us presume that a member is unable to deposit the premium for three years. In such a case, so long as the interest of the agent is involved, he remains in touch with the policy holder and when his commission amount is reduced or is stopped, he stops visiting the policy holder. If a policy holder does not deposit money for three years, his policy is lapsed. There is a need to take this aspect into consideration and make amendment in the rules and regulations of the LIC regarding payment of interest. The people have more faith in LIC than the banks or post offices. It is commendable that the Government has set up an authority. Every person wants that his life is insured but then everyone is interested in earning more and more money in lesser time. What is required is that short-term policies should be introduced whereby the period of deposit is lessened and interest rate is made more attractive so that the middle class policy

[Shri Shatrughan Prasad Singh]

holders may avail of the scheme. These policies could be of small amount having small premiums so that the villagers may be benefited by it just like the R.D. Scheme run by banks and post offices. Such schemes should be introduced and the period of maturity should be lesser so that poor people are benefited. The Government has made other provisions also and the Committee has made certain recommendations about which I would like to say that the irregularities are committed or losses are incurred in the case of Crop Insurance or Motor insurance just because the system is flawed somewhere. There is a need to keep a watch on it. With these words, I appreciate this bill. This is a very good legislation but the suggestions we have given should also be incorporated.

[English]

SHRI NIRMAL KANTI CHATTERJEE (Dumdum) : Sir, I have not heard his opening remarks but I am told that a reference has been made to the Report of the Standing Committee on Finance. If I am not wrong, it has been stated that their recommendations have been accepted.

SHRI P. CHIDAMBARAM : All their recommendations except one have been accepted, which we can discuss.

SHRI NIRMAL KANTI CHATTERJEE : I have seen the amendments. There are some recommendations about which amendments have not been introduced.

SHRI P. CHIDAMBARAM : If you speak about it, I will respond. Which recommendation do you think I have not accepted ?

SHRI NIRMAL KANTI CHATTERJEE : I want to draw the attention of the hon. Minister to clause 8.

SHRI P. CHIDAMBARAM : What is wrong about that?

SHRI NIRMAL KANTI CHATTERJEE : The recommendation of the Standing Committee was : "The word, 'private' may be deleted from sub-clause (b) of clause 8.

SHRI P. CHIDAMBARAM : The whole of clause 8 has been substituted by a new clause 8 now, with the word 'private' having been eliminated.

SHRI NIRMAL KANTI CHATTERJEE : So, has it been amended ?

SHRI P. CHIDAMBARAM : Have you not seen the amendment ?

SHRI NIRMAL KANTI CHATTERJEE : I have seen the amendment now. That recommendation has been accepted.

SHRI P. CHIDAMBARAM : They wanted the word 'private' to be deleted. I have deleted it now.

SHRI NIRMAL KANTI CHATTERJEE : Thank you.

[Translation]

SHRI GIRDHAR' LAL BHARGAVA (Jaipur) : Mr. Chairman, Sir, in the statement of objects and Reasons of the Bill it has been mentioned :

[English]

"The insurance industry requires a high degree of regulation."

[Translation]

It is full of risks. To overcome this, it has been mentioned :

[English]

"However, after the nationalisation of the life insurance industry in 1956 and the general insurance industry in 1974, the role of the Controller of Insurance diminished in significance over a period of time."

[Translation]

After a long time, since the nationalisation of the Insurance sector, several problems cropped up. To overcome these problems, the hon. Minister formed several committees. That is what he mentioned here. Later, in April, 1993 the Government constituted a high power committee. Shri R.N. Malhotra was appointed its Chairman. He was the ex Governor of Reserve Bank of India.

"The Committee which submitted its report on 7th January, 1994 felt that the insurance regulatory apparatus should be activated even in the present set up of nationalised insurance sector and recommended, *inter alia*, the establishment of a strong and effective Insurance Regulatory Authority (IRA) in the form of a statutory autonomous board on the lines of Securities and Exchange Board of India."

[Translation]

The Committee gave its recommendations. After this yet another committee was formed. This Report was sent

to the Standing Committee on Finance. Shri Malhotra and several others officials were summoned by the Committee.

