

# COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

FOURTH REPORT

LIFE INSURANCE CORPORATION OF INDIA,  
BOMBAY

(MINISTRY OF FINANCE)



LOK SABHA SECRETARIAT  
NEW DELHI

March, 1965  
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**COMMITTEE ON PUBLIC UNDERTAKINGS  
(THIRD LOK SABHA)**

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**Shri Panampilli Govinda Menon**

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2. Shri Homi F. Daji
3. Shri Surendranath Dwivedi
4. Shri S. Hansda
5. Shrimati Subhadra Joshi
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**SECRETARIAT**

**Shri N. N. Mallya, *Joint Secretary.***

**Shri A. L. Rai, *Deputy Secretary.***

**Shri H. G. Paranjpe, *Under Secretary.***

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Fourth Report on the Life Insurance Corporation of India, Bombay.

2. This Report is based on the examination of the working of the Life Insurance Corporation of India, upto the year ending 31st March, 1964. The Committee took the evidence of the representatives of the Ministry of Finance and the Life Insurance Corporation of India on the 17th, 18th, 20th, & 21st November, 1964.

3. The Report was considered and adopted by the Committee on the 20th February, 1965.

4. The Committee wish to express their thanks to the officers of the Ministry of Finance and the Life Insurance Corporation of India for placing before them the material and information that they wanted in connection with their examination. They also wish to express their thanks to the non-official organisations/individuals who, on request from the Committee, furnished their views on the working of the Corporation.

NEW DELHI;

PANAMPILLI GOVINDA MENON,

*Chairman.*

March 24, 1965.

Chaitra 3, 1887 (S).

*Committee on Public Undertakings.*

## INTRODUCTORY

The circumstances and considerations which led to the nationalisation of life insurance business are well known. There were about 250 Companies—small and big competing among themselves for the business without attempting to develop it and in the process indulging in undesirable malpractices. Insurance companies resorted to buying and selling of shares in preference to long term investments and even in buying at prices higher than the market price and selling them later at lower prices. Some of them also resorted to buying and selling to oblige others and granting loans on inadequate security. Their record of expenses and agency force was far from satisfactory. The net result was that life insurance business touched only the fringe of the community and its immense benefits to the family, society and the country remained unknown to large sections of the people. The Life Insurance Corporation Act, 1956 in establishing a nationalised corporation sought to “ensure absolute security to policy-holder in the matter of his life insurance protection, to spreading insurance much more widely and in particular to rural areas and to act as a further step in the direction of more effective mobilisation of public savings.”

Historical  
Background.

2. The Corporation has grown into a huge organisation since its establishment. On the date of its formation, its total assets amounted to Rs. 411 crores of which life fund accounted for Rs. 380.61 crores. These were over 50 lakh policies assuring a total sum of more than Rs. 1,250 crores, nearly 27,000 salaried employees and 216 Branch/Sub-Offices. As on 31st March, 1964 the Corporation had a total asset of about Rs. 878.80 crores (113.8% rise), life fund amounting to Rs. 808.36 crores (112.3% rise) 103.28 lakh policy-holders (106.5% rise) assuring a total sum of Rs. 3,571 crores (185.6% rise) 49,625 employees (83.8% rise) and 753 offices.

Total assets  
of the Cor-  
poration.

3. Originally the Corporation had four subsidiaries, viz., (i) The Oriental Fire and General Insurance Co. Ltd., (ii) The National Fire and General Insurance Co. Ltd., (iii) The Asiatic Government Security Fire and General Assurance Ltd., and (iv) The Indian Guarantee and General Insurance Company Limited. During the year 1961, the National Fire and General Assurance Company Limited,

Subsidiaries  
of the Cor-  
poration.

Calcutta and Asiatic Government Security Fire and General Assurance Company Ltd., Madras, were amalgamated with the Oriental Fire and General Insurance Company Limited as per scheme of amalgamation sanctioned by the High Court of Judicature at Bombay. Life Insurance Corporation is, thus, at present left with two subsidiaries viz., The Oriental Fire and General Insurance Company Limited and the Indian Gaurantee and General Insurance Company Limited, Bombay.

Functions of  
the Corpo-  
ration.

4. The function of the Corporation remains essentially life insurance business; but since the 1st April, 1964 the Corporation has also entered the general insurance field. It is noteworthy that while emphasising the approach that the life insurance should be developed by the Corporation to the best advantage of the community, the Act also provides that in the discharge of its functions "the Corporation shall act so far as it may be, on business principles".



## II

### MANAGEMENT

5. The Corporation consists of 15 Members and one of them is appointed as its Chairman. This is the top policy-making body of the Corporation. The Corporation is assisted by specialised Committees viz., the Executive Committee, the Investment Committee, the Services and Budget Committee, Buildings Committee, the Public Relations Committee. These Committees comprise of some members of the Board and are, as it were, the policy-cum-programme review Committees. Constitution of the Corporation.

#### A. Chairman—Chief Executive

6. The Committee note that Section 20 of the Life Insurance Corporation Act, 1956 provides that the Corporation may appoint one or more persons to be the Managing Director or Directors of the Corporation and every Managing Director would be a whole-time Officer of the Corporation. Further, Section 19 of the Life Insurance Corporation Act provides that the Corporation might entrust the general superintendence and direction of its affairs and business to an Executive Committee which may exercise all powers and do all such acts and things as might be delegated to it by the Corporation. It would appear from these two sections that the framers of the Life Insurance Corporation Act contemplated that the affairs of the Corporation would be looked after by a Committee of Members of the Board themselves, while the Managing Director(s) would function as whole-time executive officers of the Corporation. Therefore, the Committee were a little surprised to note that Government had appointed the Chairman of the Corporation as its full-time 'Chief Executive', by resorting to delegated legislation under Regulation 32 of the Life Insurance Corporation Regulations, 1959. Provisions in the Act.

7. During evidence the Committee asked the representative of the Ministry of Finance whether the Life Insurance Corporation Act, 1956 contemplated the Chairman as the Chief Executive of the Corporation. The Secretary to the Ministry of Finance stated that the relevant provisions of the Act did not give any indication of such an intention.

In view of the importance of the Corporation and the size of its work, however, it was felt that a person of the status of the Chairman should act as the Chief Executive Officer. It was further stated that this arrangement was modelled on the pattern of the State Bank of India where there was a whole-time Chairman and two Managing Directors. However, they would seek legal advice.

Legal  
Advice.

8. In a note furnished to the Committee subsequently the Legal Adviser to the Government of India has stated as follows:—

“The Act is silent as to whether the Chairman should be a whole-time Officer of the Corporation. Section 48(1) empowers the Central Government to make rules to carry out the purposes of the Act. In exercise of the power available under that Section, read with Section 48(2)(a), it is open to the Central Government to make a rule providing that the Chairman shall be the whole-time Officer of the Corporation. Section 20 does not come in the way of the Central Government making any such rule. Provisions contained in this section are merely enabling provisions regarding the appointment of the Managing Director. Where a Managing Director has been appointed, the section imposes a restriction that he shall be a whole-time Officer of the Corporation. The Act does not impose any such restrictions regarding the Chairman.

In the circumstances I agree that it is open to the Central Government to appoint a member as the whole-time Chairman of the Corporation. It is desirable that a rule for the purpose may be made by the Central Government under Section 48 of the Act.”

Review of  
the position  
of Chairman  
suggested.

9. *The Committee feel that although the appointment of the Chairman as the Chief Executive may not be illegal, there has been a departure from the management pattern envisaged in the Life Insurance Act, 1956 viz., the Executive Committee being incharge of the general superintendence and direction of the affairs of the Corporation and the Managing Directors being the whole-time Executives of the Corporation. Under the circumstances the Committee feel that the matter needs to be reviewed in the light of the provisions of the Act.*

## B. Tenure of Chairman

10. Since the establishment of the Corporation in 1956, there have been five changes\* in the incumbency of the posts of Chairmen. Similarly there have been three changes\*\* in the incumbency of the post of the Managing Director. Whatever the reasons that necessitated these quick changes, it is clear that these cannot be considered conducive to the efficient functioning of the Corporation.

11. During evidence the representative of the Ministry of Finance informed the Committee that as a general principle it was the view of Government that the tenure of Chairman should be sufficiently long to enable him to organise his work and leave his impact on the Corporation, but no definite period of service had been fixed. In this connection the Committee understand that in U.K., France and several other countries, the Chairman and Managing Directors of Public Corporations remained in their positions for several years. In the past, even in India, the Governorship of the Reserve Bank of India was ordinarily for five years.

12. *The Committee, therefore, hope that to ensure continuity of management, Government would see to it that the Chairman and Managing Director of the Corporation are not changed so frequently.*

Fixation of tenure suggested.

## C. Qualification for Membership

13. The Life Insurance Corporation Act does not stipulate any qualifications for Members of the Corporation and its various Committees. It has, however, been stated that the criteria for appointment of Members are that they should have some outstanding administrative ability and the necessary background in order to bring to bear their experience and judgment on matters which come up before them. Insurance experience is not necessary, although in practice some of the Members have all along been such as have had some association with the insurance companies.

Qualifications of Members.

14. When this matter was discussed by the Committee with the representatives of the Corporation, it was seen that none of the present Members of the Corporation had any

- 
- \*1. Shri H. M. Patel, 1-9-1956 to 5-6-1957.
  - 2. Shri G. R. Kamath, 6-6-1957 to 10-4-1958.
  - 3. Shri P. A. Gopala Krishnan, 10-4-58 to 28-2-1962.
  - 4. Shri B. K. Kaul, 1-3-1962 to 28-2-1965.
  - 5. Shri B. D. Pande 2-3-65 to-date.
  - \*\*1. Shri S. L. Vaidyanathan, 1-9-56 to 30-1-59.
  - 2. Shri A. Rajagopalan, 1-9-56 to 9-6-1961.
  - 3. Shri S. D. Srinivasan, 6-4-59 to-date.

experience of insurance, except that some of the present Members of the Corporation have served on the previous Boards also.

Appointment of Members with Insurance background suggested.

15. *While appreciating the difficulty to secure suitable men with insurance experience to serve on the Board of the Corporation as Members, the Committee recommend that the Government should secure some persons with sufficient knowledge and experience of insurance so that the Board plays a more useful role.*

#### D. Infrequent meetings of the Committees

Number of Meetings held.

16. The Committee note that the Public Relations Committee at the Centre and the Employees and Agents Relations Committees and the Zonal Advisory Boards in each of the Zone, though they had important functions assigned to them, had met rather infrequently as would be seen from the following table:—

Name of the Committees/ Boards	1961	1962	1963
I. Public Relations Committee.	—	1	2
II. Employees & Agents Relations Committees (one for each zone)			
(a) Western Zone . . . .	4	4	3
(b) Eastern Zone . . . .	3	2	2
(c) Northern Zone . . . .	3	2	2
(d) Central Zone . . . .	3	4	4
(e) Southern Zone . . . .	4	3	3
III. Zonal Advisory Boards (one in each zone)			
(a) Western Zone . . . .	5	5	5
(b) Eastern Zone . . . .	2	2	2
(c) Central Zone . . . .	2	4	2
(d) Northern Zone . . . .	4	4	4
(e) Southern Zone . . . .	3	4	3

17. The Chairman of the Corporation informed the Committee during evidence that the Public Relations Committee would be meeting more frequently in future. About the Zonal Advisory Board he said that it was a Zonal body and its meetings depended upon the local members themselves.

18. The Committee note that under Regulation 42(v) of the Life Insurance Corporation Regulations, 1959, the meetings of the Board are to be called by the Zonal Manager in consultation with the Chairman. Likewise it is the responsibility of the Deputy Zonal Manager or Senior Divisional Manager to convene the meetings of the Employees and Agents Relations Committees. Thus it is not correct to state that the meetings depend upon the local members.

19. The Zonal Advisory Boards are competent to discuss and review all matters of policy affecting the proper development of life insurance business within their zones. The Employees and Agents Relations Committees have likewise to advise the Zonal Managers on matters relating to the welfare of the employees and agents. *The Committee desire that these statutory bodies should be taken more seriously.*

More frequent meetings suggested.

### E. Policy Holders Council

20. The Committee were surprised to find that the Policy Holders Council contemplated under Section 49(g) of the Life Insurance Act, 1956 and Regulation 43 of the Life Insurance Regulations, 1959 had not been set up by the Corporation so far. These provisions contemplate a Policy Holders Council for each Divisional Office, consisting of three Members representative of the policyholders resident in the area served, and nominated by the Corporation.

Provision in the Act.

