

18.27 hrs.

Title: Consideration of the General Insurance Business (Nationalisation) Amendment Bill, 2001 (Not concluded).

SHRI S.S. PALANIMANICKAM (THANJAVUR): Sir, as per the decision of the Business Advisory Committee, we can take up the Bill now. Otherwise we cannot complete the business in this Session.

SHRI T.M. SELVAGANPATHI (SALEM): The interests of the insurance workers are involved. ...(*Interruptions*) The Bills cannot be bulldozed in this fashion. These two Bills are very important Bills. We need more time to discuss this Bill.

SHRI MADHUSUDAN MISTRY (SABARKANTHA): Sir, we need time for preparing for the discussion.

SHRI T.M. SELVAGANPATHI : Sir, this Bill concerns several lakhs of insurance employees.

SHRI K.H. MUNIYAPPA : Sir, we need more time. This can be taken up tomorrow.

SHRI S.S. PALANIMANICKAM : Sir, the Business Advisory Committee decided that the House would sit upto 8 p.m.

SHRI MADHUSUDAN MISTRY : You have expressed the feelings of the Business Advisory Committee. We are expressing our view. This is a very important Bill. It can be taken up tomorrow. We need to have a thorough discussion on this. This Bill requires a detailed study.

SHRI K.H. MUNIYAPPA : Sir, let it be taken up tomorrow.

श्री थावरचन्द गेहलोत (शाजापुर): महोदय, आइटम संख्या 15 और 16 - जनरल इंशोरेंस और इंशोरेंस - एक साथ ले लीजिए। **â€¦** (व्यवधान)

श्री प्रियरंजन दासमुंशी (रायगंज) : नहीं । We have objection to it. दोनों बिल्स पर अलग-अलग बहस होगी, क्योंकि दोनों ही महत्वपूर्ण हैं। डिजिटलिंग सब्सिडियरीज से संबंधित है, इसलिए जल्दबाजी में पास नहीं करेंगे। माननीय सदस्यों के सुझाव भी आयेंगे। **â€¦** (व्यवधान)

सभापति महोदय : इस विधेयक पर तीन घन्टे बहस होनी है। सभा की सहमति नहीं बन रही है और बीच में पंचायत यह हुई कि इसकी शुरुआत हो जाए और यह कल ही पास हो।

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): Sir, I beg to move:

"That the Bill further to amend the General Insurance Business (Nationalisation) Act, 1972, be taken into consideration."

SHRI PRIYA RANJAN DASMUNSI : Sir, hon. Member Shri Rupchand Pal may be allowed to speak today. We will speak tomorrow.

MR. CHAIRMAN : Motion moved:

"That the Bill further to amend the General Insurance Business (Nationalisation) Act, 1972, be taken into consideration."

MR. CHAIRMAN : Shri Madhusudan Mistry.

SHRI MADHUSUDAN MISTRY : Sir, this is a very important Bill. We have just got it and I have not prepared. So, I will speak tomorrow.

MR. CHAIRMAN: Shri Rupchand Pal.

SHRI RUPCHAND PAL (HOOGLY): Mr. Chairman, Sir, the General Insurance Business (Nationalisation) Amendment Bill has a long history. When it was first introduced, I had raised a serious objection to the discussion of the Bill on two counts. First, even before the Bill had been brought for the consideration of this House, by an Executive Order, the Government - I mean the Insurance Division of the Ministry of Finance - had started implementing the demerger process of the four subsidiaries of the holding company, General Insurance Corporation of India Limited -- Oriental Insurance Company, National Insurance Company, United India Insurance Company and New India Assurance Company. This was a subject of serious criticism by the Committee on Subordinate Legislation of the other House, but that is a different story. I am not, right now, going into those issues.