[English]

"In the Budget Speech, in July 1996, it was announced that the existing non-statutory Insurance Regulatory Authority would be made statutory and suitably empowered. Accordingly, it is now proposed to give a statutory character to the interim Insurance Regulatory Authority by enacting legislating in this regard".

[Translation]

Thereafter you nominated the Chairperson and said that it would consist of seven members.

[English]

"It will consist of a Chairperson and other members not exceeding seven in number, of whom not more than three shall serve full time, to be appointed by the Central Government from amongst persons of ability, integrity and standing who have knowledge or experience of life insurance, general insurance. . ."

[Translation]

In this regard you made the provision that the Chair Person would hold office for Five years or till 65 years of age, whichever is earlier while other members would hold office till the age of 62 years. In 1996 you introduced the Insurance Regulatory Authority Bill in this House, in which the above mentioned provisions were incorporated. The bill was referred to the Finance Committee on 20 September 1996. The members of the Malhotra Committee were also called. My point of view is that this was formulated to safeguard the interests of the policy holders, to give a fillip to the Insurance Sector through deregularisation incentives and to ensure regulated growth. It has two companies. After the nationalisation of Life Insurance corporation in 1956 and of General Insurance Corporation in 1972, the role of the Insurance Controller gradually diminished. In the Committee's Report, the first thing mentioned is that expansion of Insurance sector is very essential. It did not expand. I think the general public does not know the merits and demerits of Insurance, about premium and the various nuances related to it, etc. The committee has mentioned that Insurance sector should expand, as it did not register much growth in India. And such other factors, which if followed by your Authority, the Insurance Sector would

expand more. Therefore, you should consider such are as, which have not been included and in which the companies can dominate and provide benefits to the people.

Secondly, entry of foreign companies have been excluded from this, apprehending they might dominate the local companies. Let them enter through joint ventures. Only yesterday, I suppose, you had the Bill passed here. I think that if foreign Banks are being allowed, the entry of Insurance companies would give rise to competition. It would create no problems. Therefore, think over it.

As for the capital sharing, it should be limited to 40 percent. By opening up the insurance sector, the state monopoly should also be put to an end. I have several other suggestions to make. The foreign companies should be told to start their operations in the rural areas. It is essential that private companies are also instructed to do likewise. This would instil a sense of security among the rural people. Regarding the Authority's work, its time period, location of its Headquarter and all its objectives would be determined by the Government from time to time. It has also been mentioned that the Authority would be incorporated as a corporation. I think the location of its Headquarter by now must have been decided. It would be better if you make a mention about it.

Similarly, in section IV it has been mentioned that Beside a chairman, it would comprise not more than three full time members and not more than four part time members, who would be nominated by the Central Government. This power also, you have vested in the Central Government. The Chairman's tenure has been fixed at five years or 65 years of age, whichever is earlier. For others it has been fixed at 62 years of age. After 62 years they will retire will not be allowed to join private company.

The Bill also mentions the amount and types of allowances to be given to them by the Central Government and their method of working. Your intention is good. But, I feel that if all the suggestions of the financial committee, given in its report, are accepted, then the Insurance Sector will flourish. I did not stand to oppose the Bill. My request to you is to implement the rest of the suggestions of the financial committee. Shortcomings in this Bill can be removed by incorporating the suggestions of other Members. This would also create an awareness among the people regarding the Insurance sector. It would be a good idea if you invite the foreign companies to operate in rural areas.

I thank you for allowing me to speak.

[English]

SHRI SOMNATH CHATTERJEE (Bolpur) : Shri Rawat, you know your party's stand, I hope.

PROF. RASA SINGH RAWAT (Ajmer) : That I am going to tell you, Sir.

SHRI SOMNATH CHATTERJEE : Hon. Minister is always reminding the hon. Member-speakers about their party's stand.

[Translation]

PROF. RASA SINGH RAWAT : Mr. Chatterjeeji, what are you saying ?

[English]

SHRI SOMNATH CHATTERJEE : I am telling that the hon. Minister is always reminding the hon. Member-speakers about their party's stand.

SHRI P. CHIDAMBARAM : I did not say anything.

