

rupees. There is very unsatisfactory situation because at any moment, there may be floods; at any moment, there may be drought and this situation has been created because of the law of ecological imbalances in that entire area.

MR. DEPUTY-SPEAKER : If you want to speak more, you can continue tomorrow.

18.02 hrs.

RE : INSURANCE REGULATORY
AUTHORITY BILL, 1996

SHRI NIRMAL KANTI CHATTERJEE (Dumdum) : I was on the point of long-term funds. If we look back, there is a curious background. Initially, there was only one type of long-term fund which was provided by the Government Security Act which matured after 15 or 20 or 25 years and subsequent to that, the insurance companies also came up trying to generate long-term funds in the private sector. That collapsed and then the public sector has to intervene to take over generation of long-term funds for the country.

Today, there is another kind of long-term fund which has been collected. It is known as teakwood fund. Money is being taken and plots of land are offered for teakwood farming and after 25 or 30 or 50 or 100 years, these funds would be returned in a colossal amount and we know the uncertainties there. But this is only one aspect of it. It is not for generating long-term funds that the insurance industry grew. I think Shri Jaswant Singh did correctly mention that insurance came up. He mentioned industrialisation. He could have said capitalism. But the point is not that. Why did it come up at that time? There was insurance earlier to that, not in one form. The stability of the feudal system and the existence of the large joint family was functioning as insurance to the community. With capitalism, insecurity became the order of the day and new forms were attempted so that security of individual in terms of future and development can be guaranteed.

SHRI JASWANT SINGH (Chittorgarh) : I would like to confess to my friend that I did indeed raise this issue because I think this is a substantial issue and this is the kind of issue to which policy-makers ought to address themselves and I am very glad that my hon. friend is addressing himself to a thought which I submitted to the House, that thought being that insurance is foreign to us whereas banking is not. The concept of insurance is foreign to us because I submitted that insurance is the outcome of industrialisation and dislocation of societies from rural to urban agglomerate resulting in consequential urban uncertainties.

Therefore, what was earlier provided by the two factors in Indian life and still continues to be provided wherever rural India is able to keep its--you would I know, disagree but I assert--purity in facts insurance as such against death, deprivation, disability and disease was provided either by

society or by family. Now, both are coming apart. But the necessary, integral of industrial revolution has not yet really dawned in India except where you find enormous excrescence of urban growth. The word earlier was 'nagar' from which was derived 'nagrik'. Yesterday's nagar or nagrik is neither today's metropolis nor today's citizen. Therefore, when we adopt these western ideas wholesale, without questioning and say insurance is the answer, we must address them mindful of this. It is just in the form of a query that I am intervening. I am sorry that this is not a routine kind of intervention but because we now seem to have time to do it that I am intervening(Interruptions)

THE MINISTER OF TOURISM AND MINISTER OF PARLIAMENTARY AFFAIRS (SHRI SRIKANTA JENA) : I think the debate will continue for another four or five hours! The point has to be clarified.

SHRI SONTOSH MOHAN DEV (Silchar) : These are very valid points. Please continue.

SHRI JASWANT SINGH : Really speaking, I had not intention of intervening in today's debate.....(Interruptions)

SHRI NIRMAL KANTI CHATTERJEE : It is so welcome. Because of your intervention, hon. Deputy-Speaker would be kind enough to extend time to me!(Interruptions)

SHRI JASWANT SINGH : Reacting to what I submitted earlier and I said it that banking is natural to India. About banking, we have to learn nothing from the West. For example, I cite the concept of *Hundi*. The concept of *Hundi* is as old as Indian society. It is ingrained in our social of *Hundi* is as old as the Indian society. It is ingrained in our social conscience. The arrival of a *Hundi* and the non fulfilment is really today's L.C.--the arrival as I was saying, of a *Hundi* and the non-honouring of that *Hundi* was a matter of honour. No law then said that you must honour that *Hundi*. This was born of a social thought. We destroyed that social thought. We say that we will now adopt all the Western banking practices without the attendant, necessary wherewithals. This is a transplant of an idea. But in the case of Insurance, it is even more of an alien transplant. Banking is natural to us, not Insurance. Therefore, you have, I think, roughly Rs. 47000-48000 crore with LIC today. But of the 90 and odd crore people of India, how many people are covered by insurance? Is it 55 or 56 lakh ?.....(Interruptions)

SHRI NIRMAL KANTI CHATTERJEE : If you have patience, I will cover it later.

SHRI JASWANT SINGH : Secondly, why did attempts at making insurance of agricultural sector, crop insurance, cattle insurance and animal wealth fail? Certain ideas arise in North Block and you transplant it. Thirdly, you say industrialisation is equal to capitalism. Therefore, insurance is equated to an ill of capitalism. That is where the dialectical question arises. That is where the difference arises.

18.08 hrs.

[SHRIMATI GEETA MUKHERJEE *in the Chair*]

Madam, this is really not central to the IRA debate. But it is a thought which I shared with the House earlier. I am very grateful to my friend that he has responded to that thought. I think the central concern with the policy-makers ought to be to realise that whereas banking is natural to India and insurance has not been a part of either our *Sanskriti* or our civilisation. Therefore, all these things that we are doing are really a transplant of alien debate. That is the point that I wanted to make.