Sir, when the Bill to open up the insurance sector was considered, I had opposed the Bill saying that this was a disastrous step by the Government of India in the name of reforms, in the name of liberalisation and that it would bring about serious consequences for our economy because it would lead to pre-nationalisation days when the public money was looted and the national savings were misused like anything. Very rightly, the insurance sector was nationalised and since then, this sector has contributed immensely, rather historically to the economic development of the nation. Even during the Ninth Plan, no less than one lakh crores of rupees were made available for the infrastructure of this country and for various other planned development activities, but still, without listening to the sane voices of different sections of the society, the jurists, the economists, the trade unions and even the management of the insurance sector, they have brought this Bill. I had been associated with a Committee which examined the Bill at that time and I had been ultimately compelled to give my note of dissent, which some of the Members might have gone through. The management themselves had stated that this was not the right step in the national interest, not to speak of very many other important people.

This IRDA Bill still got passed because of the sheer arithmetic that was then obtaining in this House. Indian professionals in the insurance sector are far more superior to others who are operating in this sector in this country. In spite of a lack of a level playing field, in spite of the inconvenience that they have been put to, the Life Insurance Corporation is performing well and is continuing to grow with new policies and in new extended areas of operation.

Sir, the General Insurance Corporation, with all its subsidiaries, had not only been performing well but they could even be compared to be at par with some of the best in the world in terms of claim settlement, in terms of providing service to the people and even in terms of the quality of their products. But the Government has its own policies which, sometimes, put this organisation to serious difficulties. I would not like to go into those details at this point of time.

Sir, the Government, after having opened up the insurance sector, decided that the subsidiaries of the General Insurance Corporation should now be de-linked and de-merged. Why is it so? I have been repeatedly asking this question. Merger has been the buzz word world-over now. The Tata group of industries got themselves merged with another entity; the one wing of the Reliance group of industries is getting itself merged with another wing. Big merger of companies are taking place all over the world. M/s Compaq got merged with M/s Hewlett Packard. So, there is merger of companies the world over. But here is a case when a merged entity, that has got the financial strength to compete in the new environment and can offer a steep competition to the private sector entities in the field, is being tried to be weakened by this Government because the private sector cannot compete with this public sector organisation. This is the most tragic part of it. The Government itself is weakening its own agency that has been serving the nation for the last several decades. This was never done before.

Sir, what is the argument of the Government? The argument is that the Government wants to have a re-insurer, an exclusive re-insurance company. Why is it necessary and what is a re-insurance company? The Government wants to have a re-insurance with foreign companies for larger risk management. In spite of performing the role of a re-insurer, the General Insurance Company can well continue as an insurance company. But it is not being allowed to do this.

Sir, we have various important Committees in our Parliament like the Committee on Public Undertakings and others. I had submitted to the Government, on the first occasion against the opening up of the insurance sector, a petition with signatures of around one crore and fifty lakhs people. That petition contained signatures of Ministers, of eminent leaders who are supporters of this Government and they subscribed to the view, as contained in that petition, that the insurance sector should not be opened up to private sector.

Sir, in the United States of America where there are 50 provinces and there are 50 laws, the entry of even friendly countries into the insurance sector is scrutinised by each of these provinces under their laws separately. But in our country we are inviting them and after they have come when it is seen that they cannot compete with our agencies, our own organisations, the Government is trying to weaken our organisations for their benefit. This is the most unfortunate part.

This is the most unfortunate part. The top management of GICI was asked to direct its subsidiaries to function independently from a given date and delink themselves from the authority of GICI. Ultimately, when the management did not agree to it, the wording was changed.

I would like to ask the Government whether the views of the GICI management were taken into account at any point of time in this regard. Did the Government seek the views of GICI on what should or should not be done with regard to re-insurance, with regard to insurance and its products, and how they all put together could offer better competition and better products? No. Our own professionals who have built up this insurance sector from the scratch, have no authority! How much money had the Government given them at that point of time? It was Rs.5 crore as paid up capital and another small amount loan and it was repaid long back.

The Committee on Public Undertakings - whose Chairman is Prof. Vijay Kumar Malhotra, the Chief Whip of BJP - had after meeting the management, the trade unions and all related to this insurance industry, stated that they were of the unanimous opinion that this de-merger should not take place as this would weaken the insurance sector. Still it is being done. To serve whose purpose? It is being said that re-insurance is a very complicated thing. Who does not know it? If re-insurance is a complicated thing, whose opinion has to be sought? Of a bureaucrat, who does not know anything about re-insurance? I am not referring to anyone. It is a very complex thing. It is a bureaucrat who is giving the final opinion on the decision, and not the professionals who are respected the world over as insurance specialists. I have gone through any number of in-house journals where the Managing Directors and the Chairmen of all these organisations came out openly against this. If you have anything to say about the shortcomings, about the lacunae, about the improvements that are required there, they may be suggested.