[Translation]

PROF. RASA SINGH RAWAT : I would try to clarify the party's stand. But you are also a supporter of the United Front. There has to be unanimity between you two.

SHRI SOMNATH CHATTERJEE : A little bit of differences of opinion is always there.

PROF. RASA SINGH RAWAT : Hon'ble Chairman, the hon'ble Finance Minister has introduced the Insurance Regulatory Authority Bill, 1996. Its object is to "protect the interests of holders of insurance policies and to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto." So far the objectives mentioned earlier are concerned, no question arises against them. Fortunately or unfortunately except for a few, most of the public undertakings are running in loss continuously since independence for which only those people may be held responsible who took the reign of the country in their hands after independence. After nationalisation, be it a matter of Vidyut Mandal or transportation or bank or coal or any other set-up, all of them are running in loss. There are very few exception in this regard which includes Insurance Corporations also. Owing to the fact that old system of

management is still there, no scams have taken place either in LIC or GIC for which we are so thankful to the God. The private companies belonging to the period before 1938 started this insurance business in the country and after nationalisation in 1956 they continued to work with the same conventional but effective system of management which bore fruits.

15.31 hrs.

[COL. RAO RAM SINGH *in the Chair*]

Mr. Chairman, Sir, I am happy to state that the proposed Insurance Regulatory Authority of India is good enough and quite pertinent except for one thing. On the lines of Telecommunication Regulatory Authority of India and pursuing the policy of globalisation we are setting-up Insurance Regulatory Authority Also. It has opened the door for private companies with the result that the country has to suffer scams one after other. One of our Hon'ble Members, I do not want to mention his name, has played significant role in this respect. When big companies came into the Indian Telecom market, they were subjected to many conditions and resultantly they expressed their desire to work only in those big cities or states where already the Department of Telecommunication has laid their net widely. These companies did not express any desire at all to work in such cities or states where prospects did not look bright for them. Later, entire rural works were handed over to the Department of Telecommunication and foreign and private companies were asked to undertake only 10 percent Telecom services in rural areas. Such a proposal was agreed to by these companies and they got the opportunity to earn profit. However, the areas where much extension and much expenditure was required for telecom services, the share of such companies was limited to only 10 per cent. It is good that the Government are setting-up Insurance Regulatory Authority of India. It is also good that the Hon. Minister wants to give equal opportunity. But since the Government has said in its common minimum programme that Insurance companies will remain in the Public Sector. I would like the Hon. Minister to let me know clearly as to whether he proposes to allow the private sector to enter the insurance sector also ? Foreign companies are also showing their eagerness to enter the insurance sector. So I want to know whether the Government is likely to allow these private companies to enter the insurance sector despite the fact that our insurance companies like LIC, GIC and others are doing

well and are running their business in profit. If you allow the private sector to enter the insurance sector, no doubt, there will be cut throat competition among them with the result that they will provide us better services. But apprehension arises when, despite the assurance from the Government that the nationalised banks will remain nationalised, the treasury benches talk of setting-up of regional banks. This move on the part of the Government had led the bank staff to go on strike. Therefore, as of now, it is not clear as to what is common in your programme for some of your people in the Front favour privatisation and are ready to welcome the foreign companies whereas some others are not.

SHRI RAM KRIPAL YADAV (Patna) : What are you people doing ?

PROF. RASA SINGH RAWAT : We shall explain our view point. . . (Interruptions) Some people are staunch supporters of nationalisation and some others are totally against privatisation. Some people are in the state of helplessness and they are saying yes and no to both the moves. They have well on one side and a trench on the others where to do, they do not know. In between they are trying to maintain a balance between two sides. Coming to main point I would say again that insurance sector is quite prosperous in our country. I wish that this sector could make a lot of progress and grow by leaps and bounds. The areas which have so far remained uncovered, should be brought under the insurance sector. The insurance benefit should reach our rural people also. Some of the states have introduced the crop insurance scheme but some others have not. I would like to know from the Hon'ble Minister as to why nothing is done to implement several insurance schemes for our farmers ? Why the benefit which is given by the Government to the LIC, GIC, National Insurance and New Assurance is not given to the DRDA wherein LIC agents and the representatives of the people sit and hold discussions on rural areas. A farmer can take risk if his tractor and other agricultural implements are insured. Your scheme in this regard is for name sake only. This is also noteworthy to watch as to how much amount a farmer gets against the insured amount for his livestock in the event of their death. If you get the matter looked into, you will come to know about the truth. Insurance benefit is available for the salaried class people but the same is not available for Jhuggi-Jhonpari dwellers and for the people living in far flung areas of our villages where even electricity has not reached so far. There are areas