SHRI NIRMAL KANTI CHATTERJEE : Madam, with your permission, may I continue? I was speaking. He was enlightening me on certain aspects in the form of a question as is usual in the Question Hour when the Questions are longer than the answer!(*Interruptions*)

MR. CHAIRMAN : So, you are now fully informed about it.

SHRI SONTOSH MOHAN DEV : I am confused in the midst of it. So, I am going.....(*Interruptions*)

MR. CHAIRMAN : In the confusion, are you leaving us?

.....(*Interruptions*)

SHRI NIRMAL KANTI CHATTERJEE : I just briefly respond to that. Seldom have I discovered such a correct observation in Shri Jaswant Singh. He has very correctly noted that banking comes naturally while insurance is not that natural. Why? The explanation is very simple. It is not merely *Hundi* but even money-lending came prior to capitalism. Money-lending came even prior to feudalism and, therefore, that was common to almost all the societies existing all over the world. While capitalism entered earlier in Europe beginning with England and much later spread elsewhere and along with that industrialisation arrived first in those areas, therefore, it appears to be foreign to our country. It is exactly as large-scale industry in that sense which is foreign to our country. In that sense, even Marxism is not Indian, So, he is absolutely right in his observation. But I am trying to put them together in an analytical frame which perhaps will satisfy him.

The point I am making is simply this. The long-term capital which we are emphasising today was not the original reason for insurance. The original reason for insurance is to provide security against uncertainty. Even he agreed to that. When they talk of public sector and the dogmatic mindset of the private sector opposing it, they forget this elementary thing that essentially it is the dogmatic mindset of the private sector, I repeat, which refuses to see that there are areas where the security of the State is the most prized thing and in that there is the private sector competition. This is what I am trying to convey to this House. It is the security that I wanted to emphasise. It is with this purpose that insurance

was brought. In trying to develop this insurance sector, we discovered additional uses of it. As with everything, we start with one kind of a thing and we generate other kinds of uses and they also become important. This importance is once again a source of long-term funds. That is why, I quoted that one. Because it is a very long-term fund, therefore, it is very easy to enter the life insurance business. And we do flee away in the meantime, due to all kinds of things which can be detected in the long run, that is, after ten years. This is the experience of the Frauds Committee of the United States' House of Representatives. That is what I mentioned. I thank Shri Jaswant Singh who understands dialectics, no less than I do.

SHRI JASWANT SINGH : I am very glad that this exchange has taken place between us. I am certainly better informed and more educated now. Thank you.

MR. CHAIRMAN : About dialectics?

SHRI NIRMAL KANTI CHATTERJEE : I consider him as one of those persons who is secular despite being in the BJP, along with Shri Vajpayee.

There is a perspective observation in that Fraud Committee Report. I will mention that also. Please permit me to do so. It says very interesting things. Because competition is being talked about, I mention that five billion dollars worth of fraud was perpetrated on the people of the United States which is an enormous sum for Indians. Incidentally this Committee commented on it. It said:

"Honest and competent people in industry and the Government must be constantly alert to the certainty that somebody somewhere is not playing by the rules."

I underline the word 'certainty'. That was one comment. Secondly and more importantly, it said:

"A regulatory system based on the presumption that all companies will be managed honestly, competently and prudently is doomed to failure."

You see the corollary. I will come to Shri Prabhu's point also because I respect him.

The irony of the whole situation is that the well-managed insurance companies are hit twice by the act of the unscrupulous and the inept. The good companies first lose business to the artificially low prices of unsound companies and second, when the mismanagement leads to insolvency, the healthy companies must have to pay the costs for bailing out.

We are talking about the increased coverage. If you see that some companies are doing this, the faith in the insurance sector is lost. Our opposition to the private sector arises from that, not only the foreign sector.

Here is a sector which deserves, if possible, 100 per cent or more security because people's uncertainty, people's

future are involved in it. Any destructive activity by any private sector—domestic or foreign—generates no confidence in the whole insurance sector. That is the basis of our objection to the private sector. It is surprising, how reasonable persons like Shri Suresh Prabhu whom I respect forget this elementary fact. What does he compare? He introduces comparisons among comparables. He talks about coverage in India, coverage in Singapore and may be, in Western countries, forgetting a simple fact. It is amazing. How does he permit ourselves to forget these facts that our per capita income is 350 dollars whereas that of Singapore is 10,000 dollars and of the advanced countries, it is 20,000 dollars or even more?.....(*Interruptions*)

SHRI SURESH PRABHU (Rajapur) : A small explanation about the amount spent in absolute terms.

I was just saying that 0.56 per cent of the GDP of our country in India is collected by insurance premium which is as high as 5.57 per cent in the case of USA. So, I am not talking about per capita income here.....(*Interruptions*)

SHRI NIRMAL KANTI CHATTERJEE : You are not talking about the per capita income, I appreciate that point.

SHRI SURESH PRABHU : My point was that if we can mobilise more savings through insurance, it would be available for infrastructure.

SHRI NIRMAL KANTI CHATTERJEE : Madam, Chairman, the hon. Member is absolutely right and that is precisely why it is wrong also!.....(*Interruptions*) The volume of savings depends on the level of *per capita* income.

This is an elementary thing which a person as perceptive as he is should not forget. If you have a larger income you can save more. If you have a lower income your savings are less. The fact that we are having a 20 per cent rate of savings is thanks to different kinds of policies that we have adopted. This elementary economics has been reversed today say in China with a low per capita income but a high rate of savings in the economy. But that is a different story. The point is that in terms of coverage, they are all wrong.