21. Explaining the reasons for not constituting the Councils, it was stated that it was not mandatory on the part of the Corporation to establish such councils. The Corporation had, however, enlarged the functions of the Zonal Advisory Boards by adding thereto the question of policyholders servicing and the Boards so constituted will be having the representatives of the policyholders as well. During evidence the Chairman of the Corporation further stated that in his view the Policy Holders Council would serve much the same purpose as the Zonal Advisory Boards and the constitution of the Policy Holders Council would be merely an addition to these Committees.

22. *The Committee are of the view that although the functions of the Zonal Advisory Boards have been enlarged by the Corporation the Boards are able to look after the interests of the policyholders only to a limited extent, because it is a small part of their total responsibilities. Therefore it is not only necessary to constitute Policy Holders Councils as contemplated in the Act and the Regulations but it would also have been advantageous to do so.*

Constitution of Policy Holders' Council suggested.

*The Committee strongly feel that at present the view-point of the policyholders goes largely unrepresented before the management. The Committee, therefore, recommend that immediate steps should be taken to set up Policy Holders Councils in each Divisional Office so that the management might acquaint itself first hand with the problems and difficulties of the policyholders.*

#### F. Inspection Organisation

Statutory  
Provision  
about Ins-  
pection.

23. Regulation 47 of the Life Insurance Corporation Regulations, 1959 provides that every office of the Corporation shall be inspected at least once a year and a summary of the report of the Inspecting Officer shall be placed before the Executive Committee as early as possible after the inspection has been carried out. The Corporation has set up an Inspection Organisation, as part of the Central Office, with offices at Bombay, Calcutta, Delhi and Madras.

24. The Committee note that the Inspection Organisation had hitherto inspected only the Divisional Office, Branch Offices, Sub-Offices, Integrated Head Offices, Integrated Branch Offices and Development Training Centres. It had not inspected the Central Office, the Zonal Offices or the Offices in foreign countries.

25. During evidence the representative of the Corporation informed the Committee that offices which were dealing with policyholders servicing got priority in the matter of inspection and since only the Branches and the Divisional Offices were directly concerned with the policyholders and not the Zonal Offices and the Central Offices the inspection of former offices was first carried out by the Organisation. The latter category of offices could be inspected after "stability had been reached". As regards the foreign offices, there was difficulty in finding funds but they were now sending Inspection Officers to foreign offices also. The Chairman, Life Insurance Corporation assured that the work of inspection of the remaining offices will be expedited and completed.

Early Inspec-  
tion of  
Zonal/  
Central  
Offices  
suggested.

26. *The Committee attach great importance to the inspection work and hope that the Inspection Organisation of the Corporation would undertake an early inspection of the Central Office and the Zonal Offices.*

### III

#### GOVERNMENT CONTROL

##### A. Relationship between the Corporation and Government

27. The Mundra Affair in 1957 highlighted the need for defining the exact relationship between the Government and the Public Corporations and in particular the Life Insurance Corporation. The Chagla Commission which investigated the affair came to the conclusion that "Government should not interfere with the working of an autonomous statutory Corporation; that if they wish to interfere they should not shirk the responsibility of giving directions in writing". The report of the Commission at one place observes "that Government must take the responsibility of dictating to the Corporation what policy it should pursue in a particular matter and that policy could only become clear if it was embodied in a direction given in writing".

Views of the  
Chagla Com-  
mission.

28. Section 21 of the Life Insurance Corporation Act empowers the Government to issue directions in writing to the Corporation on matters of policy involving public interest. But so far only two directions have been issued—one relating to the appointment of the Board of Enquiry (Vivian Bose Committee) and another relating to the action against the British India Corporation Ltd.

29. During evidence the representative of the Ministry of Finance stated that Government's view was that apart from formal directions, it should be possible for them to issue certain informal instructions. He said that it is necessary for head of a project or undertaking to be in close touch with senior officers of the Ministries of the Government. Such informal relationship tended to flexibility and smoothness.

30. *While the Committee realise that it may not be possible to lay down every instruction issued to a public undertaking in the shape of a direction, it is at the same time necessary that clear principles should be laid down in writing specifying the occasions when it should take the form of an instruction rather than a directive. The representative of the Ministry conceded that the principles governing the relationship between the public undertakings and the concerned Ministry which had evolved over a period of time could be codified, if an attempt was made. The Committee,*

Laying down  
of principles  
guiding the  
relationship  
of the public  
undertakings  
and Minis-  
tries sug-  
gested.

*therefore, recommend that the Government should clearly lay down principles for guiding the relationship between the public undertakings and concerned Ministries.*

### **B. Creation of Higher Posts**

No Govern-  
ment control  
over creation  
of higher  
posts.

31. The Committee note that Government do not at present exercise any control over the creation of higher posts in the Corporation as it does over other undertakings following the recommendations in that regard of the Krishna Menon Committee that appointment to posts carrying an initial or ultimate salary exceeding Rs. 2,250 should be subject to the approval of Government.

32. When the Committee enquired whether an exception was made from the Government decisions on the Krishna Menon Committee's Report in the case of the Corporation they were informed that the exception made in the case of the Corporation was not by any written order. Government's view in this matter was that the senior posts in the Corporation apart from the post of Chairman should not require the sanction of Government. Giving his personal opinion the Secretary to the Ministry stated that the decisions referred to above related to Industrial Undertakings and not the Financial Corporations.

Government  
approval  
suggested  
in the  
matter of  
creation of  
higher posts.

33. *In the Committee's view there seems to be no valid ground for making an exception in the case of the Corporation from the decision of the Government on the Krishna Menon Committee Report. The Committee trust that the Government would issue suitable directives to the Corporation requiring the latter to seek the approval of the Government for creation of posts carrying salary exceeding Rs. 2,250 p.m.*



**IV**  
**BUSINESS**

34. The total business in force from the year 1958 has been as follows:— Total business in force.

Business in force at (year)	Total business in force		Percentage increase over previous year
	No. of Policies (Lakhs)	Sum assured (crores of Rs.)	
31-12-1958	62.34	1,682	..
31-12-1959	69.29	1,958	16.4%
31-12-1960	77.13	2,285	16.6%
31-12-1961	85.81	2,738	19.8%
31-3-1963	94.93	3,165	15.7%
31-3-1964	103.28	3,571	12.8%

35. The yearly procurement of business, the average sum assured and the percentage of first insurances are given in the following table: Yearly Procurement of New Business.

Year	Total No. of policies	Total sum assured (Rs. in crores)	Average sum assured (Rs.)	Percentage of first insurance to total number of policies
1959	11,51,299	429.17	3,728	Not available
1960	12,57,557	497.54	3,956	Do.
1961	14,69,664	608.82	4,143	70.1%
I-I-1962 to				
31-3-1963	17,67,544	745.96	4,220	69.5%
1963-1964	16,46,291	702.76	4,269	70.5%

## A. Targets and Achievements

Targets fixed.

36. The Corporation fixed an annual target of business at Rs. 260 and Rs. 325 crores for the years 1957 and 1958 respectively on *ad-hoc* basis. In 1959 the Corporation drew up a Five Year Plan for development of its business and within that overall plan period fixed annual targets for each of the years 1959 to 1963, the target in the last year of the Plan being a new business of Rs. 1,000 crores. This figure has come to assume a somewhat special significance because speaking in the Lok Sabha on the 6th August, 1959, the then Finance Minister had stated that "reaching a figure of Rs. 1,000 crores in five years was a good ambition for the Corporation but this could even be bettered". In actual practice the target had to be revised in the fifth year, *i.e.*, 1963-64 and refixed at Rs. 750 crores. The target for 1964-65 has been fixed at Rs. 807.90 crores.

37. When asked during evidence as to how it was that after drawing up a five year programme for achieving an annual new business of Rs. 1,000 crores by 1963, the Corporation had fixed a target of Rs. 750 crores and Rs. 807.90 crores for the years 1963-64, and 1964-65 respectively, the representative of the Corporation stated that the target of Rs. 1,000 crores fixed in 1959 was not a realistic one and within the period of time envisaged, it was not possible to reach it. The representative of the Corporation stated that the current practice for fixing the target for any given year was to add 12½% to 15% to the actuals of the previous year. He further stated that the targets did not take into account the increase in the savings of the people.

Fixing and realisation of Higher Targets suggested.

38. *The Committee are constrained to observe that the Corporation has not been fixing its targets on a scientific basis. There is immense potential for expansion of the life insurance business, if one compares the ratio of the life insurance business to national income in India with the other countries. According to one source, in India the ratio of total life insurance business in force as on March 31, 1963 to the national income was hardly 20.5%, whereas it was 172% in Canada, 142% in U.S.A., 59% in Japan and 67% in U.K. The Corporation should, therefore, while fixing the targets for a year, not only take the past performance into account but also examine what has been the rise in the savings of the people and what proportion thereof ought to be aimed at.*

Targets actually realised.

39. The Committee further observe that even the modest annual targets fixed by the Corporation during the

last four years have not been achieved in practice, as would be seen from the following table:—

Year	New Business target (Rs. in crores)	New Business Written (Rs. in crores)]
1959 . . .	415.00	429.17
1960 . . .	525.00	497.54
1961 . . .	655.00	608.82
1-1-1962 to		
31-3-1963 . . .	875.00	745.96
1963-1964 . . .	750.00	702.52

40. *This, in the opinion of the Committee, is a clear evidence of the lack of vigour in the present organisation of the Corporation. It is also an indication that the business offered by the Corporation needs to be made more attractive. The organisational changes suggested in Chapter IX and certain other suggestions made in this Chapter should enable the Corporation to procure better business than hitherto. But at the same time, Corporation should also review the manner in which the business is canvassed with a view to effecting improvements therein.*

Review of Business Methods suggested.

### B. Five Year Plan of Development of Business

41. The Corporation had drawn up a tentative five year plan of phased development of business covering the period 1959—63 with a view to reaching by 1963, an annual new business target of Rs. 1,000 crores. This plan of the Corporation came to a close on 1st April, 1964.

1959-63 Plan for Development of Business.

42. The Corporation had not drawn up any further plan so far. It had been stated by the Corporation that they wanted to stabilise business of quality and improve administrative working before further plans were drawn up. Steps were also being taken to see that other things remaining the same, business did not go down, but showed progressive increase year by year.

43. When asked during evidence, whether the Corporation proposed to draw up a future plan, the Managing Director of the Corporation stated that they proposed to observe the working of the Corporation this year and then decide upon having another five year plan from 1st April, 1965.

Drawing of Five Year Plan suggested.

44. *In the Committee's view drawing up of a suitable plan by the Corporation is absolutely essential for a proper and purposeful development of its business. They, therefore, hope that the Corporation would draw up a five year plan of development of business of the Corporation commencing from the 1st April, 1965.*

### C. Rural Business

Rural Business procured during each year.

45. The table below gives the total business procured by the Corporation during the last three years together with the percentage of the rural business to the total business:—

Year	Total new Business in a year		Total new Rural Business in a year		Percentage of rural business to total business	
	No. of Policies	Sum assured (Rs. in crores)	No. of Policies	Sum assured (Rs. in crores)	No. of Policies	Sum assured (Rs. in crores)
*1961	14,61,608	598.79	5,33,576	182.59	36.5	30.5
1962-1963 (15 months)	17,58,046	734.72	6,76,654	233.45	38.5	31.8
1963-64	16,37,716	692.50	5,85,143	209.40	35.7	30.2

46. The Corporation has pointed out that the figures of rural business in earlier years are not comparable because the classification of rural areas was changed in the year 1961 to bring it in conformity with the census classification.

47. It would be seen from the table that although the rural business had shown a rise in absolute terms, as percentage of total business it has remained at 30 to 31 per cent. of the total business.

48. During evidence the Committee were informed that since the Corporation had increased the urban business, the rural business by comparison showed a decline.

Corporation to lay emphasis on rural business.

49. *It was the declared objective of the Corporation to spread insurance as widely as possible and in particular to rural areas. The Committee would, therefore, strongly urge that the Corporation should lay much more emphasis on popularising insurance in rural areas than they do today.*

\*The figures of rural business are based upon the definition of a "rural area" adopted for the 1961 Census.

50. In this connection the Committee note that the Corporation has not fixed any targets for rural areas. When this matter was discussed with the representatives of the Corporation, the Committee were informed that targets could be fixed for rural areas without difficulty. *The Committee feel that this is a sine qua non for spreading rural business and the Corporation should do it in the future years.*

Targets for rural business suggested.