where no means of transport exist but even then our farmer toils hard to reap rich harvest but very often he has to face the vagaries of weather and natural calamities such as flood, drought, uncertainty of monsoon, excessive rains, hail-storm and at times his entire crops and livestock are destroyed. Many times due to polluted water, which is mainly because of effluents, animals in villages perish. Therefore, insurance should be provided in these areas to farmers.

Further, we must pay our attention towards our Jawans (Soldiers) also. Though our Jawans are covered under the Insurance policy but the amount thereof is not adequate. Today many parts of the country are in the grip of terrorism and no body knows when and how which incident of terrorism would take place. In such a situation our Jawans, while on duty, may fall victim to terrorist activities anytime and anywhere, therefore, the amount of their insurance cover must be increased alongwith the rate of interest. The amount of premium thereon should also be reduced. This would enable the Jawans to perform their duties with full devotion and without any worry, be they in Leh or Laddakh or NEFA or Siachin or alongside the coast. They must feel that their lives are adequately insured. The hon. Defence Minister must be aware that recently our brave Jawans under the leadership of para-military officers had gone on mountaineering expedition to scale the Kamet peak in Himalayas which they did inspite of many odd natural calamities they had to suffer. They were given awards and certificates for their achievement but many of these Jawans have lost their legs. Now had they been adequately insured before the start of the expedition, they would have got the benefit. Apart from this, lives of our Jawans are exposed to many such dangers due to which they meet all kinds of accident. They have to face snow blizards and remain on glaciers while on duty. As a result they suffer from many diseases including frost bite due to which their body parts are amputated. This requires our immediate attention and adequate provision should be made for them.

Mr. Chairman, Sir, you have yourself served in Army and are well aware of the hard life of Army. Insurance facility should reach everywhere where our soldiers are working-even our policement who maintain law and order and are wroking in distant areas should be covered under insurance. These soldiers should also be given the benefit of insurance. Like people working in factories and big industrial establishments are given insurance cover. . . (Interruptions)

[Prof. Rasa Singh Rawat]

My point is that the areas which have so far not been covered by the insurance benefit, should be given this facility immediately. Various insurance companies like LIC and GIC should extend their services to these areas by sending in their agents. The insurance sector should cover all areas including rural, military, para-military, organized and unorganized agricultural workers.

Our communist brothers are seized of the matter and are anxious about unorganised workers and farmers. They want that a Bill making provision for Insurance cover to the unorganized agricultural workers should be brought in the Parliament immediately. In the beginning, it was felt that insurance sector requires powerful and effective laws. In view of this the Institution of the Controller of Insurance was set up in 1938. This was the first initiative in this direction. It was considered [English] as a strong, powerful, supervisory and regulatory authority. [Translations] This was the ancestor of our insurance sector. It was assigned two jobs, namely supervision and regulation. [English] In the beginning, that was a supervisory and regulatory authority [Translation] It was given numerous powers [English] to direct, advise, caution, prohibit, investigate, inspect, prosecute, search, seize, fine, amalgamate, authorise, register and liquidate insurance companies.

[Translation]

All this task was assigned to the Controller of Insurance. I think the new authority which you have set up must have been vested with all these powers. But in post-independence period [English] Man is a major factor [Translation] This is evident in every field. [English] The value of life has changed [Translation] and consequently we find dark side in every field of life. I want this newly set-up authority to be vigilant enough to watch that hard earned money of people amounting to billions of rupees which is vested in different insurance companies is not misused. [English] A burnt child dreads the fire.

[Translation]

Mr. Chairman, Sir, during the last five or six years many bank scams including sugar scam, Gur Scam, Urea Scam and Bank's Share Scam have come to light.