I will come to the simple elementary facts and show how wrong you are. Do you know the coverage? I have an authoritative statement from the bosses of LIC. It says, of the insurable population, people between 15 and 65 years are taken to be the insurable population. The figures are, the coverage in India is 33 per cent and in the United Kingdom the coverage is 65 per cent: in Pakistan it is only four per cent. Please correct these figures in terms of distribution of income. Of this insurable population make an assumption that 50 per cent are below the poverty line. What do you do in insurance? You deposit your current savings so that it can come back in your uncertain days due to death or old age as much more savings. But the question is, you must have enough to have current savings.

If Shri Prabhu expects that people below the poverty line should have savings, I can only express my difference and

question that. If this is taken into account, this 33 per cent is the fraction of our population that can save. We forget this elementary statistics of our own country being too much Westernised in thought, being too much influenced as I said in terms of IMF ideas in the course of last ten years. Imagine what is the definition of the poverty line? That they just give two square meals a day; nothing to save; not enough clothing. If that is 50 per cent, those who can save in the country would be no more than 30 per cent of the population.

They say we have a market for durable consumer goods of about 20 per cent of our population. Those who can purchase durable consumer goods are the people who can save. Just relate these figures. Assume 30 per cent. 33 per cent of the insurable population are covered by LIC. Make the assumption that 33 per cent of the population can make savings. Your coverage is one hundred per cent; much better than that of Singapore. Please find fault with my arithmetic, I will be very happy.

SHRI SURESH PRABHU : It is not challenged.

SHRI NIRMAL KANTI CHATTERJEE : Thank you. This means that because of the security, this is even better than UK. The security provided by the Government insurance corporations are such that all those who can save, deposit their money to the insurance corporation. It is this that we want to take not only pride, but take as our starting point against opposition to the private sector. What would the private sector do? As the Frauds Committee said, the private sector will undermine faith in insurance as such.

Already, there is a complaint that even if coverage is that high, the volume is not that high. Earlier, the volume was higher. The reason is very simple. It is partly because we are dragging the entire economy towards consumerism so that if we can spend, we can spend there. If we do not spend, we try to invest money where we can get higher speculative returns. This is the law of capitalism. It started by generating insecurity in families. It concludes by generating insecurity in the money market and in the stock market against which people are now running for insurance cover.

We are considered to be dogmatic. I charge the people whose mindset does not permit nothing else but private sector of being dogmatic. It is not we who are dogmatic in this particular case.

I now come to the next point. There is pressure on our economy. What is that pressure? It is that we have to open up our finance or service sector. The reason for this is very simple. The hon. Minister of Finance, Shri P. Chidambaram very frequently mentions the fact that it is the service sector which is becoming much more important in our country. What is happening in world trade? It is the service sector which gives maximum returns to the largest market in the world, that is, the United States. This is because the production of physical goods have reached a stage where, by producing them, they cannot have much profit. Therefore, investing in other areas which depend on physical service has become

[Shri Nirmal Kanti Chatterjee]

more profitable. If we have a surplus of funds, if we are full with physical goods. Goods cannot be sold any further. Therefore, servicing the goods have to be sold. That is the meaning of the growth of the service sector in the world economy. Therefore, it is that sector which is coming up. It is understandable.

When we talk of that in India, that is a tragedy. Our people here are not furnished with goods. People in our country are deprived of all the goods that make human life enjoyable. It is so here because of the restrictions on the market. There is a restriction on the goods sector in both the United States and in India. While in the United States that restriction is there because of affluence, in India it is because of poverty that the service sector is getting emphasis. What actually is happening because of this is very important. I will quote from a very perceptive paper.

One of the leaders of the All India Insurance Employees' Association, Shri N.M. Sundram, has published a booklet. It is a very useful booklet. It gives very interesting quotes. I will refer to one or two of them. The development of economy has changed the pattern of economic power in the United States of America. It says that when it all started, the top 100 companies were based on production of physical goods. Today's list of top 100 will be changing. It may be electronic sector of Bill Gates today or service sector. In the insurance company the pattern, the control apparatus and contours are also changing.

The Financial Express dated July 20, 1996, based on an interview of top executive of insurance majors with FENS writes as follows :

"Insurance MNCs that are waiting for the opening up of the industry are targeting only the lucrative sectors such as corporate insurance, according to officials of General Accident, Sun Alliance and AIG."

It is also there. The corporate sector would be targeted initially and then only they will come to personal insurance sector. But all wanted a hefty slice of the profitable sector. It further says :

"Says Stephenson, who is Vice President of this Washington-based investment banking.....,

"You'll make so much money you won't know what to do with it".

These are the statements and these are the perceptions against which we are fighting when we say, 'For God's sake do not open this sector' This can be as unscrupulous as our share markets are. What do we see in our share markets? One day there is a crash and on the other day there is a bull run. Why is it so? Look at the newspapers. Who are the people who are controlling this mad rush between bearishness

and bullishness? Fils are controlling them who are in search of profit in the service sector.