51. The Committee further note that the arrangements for collection of premia through Post Offices—which prevails at present in Rajasthan—is likely to be extended to Andhra Pradesh, Kerala and Mysore. *Extension of this facility seems to be a desirable step for the expansion of rural business, and the Committee would urge that the Corporation should explore the possibility of extending the arrangement in the remaining States also as early as possible.*

Extension of facility to collect premia through Post Offices.

#### D. Group Insurance

52. The Corporation introduced the Group Insurance Scheme in the year 1957. The advantage of the Scheme is that the benefit of life insurance is provided at cheaper rates, because the employer also contributes a part of the premium. The Group Insurance Scheme is understood to be very popular in the Western Countries.

53. The table below gives the business procured under the 'Group Insurance Scheme' during the last four years:—

Business procured under the Group Insurance Scheme.

Year	Total sum assured during the year (New Business)	Sum assured under the Group Insurance Scheme.	Sum assured as %age of the total sum assured (New Business)
(Rs. in crores)			
1960	497.54	3.82	.08
1961	608.82	5.18	.09
1962-63	745.96	10.49	1.4
1963-64	702.76	12.29	1.7

54. The table shows that although the business brought under the Group Insurance Scheme has been rising it has been very slow as compared to the industrial advancement

in the country. Its share in the total business of the Corporation remains very small.

55. During evidence the Committee were informed that no target had been fixed for the Group Insurance Scheme. When asked as to what special steps had been taken to sell this type of insurance, it was stated that the Corporation had set up a separate organisation and the men in charge were supposed to meet every one of the employees who could afford to take a Group Insurance Policy and that they were adopting very aggressive sales campaign for this purpose.

Popularising  
Group Insur-  
ance Sch-  
eme and  
laying targets  
therefor sug-  
gested.

56. *The Committee feel that the efforts made by the Corporation to secure more business under the Group Insurance Scheme have not yet shown worthwhile results. They suggest that the Corporation should take more energetic measures to popularise this type of insurance both in the public and the private sectors. The Committee would also suggest laying down of suitable targets for the Group Insurance Scheme.*

#### E. Salary Savings Scheme

57. A statement showing the names of Central Government/State Government Departments/Public Undertakings etc. who have introduced the Salary Savings Scheme is at Appendix I.

Business  
under the  
Salary Sav-  
ings Scheme.

58. The business procured under the Salary Savings Scheme during the last five years is as follows:—

Year	Total No. of Policies	Total sum assured (Rs. in crores)
1959 . . . . .	84,776	21.89
1960 . . . . .	1,03,849	27.20
1961 . . . . .	1,20,837	36.59
1.1.1962 to 31.3.1963 . . . . .	1,93,199	61.03
1963-1964 . . . . .	2,71,355	81.47

59. As compared to the new business in urban areas (it is in urban areas where the Salary Savings Scheme can be predominantly applied), however, the Committee find that

the business written under the Salary Savings Scheme is negligible as would be clear from the figures below:—

Accounting Period	Sum assured in urban areas	Sum assured under the Salary Savings Scheme	Percentage of (2) to (3)
(Rs. in crores)			
1	2	3	4
1961 . . .	416·20	36·59	8·7%
1962-63 . . .	501·27	61·03	12·1%
1963-64 . . .	483·10	81·47	16·8%

60. When asked during evidence as to what were the administrative difficulties which were underlying the introduction of the Salary Savings Scheme in all the Central Government Departments/Public Undertakings etc., the representative of the Ministry of Finance stated that the matter had been examined in consultation with the Comptroller & Auditor General and it had not been found possible to accept the suggestion for the following reasons:—

- (i) Recovery of the dues of the Corporation through the pay bills would lead to enormous increase in accounting work and correspondence which it will be worm while to avoid;
- (ii) Government is committed to a policy of gradual elimination in the matter of deductions from pay bills particularly those which are adjusted through the exchange accounts (recovery of premia through pay bills involves such adjustments);
- (iii) The experience of postal life insurance does not encourage an extension of the system of deduction at source in spite of its seeming advantages;
- (iv) Our accounting system will not be able to bear the strain of collecting life insurance premia from salaries.
- (v) As regards the suggestion that the premia may be recovered by the disbursing officers at the time of making payment to the non-gazetted staff, it has been decided that this would also not be advisable because the responsibility of prompt payment of premia must rest with the policy-holders and should not be shared with the

cashier or any one else. Moreover if the cashier in the office is to collect the premia, it may well be that while the officer suffers the deduction in his pay, the premia may not reach the Life Insurance Corporation promptly or correctly.

Introduction of Salary Savings Scheme in all Central/State Government Institutions suggested.

61. *The Committee are not convinced by these arguments. As mentioned in para 57 quite a good number of Central Government Departments/Public Undertakings and certain State Governments viz., that of Rajasthan, Punjab, Orissa and Kerala whose accounts are also maintained by the Comptroller & Auditor General have with advantage introduced this scheme. They recommend that Government should re-examine the entire question of introducing Salary Saving Scheme in the Central Government Departments/Public Undertakings. The Government should also urge upon the remaining State Governments to introduce the Salary Savings Scheme.*

Higher Discount to Policy holder suggested.

62. *At present the policyholder under this Scheme is entitled to a discount of 75 Paise per thousand of sum assured per annum and the Corporation does not charge any extra for monthly payment of premiums which is usually charged in other cases. Since the chances of lapses under this scheme are very little, the Committee feel there is a case for giving a further incentive to the policyholders to avail of the insurance policy, without detriment to the Corporation. They would, therefore, recommend that the feasibility of giving a higher discount might also be considered by the Corporation.*

#### F. Rush of business towards the end of the year

Figures of Business written during the last two months of each year.

63. The table below gives the figures of the new business written in the last two months of each year since 1957:—

Year	Month	Sum assured (Rs. in crores)	Total business in the year (Rs. in crores)	%age of (3) to (4)
1	2	3	4	5
1957	November	19.23	101.59	36
	December	82.36		
1958	November	26.86	174.49	50
	December	147.63		



1	2	3	4	5	
1959	November December	33·96 } 189·44 }	223·90	429·17	52
1960	November December	39·72 } 227·33 }	267·05	495·72	54
1961	November December	49·61 } 273·18 }	322·79	608·72	53
1962	November December	53·73 } 206·12 }	259·85	745·96	35
1-1-62 to 31-3-63	February March	31·98 } 112·10 }	144·08	..	19
1963-64	February March	44·17 } 133·65 }	177·82	702·76	25

64. It would be seen from the table that as much as about 25% of the business is still written in the last two months of the year. In the earlier years it used to be still higher.

65. The Committee were informed that the Corporation did not know what percentage of this business had lapsed because the Corporation did not maintain figures of lapsation on this basis. The representative of the Corporation during evidence explained that human nature being what it was, Development Officers were expected to give a certain yearly although the quota, they increased the tempo of their canvassing towards the end of the year.

66. *A certain rush of business towards the end of the year is perhaps inevitable but it appears to the Committee that the rush towards the end at present is more than what can be considered healthy. The Committee suggest that the Corporation should devise ways and means to see that Development Officers procure business evenly throughout the year and the chances of unsound business are reduced to the minimum. The Committee would also like the targets of new business to be procured by Development Officers to be fixed on a quarterly basis instead of the present annual one.*

Even spreading of business suggested.

## G Lapses

Rat o o  
Lapses  
during each  
year.

67. The following table gives for each of the years 1955 to 1963-64 the ratio of lapses less revivals and the mean business in force during each period:—

Lapses during	*Lapses Ratio
1955	7.6%
1956	9.10%
1957	6.4%
1958	5.1%
1959	6.0%
1960	6.6%
1961	7.0%
1.1.1962 to	
31.3.1963	8.1%†
1963-1964	8.2%

68. It is seen from the table that the lapse ratio declined between the year 1955 to 1959 but has since then been going up, so much so that the ratio for 1963-64 is higher than for the year 1955, the year immediately preceding nationalisation. In this connection, it may be pointed out that in 1955, *i.e.*, before nationalisation the lowest ratio of a non-Indian Insurer was 0.4 per cent (Sun Life of Canada), the next lower ratio in the same year was 4.4 per cent (Bombay Mutual). It is further noteworthy that lapse ratio for business in India is higher than, the lapse ratio for the total business quoted in the para as would be seen from the following table:—

Year	Lapse Ratio
1958	5.2 %
1959	6.2 %
1960	6.9 %
1961	7.3 %
1-1-1962 to 31-3-1963	8.2 %

\*The ratio of the sum assured lapsed less sum assured revived in a year and the mean business in force during the year is called the lapse ratio.

†Annual Ratio.

69. The rise in the lapse ratio is proved not only by the ratio of mean business in force but also from the point of view of mean duration as would be seen from the following table:—

Year of new Business	Net lapse ratio at mean duration				Total (2)+ (3)+ (4)+ (5)	
	0	1	2	3		
	1	2	3	4	5	
		%	%	%	%	
1958 .		1.2	18.0	0.8	3.7	32.7
1959 .		1.1	19.4	9.8	5.4	35.0
1960 .		0.8	21.3	10.8	5.3	38.2
1961 .		0.8	23.3	10.9		
1962 .		0.9	21.1	..	..	..

70. It has been stated by the Corporation that they have taken the following measures to keep the lapses at a minimum possible level:—

- (i) At the time of promotion of the Development Officers to higher cadre as well as their confirmation in such higher cadre, the lapses taking place out of the new business introduced by the Development Officer concerned are now taken into consideration.
- (ii) Special training course are held for Development Officers and agents with a view, *inter-alia*, to eliminate lapses attributable to wrong or indifferent salesmanship.
- (iii) To provide adequate facility for collection of premia in rural areas collection arrangements have been made on an experimental basis, with the Post Offices in the rural areas of Rajasthan.

Various measures taken.

- (iv) In cases with monthly mode of payment of premium, three monthly instalments of premium, or the amount of minimum advance deposit whichever is higher, are required to accompany the proposal. Exceptions in this behalf are made only in those cases where the premiums are payable under the Salary Savings Scheme or through a Co-operative Society or by the Trustees of a Staff Provident Fund, as in such cases the payment of premium is generally automatic.
- (v) In the case of policies under Pure Endowment and Deferred Annuity Plans, the maximum premium paying period has been limited to 25 years with a view to preventing the annual premium from becoming too small which might attract non-genuine insurance.
- (vi) In case of Pure Endowment, Children's Deferred, Deferred Annuity and Convertible Term Plans, the monthly and quarterly modes of payment of premiums are now not permitted.

Apparently these steps have not had the desired results.

Check on  
rise in]Lapse  
Ratio.

71. *The Committee view the rise in the lapse ratio with alarm. They are left with the impression that although the Corporation is enthusiastic about writing new business not sufficient follow up work is being done. They therefore, suggest that the Corporation should take urgent steps not only to arrest further rise in the lapse ratio but also to bring it down to a lower level. In this connection the Committee feel that there is also a case for providing suitable incentives to the agents for bringing in sound business.*

#### H. Premium Rates

Basis for  
Present Pre-  
mium rates  
explained.

72. One fundamental reason for the rather tardy growth of the life insurance business seems to be the unattractive rates offered by the Corporation. The Committee were informed that the premium rates for the Corporation's policies were based on the rates offered by the Oriental Government Security Life Assurance Company immediately before nationalisation. The 'Oriental' rates were fixed on the basis of actuarial investigations conducted between the period 1925 to 1935. At the time of nationalisation, Life Insurance Corporation fixed its rates of premia at Re. 1 less per thousand sum assured than the rates of Oriental Government Security Life Assurance Company. The Estimates

Committee when it took up the examination of Life Insurance Corporation in 1960,† felt that in a nationalised set up the premium rates should not be any higher than are warranted by strict actuarial considerations. They had, therefore, suggested the appointment of a Committee of experts consisting of the Controller of Insurance, representatives of the Corporation and independent actuaries to review the rates of premium offered by the Corporation. The Government, however, did not accept the Committee's recommendation and stated that the question could be taken up after some more experience of the trends had been gained. The Estimates Committee did not\* accept the reply of Government and reiterated their earlier recommendation urging that the review of the rates of premium should be made early.

73. During evidence before the Committee the Chairman of the Corporation stated that the Corporation were undertaking mortality investigation for the period 1961 to 1964 and as soon as the result of that investigation were known, the Corporation would be in a position to look into the question of premium rates to see whether there was any possibility of reduction.

74. *The Committee consider it regrettable that the recommendation of the Estimates Committee made in 1961 and reiterated in 1963 remains unimplemented. They feel that the premium rates which were fixed in 1956 are on the high side and call for an immediate revision. As for the Corporation's stand that they were awaiting the results of mortality investigations, the Committee feel that there was enough evidence to believe that the mortality rate has gone down. The raising of age of retirement of the Central and State Government servants is an indication of this fact, They, therefore, recommend that the Corporation should immediately appoint a Committee of Experts consisting of Controller of Insurance, representatives of the Corporation and independent actuaries to review the rates of premium offered by the Corporation with a view to bringing them down.*

Review of Rates suggested.