MR. CHAIRMAN : The subject is not scam, please speak on insurance.

[English]

PROF. RASA SINGH RAWAT : It is also concerned with money. [Translation] So I was saying that since the value of life has changed, it may give birth to corruption in insurance sector also. For example, till recent past there was a company by the name of CRB which lured the people by different means and swallowed their crores of rupees. Likewise there are other many Chit-fund companies which operate in a city for a couple of months, collect crores of rupees and then all of a sudden they disappear overnight. Therefore, we have to be extra vigilant on this score.

MR. CHAIRMAN : Please conclude. You have already taken 25 minutes BJP has been given a total of 50 minutes but you alone have taken half of the time.

PROF. RASA SINGH RAWAT : Mr. Chairman, Sir, this Bill has been allotted three hours.

In 1995, the then Government paid their attention seriously towards this sector and concluded that a supervisory and regulatory authority be set up by including the most capable people therein order to strengthen this sector so that it could develop and progress. Our former Finance Minister, Dr. Manmohan Singh had given some hints in this regard while presenting the Budget for the year 1996. It is a matter of joy that the job left incomplete by him is being completed by Shri Chidambaram. The matter was under his consideration for full one year. He has reached the conclusion after a prolonged consideration and many round of discussion. Anyway it is better to late than never. So, in January, 1996 it was decided that supervisory and regulatory body be set-up so that control of the Government minimised. I have gone through the provisions thereof wherein it has been said at one place that. . .

MR. CHAIRMAN : Now you may please wind-up. You have taken much time almost half-an-hour. So, please wind up within one minute.

PROF. RASA SINGH RAWAT : Mr. Chairman, Sir, this Bill was referred to the Standing Committee and I think that the hon'ble Finance Minister must have accepted the recommendations made by the Committee. The Minister should give us an assurance here that it will continue to work as Public Undertaking whereby rest of the companies will not be allowed any participation therein and they will run business independently.

Mr. Chairman, Sir, this will sharpen the competition

among them which will result in qualitative improvement. At one place, it has been said in the Bill that . . .

MR. CHAIRMAN : Now, you may please sit down.

PROF. RASA SINGH RAWAT : I am concluding after completing my last line. So far the matter of equal opportunity is concerned, private companies are welcomed in the insurance sector in order to increase the competition but as far as LIC and GIC are concerned, I would say that both have got a very good track record, hence, we will not favour any private company to hold any share in these companies. With these words, I conclude.

[English]

SHRI BASU DEB ACHARIA (Bankura) : Mr. Chairman, Sir, I rise to oppose the Insurance Regulatory Authority Bill, 1996.

Why do I oppose this move of the United Front Government to give statutory status to the Regulatory Authority set up by the previous Government in January, 1996 as per the recommendations of the Malhotra Committee ? It is because the report of the Malhotra Committee which was submitted in 1994 was never discussed in the House. We made several demands that the report of the Committee, which has wider ramifications, should be discussed on the floor of the House.

But it was never discussed. What were the recommendations of the Malhotra Committee ? The recommendations are :

1. LIC should be restructured and turned into a public limited company instead of a statutory corporation. Its Government holding should be reduced to 50 per cent.
2. Equity should be increased to Rs. 200 crore instead of the present Rs. 5 crore. It could mean that the Government should increase its holding by Rs. 95 crore to bring it to 50 per cent and the remaining Rs. 100 crore constituting the other 50 per cent should be collected through public subscription.
3. GIC should cease to be the holding statutory corporation of subsidiary companies. GIC's paid up capital should be increased to Rs. 200 crore with Government holding limited to only 50 per cent.

4. GIC should confine itself to transacting the reinsurance business.
5. Subsidiaries should be public limited companies each with a minimum paid-up capital of Rs. 100 crore. Again Government's holding confined to 50 per cent.
6. Private sector insurance companies should be permitted to enter the market with a minimum paid-up capital of Rs. 100 crore. The promoters share holding being a minimum of 26 per cent and a maximum of 40 per cent. This is very important.

15.57 hrs.