Sir, we are afraid. It mentions about a regulatory mechanism. One can ask what could be the objection to the regulatory mechanism? There was a regulatory mechanism, but then the bank scam took place. Shri Jaswant Singh made reference to it. Hon. Members belonging to the Congress know not less than me, if not more than I do. When we asked as to when this bank scam had started, they were all saying that they had to locate it to 1985-86 and earlier. We do not refuse that point. It started in 1985-86, but it could be detected only in 1992. Has it been detected in 1985? An hon. Member said that there was a loss of Rs. 4,000 crore in the banking sector. I say that it resulted in an income loss of Rs. 1,00,000 crore to the public. I have made a statement earlier also that there was a turnover of Rs. 14,00,000 crore. According to the Department of Revenue, it would generate an income of Rs. 1,00,000 crore. Where has that gone? We wanted the cheques to be traced. Shri Harshad Mehta issued the cheques. We asked them to go on tracing them and discover the people. But it was refused. The regulatory mechanism was there. There exists a regulatory mechanism today also, but despite that the CRB scam took place.

SHRI JASWANT SINGH : I did not mention the name, but I did talk about that scam.

SHRI NIRMAL KANTI CHATTERJEE : That is why I said that you forgot the name. But I am mentioning the name also.

Despite all these regulatory authorities, the bank scam was there and even after all these lessons were drawn, the CRB scam was there. Do we not hear about the scam in the Indian Bank today? Despite all these regulatory mechanisms, today Hindustan Lever has been charged by the SEBI for doing inside trading against which we all wrote in one unanimous recommendation. There is no objection to the regulatory authority; please do regulate; but to imagine that the regulatory authority will be able to detect the fraud on the insurance sector which will sack the confidence of the public on the insurance sector is like saying 'pray to God and forget about everything.'

I want the House to understand this also. All this opening up, in a period of three or four years, would be combined with convertibility of our currency. There is a recommendation that in the course of the next three to four years, there will be a full flow of currency. What does it mean? The foreign insurance sector coming here to map up Indian funds, convert them and play all over the world add muscles to the foreign MNCs in the insurance sector.

There is no objection to this Regulatory Bill. We have given amendments to this saying that they have to make a promise in that Regulatory Bill to the effect that it is not meant for opening up the insurance sector to the private and foreign companies. Already we know that the currencies of all the so-called Asian Tigers are in doldrums. It started with Thailand.

it touched Singapore, it touched Philippines and it touched Indonesia, Now you may imagine that the currencies would be in doldrums. As in the case of Papsi, it is the foreign funds which are doing this damage in those countries. China is not yet affected because it has a strong public sector - which they also support - and of course, it also has a very strong Communist Party, which is not present here.

Therefore, in terms of the ground realities of external threat and such other problems, what we want to do is to totally oppose this unless out amendments are accepted. I also want to draw your attention to two other points. A reference would be made, I am sure, to the UF's common approach and programmes. Let me quote from it. I want to take the bull by its horns. Why should I leave it out? It is said that we have gained considerable experience in the working of the banking sector. That is one. It is also said that the experience in restructuring of the insurance industry would be utilised and the public sector companies would be strengthened.

My submission is that if you open up this sector, you cannot strengthen the LIC and the GIC. The confidence in the insurance business will be thwarted by the misdoings of the private insurance sector. That is what the Committee of the US Representatives also said.

They have not public sector. But they say that a public sector affects a good corporation - a good unit - twice, once by competing full-war premia and second time, by destroying the confidence in the sector. Therefore, if we want to strengthen LIC and GIC, the restructuring can only mean strengthening them and not opening it up because that will only weaken GIC and LIC.

What about the relations of banking sector? They are grand. Do we forget this scam apart from the help of that great Indian, Shri Harshad Mehta, and the two private banks of Mumbai, which had to be closed where depositors above a particular amount could not get back their money despite the regulatory system? It was all given steam-engine power by the foreign banks, like the Citibank and the Grindlays Bank, etc.

The references have been made by all others. We want these uncertainties to be eliminated from the minds of our agriculturists. We have a very large agricultural sector at least in this sense that the proportion coming from agriculture even now is 35 per cent. But more importantly, the population covered in that sector is 66 or 67 per cent. In England, it is only two per cent. In the United States, the population engaged in agriculture is only five per cent..... (*Interruptions*) In U.K., it is two per cent. In the U.S.A., I think, it is four to five per cent. It is a little more. U.K. had the best result. Such a big fraction of our population is involved for whom crop insurance is a must. Shri Chaturanan Mishra is not there. We are discussing calamities. We know that uncertainties are much more in terms of output in the agriculture sector.

MR. CHAIRMAN: Four more speakers are there. Would you kindly conclude?

SHRI NIRMAL KANTI CHATTERJEE: All right, I will conclude. Our lessons from the experience of the banks should be more. He has said that money-lending was there long before. For insurance, therefore, the learning has to be this much amended: beware of the private sector, beware of the foreign sector. Do not open it up. Have a regulatory body.

Even because we have to regulate GIC, you have had a Controller of Insurance. Instead of that, have a regulatory body. We had provided there that you do not open up this sector. If these amendments are accepted, we are with the Bill. If these are not accepted, we divide the House.

If you permit me, I would like to add that they have given a report. A reference was made here. About strengthening LIC and GIC, a reference was made about directors and others. I have figures about recruitment and other entrance. It is to be discovered how many vacancies are there. I do not want to take more of your time. But the fact is that people are not in position in this does not indicate that you are going to strengthen the LIC and the GIC.