### I. Surrender Value

75. The Committee note that like the premium rates, the scale of surrender values offered by the Corporation was also fixed after taking into account the surrender value

Basis for present rates of surrender value.

†Para 65, 134th Report of E.C. (2nd L.S.)

\*S. No. 24 (pp. 43-44) of 41st Report of E.C. (3 LS).

tables of Oriental and other insurance companies with some modifications based on the estimated improvement in working conditions. The Corporation had extended the benefit of these surrender values to the policies issued by the erst-while insurer whose experience was not as favourable as that of leading insurers and thereby had given the benefit of higher surrender values to a large number of existing policy holders.

L. I. C's  
Surrender  
Value com-  
pared.

76. The Committee are sorry to find that the actual surrender value of the Corporation is still much lower than some leading insurance companies as would be seen from the following table:—

Duration (in years)	Sun Life of Canada (in force from July 1959)	Norwich union (in force from July 1960)	L.I.C. current
Endowment Assurance—Sum Assured Rs. 1000			
(a) <i>Age at entry 30 years—Term 15 years.</i>			
5	267	240	182
10	606	577	491
(b) <i>Age at entry 40 years—Term 20 years.</i>			
5	177	152	108
10	410	378	284
15	678	653	563

77. When asked during evidence as to what factors were responsible for a comparatively low surrender value in the case of the Corporation's policies, the representative of the Corporation informed the Committee that the surrender value was related to premium rates and they proposed to review the surrender value of the Corporation's policies after the premium rates were revised.

Review of  
the rates sug-  
gested.

78. *The Committee would emphasise that as low surrender values adversely affect the limit to which loans can be given to the policyholders against their policies no time should be lost by the Corporation to raise the surrender values of the Corporation's policies.*

## V

### INVESTMENTS

79. The Corporation is the largest single investor in India. It invested about Rs. 80 crores during 1963-64. This amount is bound to increase in the years to come as more business is written by the Corporation. The necessity for the exercise of the greatest care and wisdom in the investment of such large sums, therefore, needs no emphasis.

#### A. Statutory Requirements

80. The investment of funds is regulated by Section 27A Statutory Provision. (as amended) of the Insurance Act, 1938, which, in sum, prescribes that (i) twenty-five per cent of the controlled fund, must be invested in Government securities, (ii) A further sum equal to not less than 25 per cent. must be invested in Government securities of other approved securities, (iii) the balance in "approved investments" except that upto 15 per cent. of the controlled fund can be invested in other than "approved investments" if such investment is made after securing the unanimous recommendation of the Investment Committee if no such recommendation can be obtained on a resolution of the Corporation passed by a majority of at least three-fourths of the members present at the meeting.

81. The table below gives the details of the controlled fund of the Corporation as at 31st March, 1964 and the percentages of investments of the said fund in the above categories:— Investments made.

(In Crores of Rupees)

	Percentage of the Controlled Fund. %
Controlled Fund (includes Capital Redemption and Annuity Certain Business Funds) . . . . .	880.43

\*Includes investments of Capital Redemption and Annuity Certain Business, Rs. 1.43 crores.

		Percentage of the Controlled Fund	
Amount invested in :			
(i) Central and State Government Securities . . . . .	424.30*	48.2	} 62.4
(ii) Other Approved Securities . . . . .	125.12	14.2	
(iii) Approved Investments (including contribution towards the Initial Capital of the Unit Trust of India). . . . .	228.03	25.9	
(iv) Unapproved Investments (including all Foreign Investments amounting to Rs. 15.97 crores). . . . .	55.47	6.3	
	<u>832.92</u>	<u>94.6</u>	

82. It will be seen from the table that although the statute envisaged an investment of only 50 per cent. in the Government and other approved securities, the Corporation has invested a much larger percentage of its funds in such securities than required under the law.

Pattern of investments of foreign insurance companies.

83. It was represented to the Committee that the requirement that atleast 50 per cent. must be invested in Government and other approved securities had some justification before nationalisation but now it has no justification. In this connection, the Committee understand that in foreign countries, the practice of the insurance companies is to invest a much smaller percentage of their funds in Government and other approved securities as would be seen from the following table:—

		LIC as at 31-3-63 %	45 U.K. Insurers 1963 %	U.S. Life Insurance Companies. 1962 %
Government and other Approved Securities including loans . . . . .	. . . . .	63.6	17.6	21.6
Debentures . . . . .	. . . . .	3.8	15.2	25.7
Preference Shares . . . . .	. . . . .	2.9	4.4	} 4.7
Equity Shares . . . . .	. . . . .	9.2	21.3	



	LIC as at 31-3-63 %	45 U.K. Insurers 1963 %	U.S. Life Insurance Companies 1962 %
Mortgages . . . . .	1.1	} 17.0	35.2
Policy Loans . . . . .	7.1		
Property . . . . .	3.7	9.7	3.1
Foreign Investments . . . . .	2.0	7.3	0.5
Other assets . . . . .	6.6	7.5	4.5
TOTAL . . . . .	100.0	100.0	100.0

84. There is another aspect of the matter. From the insurer's as well as the policyholder's point of view a significant factor in determining how its funds should be invested is the rate of return offered by the various class of investments, consistent of course with the security of funds. According to information supplied to the Committee, the Government securities gave a yield of 4½ per cent to 5 per cent.; fresh investments in debentures 7 per cent; preference shares over 9 per cent; equity shares between 6 per cent to 10 per cent.; investments in loans to Co-operative Housing Finance Societies and State Governments for various housing schemes 5½ per cent. and investments in loans to policyholders as various kinds of Co-operative Housing Societies for construction of houses between 5½ per cent to 7 per cent. Thus it would appear that investments in Government securities was not advantageous to the Corporation.

Respective  
yield on  
investments

85. During evidence the representative of the Ministry of Finance informed the Committee that in Government's view the provision that 50% of the funds must be invested in Government securities or other approved securities was necessary because one of the objectives of nationalisation was to mobilise resources for the Plan.

86. *The Committee no doubt appreciate that investment in Government and other approved securities is necessary, but it does not mean that the funds of the Corporation which are in the nature of trust money should be invested in them beyond the statutory minimum of 50%, which has not been raised by Government itself. They would like to point out that the Corporation is expected to work on busi-*

Review  
suggested.

*ness principles and further the interests of its policyholders. The Committee would, therefore, recommend that consistent with social objectives, the Corporation should so direct its investments that it earns a higher return on them.*

### B. Assistance for Housing Schemes

Loans given under various housing schemes.

87. With a view to relieving housing shortage in urban areas the Corporation has started a number of schemes under which loans are given to State Governments/Co-operative Housing Societies, etc. The assistance given by the Corporation to housing development during the year 1963-64 amounted to Rs. 18.12 crores as below:

1. Loans to State Governments for financing:		
(a) Middle Income Group Housing Scheme;	} (Rs. crores)	
(b) The Rented Housing Scheme		
(c) The Village Housing Projects Scheme;		
(d) The Low Income Group Housing Scheme;		} 12.65
(e) The Plantation Labour Housing Scheme; and		
(f) The Land Acquisition and Development Scheme.		
2. Loans to Co-operative Housing Finance Societies in various States	4.28	
3. Loans to Policyholders for construction of houses (including 'Own Your Home Scheme')	.11	
4. (i) Loans to Co-operative Housing Societies formed by the employees of the Corporation,	} 1.08	
(ii) Loans to Public Limited Companies for the purpose of providing houses to their employees,		
(iii) Loans to Co-operative Housing Societies of employees of Limited Companies.		

5. Loans to individual employees of the Corporation for purchase and construction of houses. None sanctioned during the year.

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18·12

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88. Taken as percentage of the total investment during the year 1963-64, it amounts to 22·5%.

89. The Committee understand that insurance funds all over the world are invested very considerably in residential and other buildings because of their sound and satisfactory income yielding character.

90. During evidence the representative of the Corporation informed the Committee that it was not possible to make available any further fund for the purpose. The Committee fail to see why it should not be possible for the Corporation to invest more funds in housing schemes, particularly when it gives a higher return than some of the other investments made by them.

91. The Committee would, in this connection, like to \*quote from the late Prime Ministers' observations:

“There is one aspect of the work of the Life Insurance Corporation to which I would like to draw special attention. Both in England and in the United States of America, private insurance companies and corporations undertake building operations on a tremendous scale. This is not only good investment, but has obvious social advantages when there is such a great lack of housing. It seems to me that in India this is even more needed than elsewhere, and a State Corporation, like the Life Insurance Corporation of India, should be presumed to have a greater social outlook than private companies.

views of the late Prime Minister.

\* \* \* \*

In all the towns of India there are slum areas which have to be replaced by clean and healthy living conditions and good houses. State Govern-

ments are responsible for such improvements, but the L.I.C. can certainly help in a big way."

More vigorous policy needed for investment in Housing Schemes.

92. *The Committee, therefore, urge that the Corporation should follow a more vigorous policy of investing in housing schemes. The observations made by the Committee in para. 86 would also enable the Corporation to achieve this objective.*

### C. Investment Committee

#### (i) Meetings

Constitution of Investment Committee.

93. An Investment Committee has been constituted by the Corporation for advising the Corporation on matters relating to the investment of its funds as contemplated under Section 19(2) of the Life Insurance Corporation Act, 1956. The Committee consists of seven members out of whom not less than three are members of the Corporation. At present all the seven members of the Committee are members of the Corporation.

Meetings held.

94. In view of the important role assigned to the Committee Regulation 24 of the Life Insurance Corporation Regulations, 1959 stipulates that the Investment Committee shall meet atleast once in four months at Calcutta and atleast once in six months at Madras and Delhi. The table given below, however, shows that this statutory provision has not been strictly adhered to by the Investment Committee:—

Year	Total	No. of meetings held at			
		Born- bay	Cal- cutta	Mad- ras	Delhi
1959-60	21	17	2	1	1
1960-61	20	15	2	1	2
1961-62	21	16	2	2	1
1962-63	18	14	2	1	1
1963-64	17	15	1	1	..

95. When asked during evidence as to the reasons for not adhering to the statutory requirements, the representative of the Corporation stated that it was their endeavour to adhere to this regulation, but on occasions departure had to be made to suit the convenience of Members. The Committee was, however, assured that the Regulation would not, in future, be violated and that the meeting would be held as envisaged in Regulation 24 *ibid*.

96. *The Committee regret to note that the statutory requirements regarding the venue of the meeting of the Investment Committee have not been hitherto observed by the Corporation. They hope that the Corporation would in future adhere to them.*

Observance of statutory provisions suggested.

(ii) *Circulation of Agenda Papers*

97. Since the Investment Committee was not in continuous session, the offers or proposals for investments were received by the Investment Department of the Corporation. This Office then prepared briefs on each proposal and circulated them to the Members of the Investment Committee.

98. The table below gives the date and place of some of the meetings held during 1963 together with the dates of circulation of agenda papers:

Dates of circulation of Agenda papers.

No. of Meeting	Date of Meeting	Place of Meeting	Agenda Papers Item Nos.	Date of circulation of Agenda Papers
135th	25-6-1963	Bombay	10	24-6-1963
135th	25-6-1963	Bombay	11	Circulated on meeting day.
137th	30-7-1963	Bombay	7—11	29-7-1963
138th	28-8-1963	Calcutta	9	26-8-1963
139th	17-9-1963	Bombay	16—17	16-9-1963
141st	21-10-1963	Madras	10	19-10-1963
142nd	26-11-1963	Bombay	22	25-11-1963

No. of Meeting	Date of Meeting	Place of Meeting	Agenda Papers Item Nos.	Date of circulation of Agenda Papers
142nd	26-11-1963	Bombay	23	Circulated on meeting day.
147th	17-3-1964	Bombay	14—16	Do.
148th	31-3-1964	Bombay	9	Do.

99. It would be seen from the table above that agenda papers on a good number of points were not circulated well in advance.

Need for circulation of Agenda Papers well in advance.