The Government is undoing its own creations and weakening its own organisations to serve the purposes of some private agencies who might be exerting influence on important quarters, after all these years, without any sanction of Parliament. It is an Act of Parliament. It is a denial of the rights of Parliament, denigration of the authority and honour of Parliament, that an Act of Parliament is being ignored.

The executive decisions have been taken without the approval of this august House. It was criticised by the Committee on Subordinate Legislation also. So, this Government owes an explanation to this House as to why did they do so. What was the hurry?

Sir, even after taking these executive decisions, for how long they had to wait to take up the nitty-gritties of the other related rules and all these things?

I am coming to a particular point. A body has been set up, just for coordination purposes, GIPSA. In the wake of liberalisation in the insurance sector, it was decided in the governing board of GIPSA that measures need to be taken to restructure, reengineer and to provide further competitive edge to our nationalised bodies. What steps have been taken?

Sir, the Malhotra Committee which initiated the discussion regarding the opening up of the insurance sector has categorically stated: "Before you open it up, you restructure." I want to know why did they not do it. They are asking their bodies to carry on the social obligations. But the private operators in the Insurance sector have no social obligations to fulfil.

I am giving one more example. It is about crop insurance. On the floor of this very august House, hon. Members have been repeatedly saying that in the face of natural calamities like floods, droughts etc., our farmers are suffering. Basically, ours is an agricultural country with more than 75 per cent of the people depending on agriculture and earning their livelihood from agriculture but the productivity is declining and the profitability is also declining. There is a decline in the investment in agriculture. There are many more allied and related problems coupled with the Government's wrong policy of opening up as per the dictates of the WTO.

Crop Insurance is one such major step which can, at least, partly save the farmers from the present distress and plight. But still now, the Government has no policy in this regard. It is being decided at the Government level. The whole burden is lying with GICI. They are just like post-offices. All these things, namely, how much amount is to be given, how it is to be done, who is to be covered and who is not to be covered, are decided at Union Govt. level. They face the brunt of criticism, and the whole obligation has to be borne by GICI only.

It is only now that we are learning that the Government has decided to set up a separate body for agriculture insurance. We welcome it. But there are so many other things to be done.

There are deficiencies in the system and if any one is to be held responsible for it, it is the Government itself.

Now, I come to the third-party motor vehicle insurance. It is one of the areas of grave concern. It is draining out the profits of General Insurance sector in a big way. If any one dies in an aircraft, the amount paid is Rs. 5 lakh; and if any one dies in a train accident, I think, it is Rs. 2 lakh. Here, I am reminded of an incident in Delhi. I could site a number of such incidents.

One NRI has suffered heavy loss and he was compensated for the road accident to the tune of Rs.14 crore. If I am wrong, I can be corrected. This is one extreme example. What is the policy of the Government? Who will do the tariff fixation policy? Will the private insurance sector do it? They have no social obligation to fulfil. But they say that they will do it. What is our experience with regard to private sector banks? The stipulation was that the private sector banks are equally responsible to provide 18 per cent as private sector lending for agriculture. Have they done it? Some of us have repeatedly put this question to the Government. It says that we have examined it. What is happening to the foreign banks? They are not fulfilling any social obligation.

The new private sector insurance companies are just out to – I am using a hard word, please do not misunderstand

me – cheat the people of this country, through the advertisements that they are making. People are attracted and it ultimately turns out to be something different. It is all right that people can go to the consumer court and all other things. They are covered by it. But the nationalised sector has been fulfilling the social obligation till now. But still they are being punished for no fault of theirs.

When the Finance Minister was just replying to the debate on the IRDA Bill, he had assured the House. What was his assurance? The first one was that the interest of the public sector would be thoroughly protected.

...(Interruptions) The assurance was that the interests of the workers and the employees would be fully protected. I remember the exact expression of his. He said that there would be no retrenchment.