[*Translation*]

SHRI RAJIV PRATAP RUDY (Chhapra): Sir, after hearing Nirmal ji it appears that now no more information on this subject can be given as opposition. In the meetings on the financial matters they have made such impression that they are opposed to it and as per the policy of their party it is clearly understood that they are totally against to the opening up of the system and specially during their speech they have laid the complete statistics which they laid from the earlier platform of the party. But my question arises mainly from his statement that insurance companies have been working in India for the last 40 years and what situation has arisen before the country today to introduce provision for Regulatory body and Regulatory bill. Today you have presented everything in your context and it is clear from your policy that you are against Privatisation and you want to work against it and if Government adopt any favourable attitude in this regard then you oppose that. If your intention and policy were clear then today the cohesiveness and hidden you are, may not be there and you would have moved farther enough. We had thought of mixed economy in Public Sector and we has made huge investment of our country in Public Sector. Today 60 to 70 crores of rupees is involved in this but what is the result? As far as infrastructural facilities are concerned we could not develop it all over India, on the other hand involving such a huge amount in this system we are keeping today our country in the dark even after 50 years of independence. Whenever in this House any discussion about opening up of any sector is taken up, an attitude of opposing such move is adopted by some parties because it has become their policy to oppose any such move. I had also desired to discuss this issue in detail but due to lack of time we could not continue our discussion like this. Today opening of Insurance Sector has become a subject of importance because the Insurance

[Shri Rajiv Pratap Rudy]

Sector concerns the common man, the rural people and the middle class people. Madam, I give you a simple example. The State government of Bihar is contributing every year 30 lakhs rupees from its Insurance group to GIC and its subsidiary National Insurance Corporation under the insurance scheme. The maximum population of very poor people of the country live in Bihar where 90% of houses have thatched roof, generally during the month of June fire breaks out there and create problem for them. Personally I have seen that in my constituency thousands of huts covered by insurance scheme catch fire during summer season. You conduct survey of Jhuggis in Bihar then you will be bale to know about this policy. If 10,000 Jhuggis catch fire then insurance company is not in position to grant compensation more than 500 houses because they have to report in the Police Station and to the Co. When Co. and Police will sent their report to Insurance Company then they have to fill up a long form for clearance which is not available either in Block or in district headquarter. I am aware of one such incident of fire in my constituency in which 200 Jhuggis caught fire and it took me full one year to get compensation for them. I was MLA from that small constituency. Our District Collector took complete one year. Our S.P. prepared the report and forwarded it to the Insurance Company. After that, I came to know that district headquarter of Insurance Company enquired from thier Calcutta head office that for the first time such a big amount of insurance money is being released for a small constituency. It is a small incident. Today they have put their full strength in this study so that in the country there should not be any competition in this sector. Today the several types of situation prevails in the country. Government want to establish industries and make commercial transactions. I understand, they may be necessary but this system has become failure throughout India. If you visit the country then you will find that the present situation in India requires change. We, too, do not want that the foreign institutions take away capital from our country. We are also against it. We would also like that our capital should not go out of the country in any form but one thing is clear that if a healthy competition is generated, then atleast the Government machinery should accept it with an open mind and they should allow it. Masses need better facilities and better conditions. It should be responsibility of the Government to protect our life and security. Those things which we can not do should be handed over to the people of the country in normal course. The definition on this subject made in recommendations put forward by the Ministry is matter of concern in our party as it create apprehension of arrival of foreign institutions in our country. Government should adopt clear attitude in this regard. In the entire situation particularly in this circle of discussion the only possibility of concern is that foreign institutions may not take way the capital from our country by entering in the insurance sector. This is the most important issue and the House and the Government should express their concern in this regard. This is the main issue. As far as the question of competition is concerned, after assessing the failures of the last 50 years, I understand that ideology, thinking and views of Shri Nirmal ji will not succeed. I thank you and with these few words I conclude.

[English]

SHRI AJOY MUKHOPADHYAY : Mr. Chairman, Sir I rise to oppose this Bill. Two leaders from our party have already spoken and hon. Member Shri Nirmal Kanti Chatterjee has spoken at length. I would only like to make some observations.

Why was the Malhotra Committee set up at all? What was the necessity for it? Practically there was no necessity to set up that Committee. The main purpose of setting up that Committee, which has been revealed afterwards, is to open up the insurance sector to private and foreign multinational companies. In this connection, I would like to draw the attention of the House to the Fifth Report of the Standing Committee on Finance which has been discussed here. In regard to Clause 3 of the Bill, the Committee has observed that :

The Committee are given to understand that the setting up of statutory insurance regulatory authority is a prelude to liberalisation of the insurance sector and its opeing up to private and foreign players.

That is the main purpose of the Malhotra Committee. The Malhotra Committee had stated that :

For better customer service, competition is needed and arrival of new players will speed up the spread of insurance and the experience of the banking sector should be taken into consideration in the insurance sector also.

The committee also stated that :

It is the desire of a majority of corporate clients.

So, the Malhotra Commtttee was set up and the Government is giving effect to their recommendations.

In this connection, I would like to make one observation with much humility. I find some unusual haste in getting this Bill passed. Heavans will not fall if the Bill passed in the Monsoon Session of Parliament! There could have been a debate throughout the country on this. When the Life Insurance Corporation was set up and insurance was nationalised, Pandit Jawaharlal Nehru, the then Prime Minister, eloquently stated that the purpose of the insurance was not just to make profit. He stressed on the social aspect that must be fulfilled by the nationalised insurance sector.