100. *The Committee need hardly emphasise that if the Investment Committee is to play an effective role it should not be treated in a casual way and barring such occasions where the offers themselves are received just, a day or two in advance, in other cases, the Committee should be given sufficient time to consider each proposal.*

### (iii) Procedure of the Committee

101. Regulation 23(ii) of the L.I.C. Regulations, 1959 provides that the "Investment Committee shall meet as often as may be necessary and such meetings shall be governed by the procedure that may be decided upon from time to time by the said Committee." The Committee understand that besides the Rules of Guidance which were meant to guide the scrutiny of investment proposals, the Investment Committee has not so far decided any procedure. It is true that Regulations 23(i), (iii), (iv) and (vi) lay down in some detail how the Committee shall function. Even so, it is necessary that the detailed Rules of internal working should be finalised for the committee like the Investment Committee.

Framing of Rules of Procedure for Investment Committee Suggested.

102. *In this connection, the Committee notice that a suggestion was made by the Estimates Committee in 1960 that the Corporation should collect the various minutes relating to the procedure of the Investment Committee to serve as a ready guide to the Members of the Committee. This recommendation has not yet been implemented. The Committee would urge that the Corporation should atleast collect the aforesaid minutes and frame the Rules of Procedure for the Investment Committee as required under Regulation 23(ii) of the Regulations.*

### D. Brokers

103. The Committee note that negotiations for purchase of securities sold by the Reserve Bank of India are made directly with the Reserve Bank of India but the latter insists that the actual purchase should be made through the brokers of the Bank. The Corporation could not furnish figures of total brokerage paid on this account because no separate account of brokerage was stated to be maintained, as the prices quoted for the securities purchased are inclusive of brokerage.

Purchase of  
Securities  
through  
Brokers.

104. *The Committee feel that it should be possible to devise ways and means whereby these purchases from the Reserve Bank of India could be effected directly by the Corporation and thereby saving the Commission payable to the brokers. They trust that this matter would be looked into.*

## VI EMPLOYEES AND AGENTS

### A. Number of the Employees

Increase in the number of employees and their salaries.

105. A comparative statement showing year-wise the number of employees of the Corporation in each cadre and their gross monthly salary since 1957 is given at Appendix II.

106. It will be seen from the above Appendix that the over all increase in staff during the eight years period 1957 to 1964 has been over 61% and the increase in salary bills about 113.5%. The increase in Class I Officers has been most marked being over 165% in number and over 140% in salary bills. The increase in Class II Officers (*viz.* the Development Officers) has been 64% in number and 131.3% in expenditure. As regards supervisory and clerical staff the increase has been over 61% in number and over 104.2% on salary bills during the same period.

Reasons for increase in staff.

107. The representative of the Corporation informed the Committee during evidence, that the increase of 165% in the number of Class I Officers during the period 1957-64 was due to (i) categorisation in 1958 of a large number of Class III employees as Class I Officers and (ii) the Corporation's taking up many new and important activities for which proportionately a large number of Class I Officers were required as compared to Class III employees.

Review of Staff strength suggested.

108. *It appears to the Committee that the increase in the number of Class I Officers is very high. Moreover, whereas in other categories in earlier years, the number of officers has remained more or less at the level of the previous year or has even shown a decline, in the case of Class I Officers it has been constantly on the increase. The Committee deprecate such disproportionate rise in the number of Class I Officers and the high ratio obtaining between them and the Class II and III Officers and recommend the Corporation should urgently review the staff structure which seems to have become top heavy.*

Comparison of staff increase to increase in business.

109. Apart from what ought to be the respective proportion between various categories of staff in the Corporation, there is also the question of total rise in the staff, and the comparison it bears to the increase in business. The



following table shows the two in juxtaposition:

As on	New Business		Business in force		Staff			
	No. of policies in lakhs.	Increase %	No. of Policies in lakhs.	Increase %	No. of staff	%age rise	Gross salary Rs. in lakhs	%age rise
31-12-57	8.16		56.83		30,768		67.30	—
31-3-64	16.46	102%	103.28	82%	49,625	61%	147.74	113.5

110. The Corporation has pointed out that increase in staff was not disproportionate to the increase in volume of business. It is true that the rise in staff has not been in the same proportion but the rise is quite high and again point out to the fact that the economies of the scale claimed for a big organisation have ceased to be effective.

111. In this connection the following remarks of the then Finance Minister (Shri C. D. Deshmukh) made in the Lok Sabha at the time of consideration of the Life Insurance Corporation Bill, 1956 are pertinent:—

Views of the former Finance Minister.

“The Corporation will not really need the large number of employees it would be inheriting from the various insurance companies. I am aware how anxious Members are that nationalisation should not result in unemployment and it was for this reason that I had given a categorical assurance that there would be no retrenchment. The best solution is to expand the business and thus find real work for all. We are confident that we shall be able to do so in due course.”

112. *The Committee think that the economy and efficiency of the Corporation lies in increasing the business without proportionate increase in the operational cost. They would, therefore, urge that while reviewing the staff structure of the Corporation as suggested in para. 108 ante the total strength that may be necessary for a certain quantum of business may also be worked out.*

### B. Revision of Scales of Pay of Class I Officers

113. It was brought to the notice of the Committee that the pay scales of Class II, III and IV employees of the Corporation had been revised, following the recommendations of the Second Pay Commission. In the case of Class I Officers, there had, however, been no such upward revision since nationalisation, notwithstanding the fact that there

were so many other anomalies in the pay scale of this category of officers.

114. During evidence the representative of the Ministry of Finance stated that the proposals of the Corporation for the revision of scale of pay of Class I Officers which were modelled on the pay scales in the Reserve Bank of India and the State Bank of India, were actively under Government consideration. The Government had to consider the effect it shall have on certain other public undertakings and on the Government Departments. The Government was of the view that certain parity had to be maintained between the pay of the officers in the Corporation and the Officers in the other undertakings/departments.

115. From the subsequent information furnished to the Committee, the Committee observe that the first proposal regarding grant of house rent allowance to Class I Officers in lieu of bonus at 12½% of basic pay subject to minimum of Rs. 50 and a maximum of Rs. 300 was forwarded to the Ministry for approval on 31st May, 1962. The proposal for the full scale revision of scales of pay was forwarded on 18th June, 1963. The revised suggestions in this regard, after the Corporation's Board had discussed the matter were forwarded to the Ministry on 28th October, 1964. Since then the matter has been under correspondence between the Secretary, Department of Company Affairs and Insurance and the Chairman of the Corporation.

Early decision of Revision of Scales of Class I Officers suggested.

116. *While the considerations pointed out by the Secretary, Ministry of Finance are no doubt important, the Committee feel that an unduly long time has been taken for the consideration of the proposal which affects the core of the organisation of the Corporation, such \*delays also effect the satisfactory working of the whole organisation.*

\*At the stage of factual verification, the Ministry of Finance have pointed out as follows:

"The Life Insurance Corporation announced on the 22nd February, 1965, the revision of terms of Class I Officers, whereunder the pay scales for all Class I Officers, except the two top grades, were revised upwards. The Dearness Allowance for the lower category of Class I Officers were also enhanced to bring the total emoluments on par with similar Central Government Class I Officers. In addition, House Rent Allowance at the same rate as for Central Government Officers, has been sanctioned to these officers. Further in the case of promotions to the rank of Class I Officer the emoluments drawn before promotion to Class I, including Dearness Allowance, House Rent Allowance and the Bonus equivalent, have been protected. These benefits have been given retrospective effect from the 1st April, 1964. The Corporation is also finalising a scheme of medical benefits to its officers and is also considering the question of giving them other facilities admissible to Government officers."

### C. Heirarchical System of Officers

117. The Committee note that in the Central Office there was a heirarchy of officers such as Directors, Secretaries, Deputy Secretaries and Assistant Secretaries. Similarly in the Zonal Offices there were besides the Zonal Managers, Deputy Zonal Managers, Secretaries, Assistant Divisional Managers, and Assistant Secretaries.

Heirarchical system of officers.

118. When asked during evidence as to how far it was desirable for a public undertaking like the Life Insurance Corporation to have such a heirarchical system of officers and whether the Corporation had undertaken a re-examination of this point as suggested in the 41st Report of the Estimates Committee (Third Lok Sabha), the representative of the Corporation stated that in a large organisation, a measure of division of work and dovetailing of responsibility on the part of senior officers did become necessary but in their Reorganisation Scheme they had attempted to cut out whatever step was capable of cutting down and the Corporation was anxious to reduce any extra steps that were prevalent in the administration. From the details of the Reorganisation Scheme furnished to it, the Committee, however, did not find any such proposals.

119. *The Committee would urge that the heirarchical system of officers, obtaining in the Corporation should be reviewed early and suitable reduction in the senior managerial posts effected.*

Reduction in top posts suggested.

### D. Development Officers

120. The Development Officers are expected to develop and increase the production of new life insurance business in the area allotted to them through agents placed under them and to guide, supervise and direct the activities of agents.

121. The Development Officers are salarised employees and no commission is paid to them. However, as an incentive for higher and better business, Development Officers are paid 'New business bonus' if their business is above certain defined standards.

122. The institution of Development Officer has been an eye sore to many agents. They view the Development Officer as superfluous persons who flourish on the efforts of the agents. The Corporation has on the other hand maintained that the Development Officers were fulfilling a useful function in that development of under-developed areas could not be taken care of if the Corporation had to depend only on professional agents.

Role of Development Officers.

123. During evidence the representative of the Corporation added that even in foreign countries there was such an institution e.g. in U.K. the Insurance Companies had Development Officers called 'Inspectors' and in U.S.A. they did not have the Development Officers, but they had agents to work on the basis of pure commission.

Deductions from New Business Bonus of Development Officers suggested for bringing in unsound business.

124. *The Committee feel that: if the Development Officers were to exist as an agency for scrutinising the proposals brought by the agents, they must also ensure that the business brought by them is sound.*

125. *The Committee in this connection note that in the rules of the Corporation at present there was a provision for new business bonus being paid to the Development Officers, if they brought business above a certain quota. But there was no corresponding disincentive against bad business. The rate of lapses clearly indicates on the other hand that a good deal of poor business was also brought in yearly. In such cases the Development Officer or the agent was the only gainer. The Committee, therefore, feel that the Corporation should work out some formula or device by which some deduction should be made from the New Business Bonus paid to the Development Officers being set off against policies that might lapse.*

### E. Terms and Conditions of Service of Agent

126. Section 49(2) of the Life Insurance Corporation Act, 1956 lays down that the Corporation may make regulations governing the recruitment of employees and agents of the Corporation and the terms and conditions of their service. While the Corporation had framed the LIC (Staff) Regulations, 1960 defining the terms and conditions of service of the staff, Regulations as such had not been framed in the case of Agents. However the letter of appointment issued to Agents gives the terms and conditions of service of the Agents.

Framing of regulations suggested.

127. *The Committee are not clear as to why the Corporation has not so far complied with the statutory requirement of framing regulations governing the terms and conditions of service of the Agents and the method of their recruitment. The Committee urge that these should be framed at an early date.*

### F. Benami Agencies

128. It was brought to the notice of the Committee by certain non-officials representing agents that in spite of the acceptance of the recommendation of the Estimates Committee made in their 134th Report that the Corporation should take effective steps to eliminate benami agents, the practice continues.

129. The Committee asked the Corporation to state what according to them was the extent of the prevalence of the system and the number of such agencies cancelled during last 3 years. The Corporation has stated in reply that immediately after the Corporation was established instructions were issued to all offices to screen all agents and to terminate the agencies of all those who were benami and to recruit only those persons as agents who were capable of and would work the agency themselves. All the benami agencies were thus terminated when the Corporation was framed and no benami appointments have been permitted to be made there-after. The Corporation had not maintained statistics regarding termination for the reason that the agency was benami.

130. It is needless to point out that the benami agents cannot fulfill the primary obligation of an agent viz., personalised service. Secondly they cannot have the same urge to procure additional or sound business as a regular agent will have. Lastly, the benamies are a temptation to the Development Officers to resort to illegal rebates and enabling the latter to earn higher salaries.

131. *The Committee are inclined to believe that the benami system still prevails and that the Corporation has not fully succeeded in eliminating the evil. The Committee, therefore recommend that the Corporation should take energetic steps to (i) weed out the existing benami agents and (ii) to properly screen the new agents at the time of their recruitment.*

Elimination  
of benami  
agencies sug-  
gested.

### G. Development of an Agency Force

132. Although the Development Officers are responsible for developing and increasing the business it is through the agents that all policies are written. The agent is in direct contact with the policyholder.

133. It has been represented to the Committee that the Corporation had done precious little to develop a sound agency force, with the result that almost a third of over one lakh and a half agencies were terminated every year and another fifty thousand or more agents were recruited every year.

134. During evidence the representatives of the Corporation admitted that the agents did not work continuously for a long time—the effective period of agency being limited to 4 or 5 years. Thereafter the agent took to some other profession or lost interest. He also stated that from the point of view of the Corporation it was not material whether an agent was a whole time or a part time one. The Corporation was concerned only with the result.