Now, in the recent meeting with the employees' representatives, GIPSA has said something which is nothing but asking them to take VRS, go home and sleep, as is being done elsewhere.

The professionals of this country are not being used by our public sector. There is poaching by the private sector, saying that you are such and such, you can join our company, and we will give you this and that. In one case I have heard that a very top professional of international repute in our country in the public sector insurance company was offered Rs.2 crore annually. Our best professionals in the world have, through their hard labour and through their blood and sweat, built up this great institution which has contributed so immensely to the growth of our economy and are being ruined by you – sometimes by the demerger, sometimes by disincentives and sometimes by the steps which are actually making irrelevant the role of the top management, as I have illustrated. The Minister can refute, if I am wrong. The top management of GICI was never consulted till today on the issue of demerger.

But I can vouch that when we had asked the top management in the course of the deliberations when we had been examining them, they agreed that what we had said was hundred per cent correct. Our views were never taken into consideration. Is this the way our patriotic professionals should be treated? Is this the way our own institutions, built up by the sweat and labour of our employees, officers and our own men should be ruined to sub-serve the interest of some foreign private insurance company? It should not be allowed to happen.

We had appealed to our friends there when the Insurance Bill came. We appealed to the Congress friends also. We approached them. I remember, I had an occasion to discuss the matter with revered former Deputy-Leader of Congress, Late Shri Madhavrao Scindia. He had himself given some amendments and had asked for some queries. Today I remember him. He agreed with so many points that I raised in the presence of employees and others. My friends, even in the ruling BJP and their partners had agreed that what I had said was correct. Can you not take a position just like COPU? A Committee under the leadership of Shri Vijay Kumar Malhotra, the Chief Whip of BJP had passed a unanimous Resolution that de-merger is not the right thing. It is not the right time, so it should not be pursued further. This we had stated. Even when the Bill was going to start, I remember our former Speaker. I approached him, rushed to him saying, 'these are the two reports of two important committees. You are the custodian of this House. You please resolve it'. He was kind enough to call the hon. Finance Minister, Shri Yashwant Sinha. It is not proper to say what happened in someone's chamber but he is no more. I want to pay my homage to him. He agreed and called Shri Vijay Malhotra also. I have great difference with Shri Vijay Malhotra but I paid my compliments to him because on that day he said, 'No, what I have said in my Committee, COPU, will prevail'. So, ultimately it was decided that the Bill should go for the scrutiny of the Standing Committee.

The world over, every public sector undertaking is sought to be strengthened. You were asking the Indian Oil Corporation. You have the share of other public bodies although they are being forced to fight at a very high price. There is merger everywhere; in the Telecom sector, oil sector, steel sector and in many other areas, why not in the insurance sector? What is the harm? I may tell you that GIC can continue as one of the best re-insurer companies of the world even after performing its job as the insurance company....(Interruptions)

MR. CHAIRMAN : Please conclude.

SHRI RUPCHAND PAL : Shall I conclude today or tomorrow?

SHRI BALASAHEB VIKHE PATIL: I think it will be better for him to conclude today itself.

SHRI RUPCHAND PAL : I have four to five points to make. I will do it tomorrow.

SHRI S.S. PALANIMANICKAM : Sir, is it decided between the two Members? It is decided by the House....(Interruptions)

SHRI KHARABELA SWAIN : Sir, let him conclude today itself.â€¦ (Interruptions)

SHRI RUPCHAND PAL : Tomorrow, I will not take more than 15 minutes.

सभापति महोदय : आपका समय पूरा हो चुका है इसलिए आप कन्कलूड कीजिए।

...(Interruptions)

श्री रूपचन्द पाल : मैं अपना भाषण कल समाप्त करूंगा।

SHRI P.S. GADHAVI (KUTCH): But today you are speaking very well.

MR. CHAIRMAN : The House stands adjourned to meet tomorrow on 9th May, 2002 at 11.00 a.m.

19.00 hrs.

***The Lok Sabha then adjourned till Eleven of the Clock
on Thursday, May 9, 2002/Vaisakha 19, 1924 (Saka).***