There must be some monopoly. the then Finance Minister, Dr. C.D. Deshmukh observed on those lines. At the time of nationalisation of General Insurance in 1972, the same observation was made. Has that objectives been fulfilled or not? Yes, that objectives had been fulfilled. We have noticed the bank scam. We have not noticed any scam in the insurance sector. There is a clean record of service. We are inviting the private sector in the insurance area. But what was the position prior to nationalisation? Two hundred

and forty-five private companies including many foreign companies were operating in our country. A Regulatory Authority was there; the Insurance Act, 1938 was there. But the history of private insurance, in general, is a history of stagnation in growth, default, falsification of claims, interlocking of funds, so many other malpractices and outright swindling. We are inviting that stage once again.

Sofar as the foreign multinational insurance companies are concerned, the MNCs are concerned, I would like to quote a report. According to the report published by the National Insurance Academy, Pune -- these are example only 372 General Insurance companies in the USA became insolvent over a period of 12 year. The dominant reason was a free pricing system in the name of competition. The dangerous portents of premium undercutting are on the cards. If the recommendations of the Malhotra Committee are accepted, the anarchy in rates that would prevail in the insurance market is quite apparent.

Madam it has been stated that people of different walks of life are very much eager for opening up of this sector to the private companies, the big business houses of India and multinational companies. In this connection, I would only say that there is at least one Legislative Assembly in this country, the West Bengal Legislative Assembly, which has passed an unanimous resolution - I underline 'unanimous' because the congress Members were there on 11th February, 1994, that is, just one month after the submission of the Report of the Malhotra Committee, appreciating the significant social role being played by LIC and GIC. They opposed to the opening up of the insurance sector to the private and multinational companies.

A survey was conducted and the Report says that the policyholders and the people of India expressed their satisfaction with the functioning of LIC and GIC - that has also been incorporated in the Report of the Malhotra Committee. The achievements of both these institutions are tremendous. The figures will tell that the achievements are not insignificant. It is a significant achievement.

19.00 hrs.

They have fulfilled the objectives set forth in those two Acts.

MR. CHARIMAN: Now, it is seven O'clock. If the House agrees, we can extend the time a little, as there are two more speakers. Let us finish the discussion today, as they will take five minutes each.

SHRI AJOY MUKHOPADHYAY: In my opinion, what is needed is to see that the progress and growth which is being made by LIC and GIC should not be hindered in anyway. By opening up this sector, you will see that the progress will be jeopardised. Insurance activities have been taken to the rural areas. Do you think that the foreign multinational companies and big business houses which are

guided only by their profit motive will do all these social activities? Do they have a social outlook? They do not. These two corporations, LIC and GIC are providing money in the form of Taxes, dividends to the Central Government. Yes, reforms are needed. But that must be within the parameters of the public sector, nationalised sector. There are some grey areas; deficiencies are there. There is day to day interference of the officers of the Insurance Division of the Finance Ministry. That should not be there. Reforms are needed but those must be within the parameters of the nationalised sector. If we do that, that will bring a new dimension, that would speed up the activities of LIC and GIC.

The hon. Finance Minister while introducing the Bill has stated that it is there in the Common Minimum Programme. The hon. Member, Shri Nirmal Kanti Chatterjee has already mentioned about this, There is a mention in the CMP of opening up of the insurance sector and the next sentence is, "We will strengthen LIC and GIC." Both these things are mutually contradictory. You cannot strengthen the nationalised sector, these two prestigious institutions LIC and GIC by opening up the areas of insurance to the private entrepreneurs. If it is done, that will bring disaster to the economy of this country. I will request the Finance Minister to desist from this activity. He should refrain from opening up this sector to the private and multinational companies.

As already stated, we have given an amendment to the Bill. If the amendment is accepted, that will protect the nationalised sector. I do hope that United Front Government will rethink over the matter and they will not try to proceed with unusual haste.

Let it be discussed everywhere; let it be discussed at length, in different spheres of public life and then we will take a decision. But if they try to pass it in this Session, we will oppose it tooth and nail because people will not tolerate this thing. Not to speak of employees, officers and workers of the LIC and GIC but people in general will not tolerate this type of an action, this type of a step which the Government is going to take.

With these words, I once again oppose this Bill.

DR. LAXMINARAYAN PANDEY (Mandsour): Mr. Chairman Sir, I would like to make my submission in brief because I do not want to reiterate those points which have already been mentioned by others. There are some apprehensions which are required to be resolved. First of all, I would like to quote some excerpts from Malhotra Committee's Report before introducing this Bill. Two or three recommendations made by the Malhotra Committee in their report require serious consideration. They have said in their report, "If you are allowing the foreign companies to enter then they should be allowed through joint public sector. We do not want that any foreign company establish his branches here. We had said that only those companies should be established here which are accountable to them." It seems that foreign companies will find their way to enter in any manner. An apprehension was expressed in the sitting of the

[Dr. Laxminarayan Pandey]

Standing Committee that America is repeatedly mounting pressure to this effect that other companies or foreign companies should be allowed to enter in other viable industries as well as service undertakings. Other wise, they can use Super 301 also. If it has been happened, the hon'ble Minister should clarify about it also.

I would like to submit another point that when a decision was taken to nationalize the Insurance Industry, it was under Private sector and other companies were also working in this field. But at that time the decision of nationalization was taken keeping in view the mismanagement of these companies and the irregularities committed there in but today we find that nationalisation has miserably failed. Now we are going to denationalise it. If the decision taken at that time was right then why it has been decided to change it now? Whether the reason behind it is not that the former Finance Minister had given assurance to foreign governments or America to this effect that we would definitely open the doors for the multinational companies by making a change in the economic process in any manner. There are some of the apprehensions about which hon'ble Minister should definitely clarify.