Development  
of a sound  
and stable  
agency force  
suggested.

135. *The Committee have noted earlier that the lapse ratio of the Corporation is rising and the service to the policyholder is also poor. In the opinion of the Committee, this appears to reflect the unsound procurement of business and unsatisfactory after sale service on the part of the agents. The Committee understand that the better managed insurance companies in the past used to depend a great deal on professional agents whom they used to properly select and build up by training. The Committee, therefore, recommend that the Corporation should endeavour to develop a stable agency force built on a nucleus of whole time professional agents not only by exercising care in their proper selection but also by imparting them suitable training which would equip them better for their task.*

## VII

### FINANCE AND ACCOUNTS

#### A. Bonus

136. The table below gives the bonus per thousand declared by leading insurance companies in India prior to nationalisation and the bonus presently accruing on the policies issued by such companies along with the corresponding bonus rates of the Life Insurance Corporation:—

Name of the Insurer	Bonus Index as per Differential Bonus Regulations	En-dow-ment		Who-le Life		En-dow-ment		En-dow-ment	
		1963	1954	1953	1951	1950	1948	1945	1946
Oriental	12	16.80	21.00	18	22½	12	15	10	12
New India	11	15.40	19.25	14	16	9	11	6	8
Hindustan	10	14.00	17.50	15	17½	8	8	8	8
National Insurance	10	14	17.50	14	17	8	10	5	5
Bombay Mutual	11	15.40	19.25	18	21	10	12	8	10
United India	12	16.80	21.00	15	17	10	12	7	9
Laxmi	10	14.00	17.50	15	17	9	11	0	0
Bombay Life	11	15.40	19.25	15	19	10	12½	4½	6
Western India	13	18.20	22.75	16	20	12	15	9	11
Empire of India	12	16.80	21.00	15	18	8	10	5	6½
L.I.C.	10	14.00	17.50	12.80	16.00	12.80	16	12.80	16

Figures in brackets Indicate the year of valuation

137. It would be seen from the table above that the bonus declared by the Life Insurance Corporation in the year 1963 on the policies issued by it was lower than the bonus declared on the policies issued by the Oriental, New India, Bombay Mutual, United India, Bombay Life, Western India and Empire of India.

Need for enhanced bonus.

138. During evidence when asked whether the Corporation's bonus was low as compared to international standards, the representative of the Corporation stated that in absolute figures it was low but if one took into account the difference in the rate of mortality, the interest earning and expenses then the rates of bonus of Life Insurance Corporation would not compare badly. He was, however, of the view that the Corporation's Bonus should be stepped up further and it should certainly come up to about Rs. 18 per thousand. *The Committee hope that the Corporation would make earnest endeavours to enhance the rates of bonus.*

### B. Expense Ratio

Overall Expense Ratio and Renewal Expense Ratio of Indian Insurers.

139. The Table below gives the figures of \*overall expense ratio and renewal expense ratio of the Indian Insurers in the year preceding nationalisation and those of the Corporation since its inception.

Year	Overall expense ratio	Renewal expense ratio
	Percentage	
1955	31·8	17·3
1956-57	27·3	15·89
1958	29·2	15·46
1959	28·7	12·92
1960	28·4	12·90
1961	28·0	12·42
1962-63	29·3	14·13
1963-64	27·5	12·46

140. It will be seen from the table above that the overall expense ratio and the renewal expense ratio, has remained more or less static during the last five years. In fact, there was an increase in the accounting period 1st January, 1962 to 31st March, 1963; but that was explained to be due to the

\*Overall expense ratio is the ratio of management expenses to the total premium insured.



increase in the salaries of Class III and IV employees from 1st January, 1962 and in the salaries of Class II employees from 1st January, 1963. The decrease in the overall expense ratio in the year 1963-64 is only slight.

141. The Committee in this connection note that the renewal expense ratio of the New India one of the better managed companies prior to nationalisation was 9.1% in 1954. *That the renewal expense ratio of the Corporation during the last few years should have remained between 12.42% to 12.92% shows that the organisation does not reflect economies of the scale. The representative of the Ministry of Finance himself told the Estimates Committee, when they examined the Corporation in 1960 that the Corporation should attempt to bring the ratio down to 8 or 9%. The Committee, therefore, feel that earnest steps should be taken by the Corporation to reduce its expense ratio.*

Need to reduce expense ratio.

### C. Laying of Valuation Reports before Parliament

142. Section 29 of the Life Insurance Corporation Act, 1956, *inter alia*, provides for the laying of the valuation reports before both the Houses of Parliament as soon as the report is received by the Central Government.

Provision in the Act.

143. The table below gives the dates on which the Valuation Reports were laid on the Table of the House:—

Dates on which laid on the Table.

Period covered by the Report	Date on which laid	Time taken in laying	
		Years	Months
1st Valuation Report as at 31-12-1957	5-8-1959	1	7
2nd Valuation Report of LIC as at 31-12-59	27-11-1961	1	11
3rd Valuation Report as at 31-12-1961	24-1-1963	1	1
4th Valuation Report as at 31-3-1963..	19-3-1964	1	

144. It is true that there is no statutory limitation on the Corporation to place the Valuation Reports of the Corporation before Parliament within any specified limit of time.

Even so, it is desirable that Parliament should be supplied with the Valuation Reports within a reasonable time.

145. When asked during evidence whether a time limit could be fixed for finalisation of Valuation Report and its submission to Parliament, the representative of the Ministry of Finance stated that there was a time limit for submission of Valuation Reports to the Controller of Insurance and once it was submitted to the Controller of Insurance, it was placed before Parliament at the earliest opportunity.

**Review Suggested.**

146. *The Committee hope that Government would review the time limit prescribed for submission of these reports to the Controller of Insurance, so that these reports can be submitted to Parliament early.*

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## VII

### SERVICE TO POLICY HOLDERS

147. The nationalisation of life insurance in India was undertaken as a social security measure. It is, therefore, expected of the Corporation that it should not only bring under insurance cover more and more people but that service to policyholder should be its primary concern.

148. The recognised services rendered by insurance companies to the policyholders are generally as follows: Services rendered to policy-holders

- (i) to issue premium notices.
- (ii) to collect premium and issue receipts.
- (iii) to take notice of lapses and take effective steps to revise the lapsed policies.
- (iv) to record any change in the address of the policy-holders.
- (v) to ensure enquiries about the conditions of policy-holders.
- (vi) to register assignments and nominations.
- (vii) to admit age.
- (viii) to grant loans and quote surrender values.
- (ix) to settle maturity and death claims; and
- (x) to issue the Bonus Cards.

#### A. Complaints

149. In the various memoranda submitted to the Committee it was represented that while service to policyholders was given top most priority by most of the well managed erstwhile insurers, the Corporation had ignored the most important part of their responsibility viz., service to policyholders. The Committee, therefore, called for figures of complaints received by the Corporation. The Corporation has furnished the following figures for the year 1963-64:— Complaints received by the Corporation.

Category of complaints	No. of complaints
1. Premium Receipts . . . . .	10,975
2. Commission . . . . .	13,647
3. Claims . . . . .	6,657
4. New Business . . . . .	4,615
5. Loans . . . . .	6,536
6. Paid-up & Surrenders . . . . .	3,979
7. Miscellaneous . . . . .	17,059

150. A sample investigation carried out by the Corporation revealed that (i) want of sufficient follow up of deposits and claims and (ii) lack of control on arrears were responsible for such a large number of complaints.

Removal of complaints urged.

151. *The above figures are a sad reflection on the state of the service rendered by the Corporation. The Committee were surprised to learn that no disciplinary action was taken against any employee of the Corporation for the aforesaid inadequate follow up or accumulation of arrears. The Committee urge that the Corporation should take adequate measures to tone up its administration, so that the causes of complaints from its policy holders are removed.*

### B. Claims

#### (i) Outstanding Claims

152. Claims arise by maturity and or death. The table below gives the amount of claims arising during the year and the claims outstanding during at the close of each of the years 1960 to 1963-64:

(Figures in crores)

	Amount of claims during the year		Total	Out-standing claims	%age of outstanding claims as at the end of the accounting period to claims intimated in the accounting period
	By Death	By Maturity			
1960	7.68	23.01	30.69	not available	43.9
1961	8.65	25.46	34.11	13.93	40.8
1962-63	12.56	31.40	43.96	13.55	38.5*
1963-64	10.80	33.86	44.66	14.91	33.4

\* Claims intimated adjusted on annual basis.

153. A break-up of outstanding claims as at 31-8-1964 according to the period for which they were outstanding is given below: Pendency of claims. ○

*Maturity Claims*

(Amounts in thousands of Rs.)

Outstanding for	Number	Amount Rs.
(i) Less than 3 months . . . . .	18,144	2,58,26
(ii) More than 3 months but less than 6 months . . . . .	8,080	96,57
(iii) More than 6 months but less than 1 year . . . . .	9,714	1,03,24
(iv) More than 1 year . . . . .	22,220	1,93,28
TOTAL . . . . .	58,158	6,51,35

*Death Claims*

(Amount in thousands of Rs.)

Outstanding for	Numbers	Amount Rs.
(i) Less than 3 months . . . . .	7,917	2,37,29
(ii) More than 3 months but less than 6 months . . . . .	5,278	1,56,25
(iii) More than 6 months but less than 1 year . . . . .	5,836	1,74,40
(iv) More than 1 year . . . . .	13,404	3,43,62
TOTAL . . . . .	32,435	9,11,56

154. The representative of the Corporation informed the Committee during evidence that the Corporation had organised a "Service to Claimants Campaign" under which each Branch and Assistant Branch Managers were given the number of outstanding claims in their respective areas. They were expected to go to the parties and find out their difficulties and report to the Divisional Officer. Further the Corporation had recently appointed a Special Officer in the Central Office to look after expeditious settlement of claims. Steps taken by the Corporation.

155. Asked whether the Board of the Corporation had at any time considered the question of pendency of claims, the Chairman, Life Insurance Corporation stated that it had not directly done so; nor had any study been made by the Board.

Huge claims outstanding need for early settlement emphasised.

156. *It would be seen from the table at para 153 above that inspite of the steps said to have been taken by the Corporation and the appointment of a Special Officer, death and maturity claims to the tune of about Rs. 15 crores were outstanding. The Committee need hardly point out that if a claim is paid promptly it creates a fund of goodwill and opens out further prospects of securing business. They, therefore, recommend that much more vigorous and concerted efforts should be made by the Corporation to settle the outstanding claims without further delay.*

#### (ii) Proof of Age

157. The rates of premia for most policies depend on the age of the life assured at the time of the taking up of the policy. It, therefore, becomes essential that the correct age is stated in both the proposal form and the personal statement by the intending insurer.

158. One of the reasons for the delayed settlement of claims was stated to be that the proof of age was not furnished by the policyholders. In the year 1963 according to an advertisement of Life Insurance Corporation, 4,097 claims could not be paid because the proof of age was lacking.

159. The proof of age ought to be no doubt an important consideration for settlement of claims but it is not a condition only in the matter of claims. The acceptance of a proposal and the subsequent acceptance of a certain rate of premium also assume that the age of the policyholder is not in question. It is also common knowledge that after a policy has been admitted, neither the agent nor the Corporation particularly bother about the proof of age. One reason why the proof of age is not insisted upon is perhaps that generally the variation in the declared age of the proposer and his actual age is only marginal and can, therefore, only slightly effect the liability of the proposer. It is, therefore, unfair that on the maturity of claims, the entire claim amount should be held up for want of proof of age.

Payment of 90% of the claims suggested.

160. *During evidence the Committee put forth the suggestion that where the payment of maturity claims had been withheld for want of proof of age at atleast 90% of the insured amount should be paid on maturity and the balance on the proof of age forthcoming. The representative of the*

*Corporation stated that the idea was worthwhile considering and that they would examine the suggestion. The Committee recommend that this may be done.*

(iii) *Interest on delayed payment of claims*

161. It was represented to the Committee by certain non-officials that the Life Insurance Corporation should pay reasonable interest to the policyholder on the claim, if payment is delayed. Their argument was that the Corporation charged interest from the policyholders, if the premiums due from them were delayed. Further the Corporation earned interest on the claims money outstanding with it. The income-tax authorities paid interest if refunds of tax were not made in time.

Representations to the Committee.