[MR. SPEAKER in the chair]

7. Foreign companies may also be permitted to enter the field but they should float Indian companies to operate joint ventures with Indian partners should be preferred.
8. All insurance companies should be treated on equal footing. Special dispensation of LIC, GIC and its four subsidiaries should cease.

Sir, what is the urgency of having this Regulatory Authority ? Prior to nationalisation, there was some controlling system. Insurance Controller was there prior to 1956 when Life Insurance Corporation was nationalised. But the LIC was nationalised in 1956. Why ? That is because this insurance controlling system which was there that failed to control what was happening in the various private companies which was prevalent prior to nationalisation of insurance companies. Since the nationalisation of LIC in 1956, the nationalisation of GIC in 1972 and the nationalisation of four subsidiaries of GIC, at is the performance of both LIC and GIC ? We can compare with any insurance company of the developed countries. For example, in France, the percentage of growth in the premium income is 781, and in India, it is 580. In the U.K., it is 495.

16.00 hrs.

In Japan it is 331; in the United States it is 225; In Canada it is 286; in Germany it is 203; and in Switzerland it is 80.

If we compare with any developed country, our insurance companies, both LIC and GIC are more efficient

[Shri Basu Deb Acharia]

than others. Then why do we need competition ? Why should we open the insurance sector not only to the private sector but to the multinational companies also ? I would like to know whether we are submitted to the dictates of the United States. In the past we used to receive threats of Super 301 because the United States and other developed countries have been pressurising that our insurance sector should be opened to the multinationals.

As a result of that, the Malhotra Committee was set up and it submitted its report. The main purpose was how the insurance sector can be opened to the multinational companies. . . (Interruptions)

SHRI NIRMAL KANTI CHATTERJEE : Mr. Speaker Sir, it is 4 o'clock now !

MR. SPEAKER : Yes, Mr. Acharia, you can continue next time. We will take up the next item now.

16.01 hrs.

BUSINESS ADVISORY COMMITTEE

Fourteenth Report

SHRI KRISHAN LAL SHARMA (Outer Delhi) : Sir, I beg to present the Fourteenth Report of the Business Advisory Committee.

16.03 hrs.

ADJOURNMENT MOTION

Serious situation arising out of recent development in Bihar—Contd.

[Translation]

SHRI ATAL BIHARI VAJPAYEE (Lucknow) : I Beg to move that . . . "the House be adjourned."

Mr. Speaker, Sir, since Shri Indra Kumar Gujral has assumed the charge of Prime Minister, every day he has been delivering a speech on corruption. Corruption finds a mention in his every speech. I would like to quote a few lines from his speech which he delivered on 22nd April while participating in the debate which is as follows :-

"My one promise is that until and unless I am head of the Government, my Government will adhere to transparency. This Government will make its all out efforts to be an accountable Government."

In spite of this all, he has always been required to speak on the issue of corruption. But the tone in which he used to speak earlier in respect of accountability seems to have changed now. Now the accountability is being placed on people. It is being said that corruption has seeped into veins of the people which required an organised drastic measures by the people to root it out. This can be the language of a 'Jan Nayak', not of a person who is holding the highest office in the Government. He admitted that some drastic measures are required to be taken to eradicate corruption.

[English]

"Admitting that corruption has seeped into the veins of the nation, the Prime Minister, Shri Inder Kumar Gujral on Sunday said that something drastic needed to be done against those occupying ministerial positions and facing corruptions charges."

[Translation]

It means that we have to take some drastic action in the cases of corruption. It is evident that such drastic action will be taken at the administrative level. There is no harm at all in mobilising public support against corruption but it is not fair to hold only people responsible for snowballing corruption and turn a blind eye to our duties. If we continue with this approach, we will fail to mobilise the public support against corruption.

The Prime Minister alongwith other dignitaries of the country was present in a get together which was held to plan out a function for celebration of the 50th anniversary of our independence. This celebration will begin from the 9th August from Mumbai and culminate on the mid night of the 14th August when we will be trying to recollect our 50 years old memories. But the get together function was marred by the issue of corruption which was raised there most frequently and even the Prime Minister had to make a mention in this regard in the beginning of his speech. He said that some measures are required to be taken to fight out corruption. But what actions the Government propose to take is known neither to the House nor to the people of this country.