I would like to make submission with regard to the another recommendation of the Malhotra Committee. although these companies had made much progress in business point of view and their financial position was also satisfactory, however, Insurance business has not been expanded considerable in India. There are several aspects of this business which have not been fully utilized. The decision taken at that time that after it was brought under public sector, it will be utilized and certainly expanded, but it has not been happened. It is, therefore, envisaged to hand over the regulatory powers to an Authority. Although a provision of Controller is already existed in our previous law but it could be handed over to the government directly by giving him more powers, but it has not been given. If my doubt is baseless, then alright. Otherwise, the control of Government will increase and Government will be dominant on it and it will loose its autonomy and it will not be able to function in the manner as it should do.

Thirdly, it is said that it will also work in the rural areas for the rural insurance because there are two types of undertakings- the LIC and GIC about which Shri Kanti da and other members have also stated that what will be the process of crop insurance. Even today, our crop insurance scheme is incomplete. We are not able to think over it. Malhotra Committee also recommended that the private Sector Companies should be asked to work in the rural areas. We wanted that it should be mandatory for the Life Insurance Companies that if necessary, Life Insurance Companies should also work in rural areas.

It is quite different to General Insurances Companies. These are some of basic points which require serious consideration.

I would like to conclude while drawing the attention towards two points. There is a report namely " Suggestions to make Improvement in the field of insurance" dated 12th May, 1997. Shri Dasgupta gave his comments before the Standing Committee in this regard. Dr. Dasgupta had expressed his dissent with the objectives of Insurance Regulatory Authority Bill, 1996.

He had said in his comments that today the question is not to have a choice between private sector and public sector but the main issue is the choice between Indian Public Sector and Foreign Private Sector. One of the leftist M.P. gave an agrument that the country's private sector would prefer to invest capital in Insurance Sector only with the cooperation of foreign companies. They are searching the way out in one form or the other. Whether today people of leftist parties are disagreed with this point. While \disapproving with the comments made by their party members would they like to say something else? There they have shown their disagreement with this bill but here they are showing their consent, I would like to know what kind of consent is this?

I would like to draw your attention towards one aonther point that it has been openly stated and published again and again in the newspapers that a large number of members of Leftist Parties including Forward Block, CPI, CPM, Revolutionary Socialist Party have signed a letter that they will oppose these two bills being brought by Govt. One bill related to allotment of Govt. quarters and another is about Authority. We are going to oppose and will oppose these two bills. Whether the signed letter or the point made therein was false, as today they are openly supporting these bills? I have expressed some apprehensions here. I said that the Authority being constituted will make improvement to a certain extent but even now its doors are open for foreign companies or multinational companies. Unless the Hon'ble Finance Minister allays these apprehensions and categorically states that multinational companies and foreign companies will not be allowed in this industry in any way, we will not be satisfied.

With these words, I conclude.

[English]

JUSTICE GUMAN MAL LODHA (Pali) : Madam, now that the debate is coming to its logical conclusion, I would like to pinpointedly draw the attention of the hon. Finance Minister only towards one salient point on which we have got basic fundamental difference. That finds place in the amendment which we have moved to Clause 13 of the Bill. The amendment says:

"Provided that the authorities shall not be empowered to permit any foreign company or foreign enterprises to do insurance business in India either on its own or through a Joint Venture."

It is being said that this apprehension is unfounded because the Bill as such is only meant to regulate the existing insurance system, which consists of the LIC and the GIC. However, it is to be borne in mind that the present Bill and the

Ordinance preceding it are on account of the Malhotra Committee's Report, which was submitted as back as 1993. It was mentioned in that Report:

"If and when an entry of foreign insurance companies is permitted, they should be required to float an Indian company preferable a joint venture with an Indian partner."

Now, this recommendation of the Malhotra Committee has not been rejected in spite of the fact that the Committee's Report has been examined at various levels by the Government authorities.

Now, therefore, this apprehension that under the guise and pretext of a Regulatory Authority, Section 13 would be used by the Regulatory Authority to authorise the multinational, foreign and also our private sector insurance companies to compete and enter the field of insurance cannot be said to be unfounded. If it is unfounded and if this assumption on which we are proceeding -- not only we but a big majority of the MPs sitting here and the people in the insurance sector consisting of lakhs of employees who have submitted their memorandum to the Standing Committee, opposing it -- is unfounded, then I would like to have a pin-pointed answer from the hon. Finance Minister. Why is it that 46 foreign insurance companies have already established their offices in India, on the Indian soil--some of them with collaboration, in a joint venture and some of them independently? It is not like Bangladeshis trespassing into Bengal or Indian border. They have done so with the express, specific permission of the Reserve Bank of India. May I know the reason from the hon. Finance Minister?