162. The Corporation has stated that "this question has been examined from time to time and it was their belief that it is more in the interest of its policyholders and also in the interest of public relations to endeavour to establish personal contacts with the claimants and help them in receiving the claim payments rather than to allow delay in payment of claims and pay interest on the claim amount". The Corporation has further added that delay in settlement of claims is also due to the claimants themselves and "in case interest is allowed there may not be the necessary drive and anxiety on the part of the claimants to complete all the formalities expeditiously and this may cause further delay". The Corporation would, however, be prepared to consider cases on merit where it is due to the default of the Corporation.

Corporation's view point.

163. When this matter was discussed during evidence, the representative of the Corporation stated that the interest on delayed payment of claims would not be desirable because the Corporation wanted expeditious settlement of claims.

164. *The Committee feel that the Corporation has not set that importance to the question of prompt payment of money due under its policies as it ought to. It is significant that there has been no inquiry in any case of delay whether the delay was avoidable. There has been no case of disciplinary action taken against any officer or other employee of the Corporation for delaying settlement of claims. It cannot be that all the cases of delay referred to in para 153 arose out of default on the part of the policyholders or their heirs. The Committee are of the view that a policy maturing, be it by efflux of time or by the death of the policy holder, the money payable in terms of the policy becomes the property*

Interest on delayed payment of claims suggested.

of the policyholder or his heir or assignee as the case may be and since the Corporation has the use of that money and earns interest on it, the amount under the policy should be paid to the policyholder, his heir or assignee as the case may be with interest at an appropriate rate.

### C. Loans Schemes

Loans against  
security of  
policies.

165. The Corporation generally grants loans to the policyholders on the security of their policies and within the surrender value of the policies in terms of the policy conditions. Loans are granted on the security of all classes of the policies except Annuity Policies, Temporary Assurance Policies, etc. Interest on such loans is chargeable at the rate of 6 per cent.

166. The following table shows the amount of loans on Insurance Policies within their surrender value including A.N.F. Advances outstanding at the end of each of the year 1958, 1962-63.

Year	Amount of Loans	%age in- crease on the loans out- standing over pre- vious year	%age in- crease in the sum assured over the pre- vious year
Rs.			
1958 . . . . .	39,70,87,006	..	..
1959 . . . . .	40,70,41,981	2.5%	26%
1960 . . . . .	43,64,90,301	7.3%	16.3%
1961 . . . . .	47,79,02,131	9.5%	22%
1-1-62 to 31-3-63 . . . . .	55,13,74,259	15.4%	23%

Loans under  
other  
schemes.

167. The Corporation also advances loans to approved parties on the first mortgage of immovable property situated in India under the following schemes:—

- (i) Loans on Mortgage of Property for any specified purpose.
- (ii) Loans to Co-operative Societies/individuals for construction of houses:
  - (a) Loans to Public Limited Companies for the purpose of Housing Schemes of their employees.



- (b) Loans to Housing Co-operative Societies of Employees of Public Limited Companies for construction of houses.
- (c) Loans under scheme for grant of loans to policyholders for construction of houses.
- (d) Loans under 'Own your Home' Scheme.
- (e) Loans under scheme for financing Co-operative Housing Societies formed by the employees of the Life Insurance Corporation.
- (f) Loans under scheme for grant of loans to individual employees of the Corporation for construction of their houses.

168. The scheme was presently in operation at 36 centres viz. Agra, Ahmedabad, Amritsar, Ajmer, Asansol, Bangalore, Baroda, Bhopal, Bombay, Calcutta, Chandigarh, Coimbatore, Cuttack, Delhi, Ernakulam Gauhati, Hyderabad, Indore, Jabalpur, Jaipur, Jammu, Jullundur, Kanpur, Lucknow, Ludhiana, Madras, Madurai, Meerut, Nagpur, Nasik, Patna, Poona, Rajkot, Surat, Trivandrum and Varanasi.

169. The following table gives particulars of the mortgage loans sanctioned during the last three years:—

Year	No. of applications sanctioned	Amount (Rs. in crores)	Total Amount of mortgage loans sanctioned.
1961 . . . . .	153	112.14	
1-1-62 to 31-3-63	394	218.04	
1963-64 . . . . .	296	244.68	

(i) *Delay in sanctioning Loans*

170. It was represented to the Committee that there was inordinate delay in sanctioning the loans and also disbursing the same.

171. The Corporation has stated that so far as the loans on mortgage of policy is concerned, the average time taken for sanctioning loan; i.e. sending the loan offer to the borrower depends upon several factors. In respect of applications which are complete in all respects and accompanied by all the required documents, the time taken is short. In other cases correspondence ensues after receipt of the application at the centre, or the Central Office, and it naturally takes some time before a decision on the feasibility or otherwise of sanctioning a loan is taken.

Average time taken in sanctioning loans.

172. In this connection, the Committee note that an analysis of about 90% of the applications sanctioned during the period from 1st April, 1963 to 31st March, 1964 made by the Corporation indicates that "the loan offers were issued within 6 weeks in about 12% of the cases. It took about 1 to 3 months in about 37% of the cases and 3 to 4½ months in 22% of cases. In 16% of cases it took from 4½ to 6 months. In the remaining cases the time taken was six months and over due to protracted correspondence with the applicants".

173. As regards the average time taken in the case of 'Own Your Home' Scheme the Corporation could not give any figures because the scheme had come into operation from 1st January, 1964. The time taken in sanctioning the loans to policy-holders on first mortgage of property, was stated to be more or less the same as in the first case.

174. In the case of Housing Co-operative Societies of the Employees of the Corporation, the Corporation has stated that "depending upon the completion of the requirements, loans are sanctioned in the course of a couple of months in some cases and even in 3 or 4 weeks in others".

Average time taken in disbursing loans.

175. As regards disbursements, the analysis referred to earlier indicates "that in 5 per cent. of the cases it was possible to disburse the first instalment within six weeks of the sanction. In 18 per cent. of the cases it took from 1½ to 3 months, in 30 per cent. of cases from 3 to 4½ months and in 21 per cent. of cases the time taken was 4½ to 6 months. It took about 6 to 9 months in 17 per cent. of the cases and the balance over 9 months." These figures abundantly prove that there was substance in the complaint made to the Committee.

Omission on the part of Inspection Organisation.

176. *The Committee are surprised to find that the Inspection Organisation of the Corporation had also not looked into this aspect during their inspections.*

177. During evidence the representative of the Corporation admitted that the Inspection Organisation had not done anything so far in this field, but they promised to see if this organisation could take up this work. The representative of the Corporation also admitted that no case studies had been undertaken with a view to finding out what were the main factors responsible for delays in sanctioning loans.

Expedition sanctioning of loans suggested.

178. *The grant of loans is one of the accepted services offered by the insurance companies to their clients all the world over. This benefit in turn is known to bring more*

business for the insurers. The advantage of this benefit can however be lost if there are delays in sanctioning the loans. The Committee regret to note that there is delay in the Corporation sanctioning loans. They recommend that the Corporation should grant loans expeditiously.

(ii) Amounts Sanctioned

179. A statement indicating the average amount of loans sanctioned under each of the schemes of the Corporation during 1963-64 is given below:

Sl. No.	Loan Schemes	Loans sanctioned from 1-4-63 to 31-3-64		Average amount of loans sanctioned.
		No.	Amount Rs.	loan sanctioned Rs.
1	Loans on first mortgages of property . . .	296	2,44,68,000	82,662
2	Loans to policy holders on first mortgages of property for construction or purchase of houses .	28	8,82,500	31,518
3	"Own Your Home" Scheme . . .	11	2,02,500	18,409
4	Loans to Co-operative societies formed by the employees of the Corporation for purchase or construction of houses . . .	12	53,90,000	4,49,167

180. It would appear from the average amount of loans sanctioned that it is only the large investors who were benefitting from the loans offered by the Corporation. Class of beneficiaries.

181. As regards the class of people who availed of this facility, the Committee were informed during evidence that in the case of employees the Corporation has given loans to 246 people. They formed 23 per cent of the total and the average loan given to them was Rs. 38,000. Regarding the businessmen, the number of people was 364. They formed 34 per cent. and the average loan came to Rs. 67,000. In the case of housewives, the number was 238. They formed 22 per cent. of the total

and the average loan worked out to Rs. 54,000. Regarding the landlords, the number of people was 58. They formed 5 per cent. of the total and average came to Rs. 61,000. In the case of self-employed people viz., professional people i.e. Doctors, etc., the number was 143 and the average loan worked out to Rs. 65,000. In the case of firms and companies the number was 11 and the average amount came to Rs. 95,000. Under the miscellaneous the number was 22 and the amount came to Rs. 91,000. The total number of all these came to 1,082 and the average loan amount was Rs. 58,000.

182. Even from these figures, it is evident that the richer class of the society got the benefit of these loan schemes because an average amount of Rs. 58,000 could not have been availed of by men of ordinary means. These figures further reveal that smaller groups of the society e.g. the landlords, the businessmen, the professional people and the companies and firms, reaped the benefits of the facility most.

Need for catering to the requirements of the weaker sections of society.

183. *The nationalisation of life insurance business in India was resorted to for the benefit of the masses. It was, therefore, of prime importance that various loan schemes of the Corporation should more and more cater for weaker sections of society. The Committee hope that the Corporation would take suitable steps in this direction.*

### (iii) Procedure for the Grant of Loans

184. It was represented to the Committee that apart from the delay in the sanctioning of loans, the procedure in obtaining the loans was very irksome. The loan on security of policyholders are sanctioned by the Divisional Offices and the loan on mortgage of property by Central/Zonal Offices. On the recommendation of the Estimates Committee, the Corporation had agreed to empower certain Branch Offices to sanction loans of the first category. The Committee were surprised to find that the Corporation could not state as to how many Branch Offices had been thus empowered.

185. During evidence the representative of the Corporation promised to collect the requisite information in which authority for giving loans on security of policies had been given to the various Branches in different Zones. He, however, did not agree with the view point, that it was necessary to give powers to all the Branch Offices for granting loans.

Liberalisation and simplification of loan procedure suggested

186. *The grant of a loan on the security of a policy does not entail any risk to the Corporation. The Committee, therefore, feel that there is no reason why the procedure for*

*the granting of a loan should be complicated. They recommend that the procedure should be simplified and liberalised and the Branch Offices empowered to sanction loans.*

187. In this connection it was also represented to the Committee that the Corporation does not issue receipts to the policyholders for policies deposited with it as security for loan, unless specifically asked for. *The Committee hope that such receipts would be given as a matter of routine irrespective of requests.*

Issue of receipts for policy documents suggested.

188. *It was also represented to the Committee that the wordings of the loan agreement form was not nicely set. The Committee would suggest that a study should be made of the loan agreement form of other companies to find out the most practicable but short and simple form in consultation with their solicitors.*

Loan agreement forms to be simplified.

189. *It is evident from the foregoing paras that the service rendered by the Corporation to its policyholders is far from satisfactory. The Committee feel that if the Corporation is to earn the goodwill of the insuring public and gain its confidence it will have to ensure greatly improved service to policyholders.*

Better & improved service to policyholders urged.

## IX

### REORGANISATION

Suggestions  
in Parli-  
ment.

190. From the very inception of the Corporation there has been controversy whether the Corporation should be a single organisation or there should be four or five Corporations, in place of one. The matter has been raised inside Parliament and outside and although the Government has so far favoured a single Corporation, the idea of having more than one Corporation has not been overruled, as would be seen from the following statements.

Views of the  
then Finance  
Minister.

191. While replying to the debate in Lok Sabha on the Life Insurance Corporation Bill, 1956 the then Finance Minister had stated:

“...we feel that to start with we should have only one autonomous Corporation with Zonal Organisations and if we find that it does not work satisfactorily then it would be open to us to change over from it to a number of autonomous Corporation. This process would be easier than the reverse process that is to say to proceed from several autonomous Corporations to one monopoly Corporation.”

Views of the  
Late Prime  
Minister.

192. Again speaking on the Chagla Commission's Report on the 20th February 1958, the late Prime Minister had stated in the Lok Sabha:

“Some Members have suggested that it might have been desirable or it might be desirable in the future for this huge organisation to be split up into three or four. It is a matter which may be considered. If that is more advantageous, it should be done. We should not hesitate to do it.”

Views of the  
former  
Chairman of  
L.I.C.

193. The then Chairman of the Corporation also observed before the Estimates Committee on the 29th November, 1960:

“that if the new business of the Corporation in a year exceeded Rs. 1,000 crores, it might become necessary to split it up into one or more separate bodies. This target is expected to be reached by 1963.”