I would give the names in order to substantiate my point. They are :

1. Tokio Marine & Fire Insurance Company Limited of Japan.
2. Zurich Insurance Company of Switzerland.
3. General Accident Fire & Life Assurance Company of USA. It is having Bombay Dyeing as its partner.
4. Prudential Corporation of USA.
5. Chubb Pacific U.M.S.P. Limited of USA.
6. Yasuda Fire & Marine Insurance Company Limited of Japan.
7. Cigna International Corporation of USA.
8. Swiss RE of Switzerland.
9. Alianze Aktiengesellschaft Holding of Germany.
10. Cox and Kings Travel & Finance Limited of USA. It is having collaboration again here with the State Bank of India.
11. Liberty International of USA.
12. HSB Engg. Insurance Limited

13. Sumitomo Marine Japan & Fire Insurance of Japan.
14. Aon India Limited
15. Canada Life Insurance Assurance Company of Canada.
16. Sun Life Assurance Co. of Canada. It is having Sundram Finance as partner.
17. Commercial Union of U.K.
18. Aetna Insurance.
19. Legal & General Insurance of U.K.
20. Royal insurance of U.K.
21. Standard Life of U.K.
22. UAP Provincial insurance of U.K. It is having partnership with Integrated Finance.
23. Met Life.
24. Lincoln National of U.K.
25. Eagle Star Insurance.
26. American International Group of USA.

MR. CHAIRMAN : How many more you have?

JUSTICE GUMAN MAL LODHA : Just a few more, Madam.

MR. CHAIRMAN : Then why do you not hand it over to the Minister?

JUSTICE GUMAN MAL LODHA : I am mentioning this to the hon. Finance Minister in order to show that I am not making a submission or an argument here. It is all substantiated by the names of the companies, names of the countries and names of the Indian partners. I would like to know from him one thing. If they are having an office only for liaison, as they say, then what sort of liaison it is? Is it a liaison for kickbacks for Bofors? Is it a liaison for having some matrimonial relationship or love marriage? What for is the liaison there? What liaison are they doing there? Also these consist of not one but Switzerland, the U.K. and so on. I would not name all of them. They are 46 in number and they are having collaboration with Godrej, SK Modi Group, Peerless, Dabur Finance, Shriram Finance, Tatas, Chalamandalam Group, ITC, Integrated Finance, Hindustan Times and Sundram Finance. All these are Indian partners.

Now, these joint ventures with the Indian partners have established offices on the Indian soil. They are foreign companies. Why did the Reserve Bank allow them? If there is no intention or have no idea of doing insurance company business here what for are they here? This conclusively proves that the matter is not so simple as he is putting.

[Justice Guman Mai Lodha]

In the Regulatory Authority Bill, there is no provision for opening the insurance sector to privatisation either Indian or foreign. Therefore, the hon. Minister of Finance should, while giving the reply, categorically in turn say and make a commitment that whatever may have been done earlier by opening of these offices, by execution of M.O.U.s and agreements in the insurance sector, they were all illegal, unauthorised and they would never allow any foreign company, multinational company, either that company individually or in collaboration or with any joint venture in India, to enter into the insurance field. If that sort of commitment is made without any *ifs* and *buts*, without any sort of reservations, then, of course, we would take the words of hon. Minister of Finance, otherwise the hon. Minister of Finance should accept this amendment which we are proposing. What is the harm if this amendment is accepted? The Regulatory Authority and the entire scheme of the Bill would remain as it is. The object is to regulate, to put the Regulatory Authority in place of a controller. Now, that can be done. Therefore, I would say that this amendment should be allowed.

Now, I would like to say a word about the opening in India. We are not against it and whether this Bill contemplates it or not, it is a different matter. But we certainly feel that the interests of the policy holders should be supreme and with that end in view if the Indian companies are allowed to compete with the present companies, then it would be in the interests of the people. The opposition to have competitive swadeshi companies is based on a second class railway passengers mentality; the typical second class passengers mentality is that once one enters the compartment, then one cries that so far and no more; there is no space.

They were talking of the scams. Do you not know that the Mundra Deal and the Dalmia scam were the first in the insurance field way back in the fifties? So far as the Scams are concerned, they are in the banks, in the insurance sector. But one thing is very important that our service to the people, after an accident happens, is so bad that other companies come out with a competition that immediately after the death within five or ten hours the payment was made of the

insurance amount. But here even after three or four decades, I am sorry to say that even making compliments to L.I.C. would not do. We are certainly proud of the good things which have been done, but we must call a spade a spade. We must say that the people of this country are not happy. They want a competition with swadeshi companies and if that is allowed so far as we are concerned, we would only welcome it.

But we do not want Lord Clive to come again to this country. We do not want those Britishers who have gone back, who exploited us, who made us slave for so many years, to come from this backdoor as a trader, as a businessman, with sweet words, and then take away the precious money of this country saved by the people in insurance funds. Their whole lifetime's savings should not be sent to London or New York or Tokyo. We strongly protest against this.

With these words, I oppose this Bill so far as the opening of the insurance sector to the multinational companies is concerned, whether individually or under joint collaboration. If our amendment is supported or accepted by the hon. Finance Minister, either by acceptance of it in the Act or by an express commitment, then we would certainly like the Insurance Regulatory Authority Bill to be passed. Otherwise, the amendment will be pressed. Thank you.

MR. CHAIRMAN : Thank you. Tomorrow, after the Question Hour, at 12.30 p.m., the hon. Minister will reply. Today the entire list of speakers is over. So, tomorrow at 12.30 p.m. the Minister will reply.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : At 12.30 I shall reply and then the voting will take place.

MR. CHAIRMAN : Yes.

The House now stands adjourned to meet tomorrow at 11.00 a.m.

19.27 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Wednesday, August 6, 1997/Shravana 15, 1919 (Saka)