194. The Estimates Committee which went into this question in 1960 suggested\* a *via-media* that the Corporation should have a federal structure with semi-autonomous zonal units. They thought that the grant of autonomy in the writing of business, payment of claims, grant of loans, servicing etc. would increase the efficiency of zonal units. The central organisation in such a set-up, then need be concerned only with policy matters, overall supervision, co-ordination, rates of premia etc. The Committee further suggested that to introduce an element of competition between the different semi-autonomous zonal units, the figures of new business, management expenses, overall and renewal expense ratio, profit & loss etc. could be worked out for each zone and published separately in the annual reports of these units. The reply\*\* of the Government which has been accepted by the Estimates Committee states as follows:

“The position at present is that the zones are already functioning as semi-autonomous units to a substantial extent. The question of delegating the largest possible powers to the various offices of the Corporation is constantly under review.

Even now there is competition between the zones, divisions, branches, field officers and agents. The new business figures, zone-wise are already being published in the annual reports. The question of publishing renewal expense-ratio and management expenses of different zones will be examined after the work relating to decentralisation of policies issued by the erst-while insurers has been completed.

Profit and loss account cannot be worked out for the different zones separately as the investment work is centralised at the Central Office of the Corporation.”

195. During evidence, the representative of the Ministry of Finance informed this Committee that he was inclined to agree with the former Chairman of the Corporation that after the Corporation had written business up to a certain limit, it would be advantageous to split up the Corporation.

196. *The Committee have considered this matter carefully. They are convinced that the tardy growth of business, and deterioration of service to the policyholders which have*

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\*Para 10 of 134th Report of EC (2 LS).

\*\*S. No. (pp. 24-25) of 41st Report of EC (2 LS).

been brought out in Chapters IV and VIII are ascribable to the present size and centralised organisation of the Corporation.

Splitting of the Corporation into five independent Corporations suggested.

(197) The Committee feel that if the standard of efficiency in the Corporation is to be improved, with better service to the policyholders, and the Corporation is to expand its business on a massive scale, its present zones must be constituted into completely independent Corporations. ✓

198. Such a major reorganisation would involve the amendment of the statute and may take some time. They, therefore, suggest that in the meanwhile the present zones should be made fully autonomous not merely by delegating more powers to the Zonal Managers but by setting up separate Boards of Management and making each Zonal Manager the Chief Executive Officer of his Zone. The Committee hope that by this process overall business will expand, rural business would significantly increase and the service to the policyholders would also improve.

199. So far as investments are concerned, during the transitional period, the Central Board of the Corporation should look after this work, but even after formation of five independent Corporations it would be necessary in the national interest that the investments are equitably distributed throughout the country. A practical approach to this would be that a major portion of the investment of any Zonal Corporation should be earmarked for the zone itself. The balance should be left at the disposal of a central authority, to be created for the purpose for meeting also the needs of the backward areas of the country.

Setting up of the expert committee suggested.

200. The details of the reorganisation suggested in para 197 above will have to be worked out by an expert committee. The Committee, therefore, suggest that an expert committee may soon be appointed for the purpose.

PANAMPILLI GOVINDA MENON,

Chairman,

Committee Public Undertakings.

NEW DELHI;

March 24, 1965.

Chaitra 3, 1887 (S).



## **APPENDIX I**

(Vide para 57)

*Statement showing the names of Central Government/State Government Departments/Public Undertakings etc., who have introduced the Salary Savings Scheme.*

### **A. CENTRAL GOVERNMENTS DEPARTMENTS**

1. Central Social Welfare Board.
2. Central Institute of Education.
3. Indian Air Force.
4. Council of Scientific and Industrial Research.
5. Indian Institute of Public Administration.
6. Supreme Court of India.
7. Central Road Research Institute.
8. Indian Institute of Economic and Social Growth.
9. Lok Sabha Secretariat.
10. Directorate of Police (Ministry of Home Affairs).
11. Indian Standard Institute.
12. University of Delhi.
13. All India Institute of Medical Sciences.
14. Ministry of Home Affairs.
15. Special Police Establishments.
16. Central Public Works Dept.
17. Ministry of External Affairs.
18. School of Planning and Architecture.
19. Indian Institute of Petroleum.
20. Indian National Scientific Documentation Centre.
21. Indian Medical Plan Orgn. (C.S.I.R.).
22. Central Hindi Directorate (Ministry of Education).
23. Pant Polytechnics. (Govt. of India).
24. Canteen Stores Deptt. (I).

25. Central Research Institute.
26. Central Scientific Instrument Orgn.
27. Central Reserve Police.
28. Central Electronic Research Institute.
29. Central Welfare Extension.
30. Survey of India.
31. Regional College of Education.
32. Department of Psychological Foundation.
33. Directorate of Extension Programme for Secondary Education.
34. Department of Circular Methods and Text Books.
35. 508 Army Base Workshop.
36. 508 E.M.E. Workshop.
37. Ordnance Factory, Kanpur.
38. Parachute Factory, Kanpur.
39. Small Arms Factory, Kanpur.
40. Inspectorate of Armament Gauges, G.C.F. Jabalpur.
41. Indian Govt. Mint (for Non-Gazetted Officers).
42. Armament Research and Development Detachment, Ambernath.
43. Indian Central Cotton Committee.
44. Inspectorate of Armament, Ambernath.
45. Inspectorate of General Stores, Bombay (Govt. of India, Ministry of Defence).
46. Machine Tool Prototype Factory, Ambernath.
47. Regional Passport Office.
48. Tea Board.
49. Ordnance Factory, Ambernath.
50. Central Leather Research Institute.
51. Indian Coffee Board.
52. Indian Coir Board.
53. Defence Food Research Laboratory.
54. Central Coconut Research Institute.
55. Dock Labour Board.

**B. STATE GOVERNMENT DEPARTMENTS**

1. Khadi Gram Udyog.
2. State Govt. (Hyderabad) Guest House.
3. Antarim Jilla Parishad, Mainpuri.
4. Agri Nagar Mahapalika.
5. Municipal Board, Aligarh.
6. Municipal Board, Atrauli, Distt. Aligarh.
7. Municipal Board, Fatehpur Sikri (Agra).
8. Municipal Board, Jalesar (Etah).
9. Municipal Board, Hathras (All Deptts.).
10. Municipal Board, Kaimganj (Farukhabad).
11. Municipal Board, Kasganj (Etah).
12. Municipal Board, Kosikalan (Mathura).
13. Municipal Board, Khurja (Bulandshahr).
14. Municipal Board, Mainpuri.
15. Municipal Board, Sikandraro (Aligarh).
16. Municipal Board, Sikohabad (Mainpuri).
17. Town Area Committee, Sahawar (Etah).
18. Zila Parishad, Etah.
19. Zila Parishad, Mathura.
20. Antarim Zila Parishad, Banda.
21. Municipal Board, Jhansi.
22. Regional Employment Exchange, Kanpur.
23. Central T.B. Clinic, Kanpur.
24. Municipal Board, Jalaun.
25. Municipal Board, Kalpi.
26. Cantt. Board, Allahabad.
27. Govt. Junior Trg. College, Kanpur.
28. A. Zilla Parishad, Hamirpur.
29. A. Zilla Parishad, Allahabad.
30. U.P. Electricity Supply, Allahabad.
31. Kanpur Nagar Mahapalika, Kanpur.

32. Chief Engineer (Hydel) U.P. State Elec. Board, Lucknow.
33. Govt. Polytechnic.
34. Govt. Technical Institute.
35. U. P. Agricultural University, Pantnagar.
36. Directorate of Social Worker, U.P., Lucknow.
37. Directorate of Training & Employment, Lucknow.
38. Cane Commissioner Office, U.P., Lucknow.
39. U.P. Postwar Services Reconstruction Fund Governor's Sectt., Lucknow.
40. U.P. Council of Sports, Lucknow.
41. Govt. College of Arts & Crafts.
42. Town Area URM Madhyamic Vidyalaya Committee, Nainital.
43. Municipal H.S. School, Biswan.
44. Antarim Zila Parishad, Barabanki.
45. Model Montessorie School Nagar Mahapalika, Lucknow.
46. Antarim Zila Parishad, Bareilly (General).
47. Antarim Zila Parishad, Bareilly (Education).
48. Antarim Zila Parishad, (Teachers), Hardoi.
49. Antarim Zila Parishad, Hardoi (Office Estt.).
50. Antarim Zila Parishad, Hardoi (Pound Keepers).
51. Antarim Zila Parishad, Sultanpur.
52. Municipal Board, Aonala.
53. Antarim Zila Parishad, Shahjanpur.
54. Nagar Mahapalika, Lucknow.
55. Improvement Trust, Lucknow.
56. Municipal Board Sandi, Distt. Hardoi.
57. Municipal Board Shahabad, Distt. Hardoi.
58. Municipal Board, Sultanpur.
59. Municipal Board, Tanda (Faizabad).
60. Municipal Board, Pilibhit.
61. Municipal Board, Rai Bareilly.
62. Antarim Zila Parishad, Pilibhit.
63. Antarim Zila Parishad, Kheri.
64. Antarim Zila Parishad, Fyzabad.
65. Antarim Zila Parishad, Badaun.
66. Municipal Board, Almora.
67. Municipal Board, Sitapur.
68. Municipal Board, Faridpur (Bareilly).

69. Municipal Board, Hardoi.
70. Municipal Board, Kashipur (Nainital).
71. Municipal Board, Ujhani.
72. Municipal Board, Balrampur (Dt. Gonda).
73. Municipal Board, Pratapgarh.
74. Notified Area Committee, Bageshwar (Almora).
75. Antarim Zila Parishad, Pratapgarh.
76. Municipal Board, Haldwani-cum-Kathgodam.
77. Municipal Board, Biswan, Sitapur.
78. Municipal Board, Barabanki.
79. Municipal Board, Kheri.
80. A. Z. P. Bahraich.
81. Municipal Board, Nainital.
82. Antarim Zila Parishad, Unnao.
83. Regional Trg. Institute, Ghazipur.
84. Govt. Test School, Ghazipur.
85. Municipal Board, Deoria.
86. Zila Parishad, Gorakhpur.
87. Municipal Board, Azamgarh.
88. Municipal Board, Ballia.
89. Municipal Corporation, Varanasi.
90. Govt. Cement Factory, Churk.
91. Antarim Zila Parishad, Ghazipur, Azamgarh, Jaunpur.
92. Municipal Board, Ghazipur, Azamgarh, Basti.
93. Municipal Council—Betul, Sagar, Damoh, Kharasia, Seoni, Pandhurna, Raipur, Chhindwara, Katni, Dhamtari, Kawardhara, Bhatpara, Multai, Khurjai, Raigarh, Jagdalpur, Kota, Sakti, Sarangarh.
94. Janpad Sabha, Seoni, Raigarh, Multai, Jashpurnagar, Haranjaigarh, Balaghat, Banda, Sausar, Murwara, Kawardha, Sangor, Dhamtari, Khurai, Balod, Matta, Rehli, Khanker, Sakti, Sikora, Amarwara, Chhindwara, Lakhandon, Mungli, Waraseoni, Betul, Jabalpur, Patan, Baikunthpur, Sarangarh.
95. B.D.O., Hanumana.
96. B.D.O., Manganj.
97. A.D.I.S. All Offices (Approximately).
98. C.P.T.S., Jabalpur.
99. Municipal Corporations.
100. Ujjain, Improvement Board.
101. All Municipality in Ujjain (Biora, Barnagar, Khichipur, Mahidpur, Shajalpur, Sonbatch, Tarana).

102. Municipality, Debalpur, Indore.
103. Municipality, Bhandar, Gwalior.
104. Municipality, Herda, Itarsi.
105. Municipality, Papariya, Itarsi.
106. Municipality, Sohangpur, Itarsi.
107. Municipality, Narsinghpur, Bhopal.
108. Municipality, Khachrod, Ratlam.
109. Municipality, Alirajpur, Khandwa.
110. Municipality, Manawar, Khandwa.
111. Municipality, Barhampur, Khandwa.
112. Municipality, Anjod, Khandwa.
113. Municipality, Sendhwa, Khandwa.
114. Municipality, Mandleshwar.
115. Municipal Council, Bareaha.
116. Municipal (Office Estt.), Khandwa.
117. Municipal (Tax Collection), Khandwa.
118. Municipal (Octroi Collection), Khandwa.
119. Municipal (Public Works), Khandwa.
120. Municipal (Health Officers), Khandwa.
121. Municipal (Market Estt.), Khandwa.
122. Municipal (Education), Khandwa.
123. Malaria Medical Office, Barwani, Khandwa.
124. Ambar Charkha Kendra, Biroora, Ujjain.
125. Ambar Charkha Kendra, Shivpuri, Guna.
126. Ambar Charkha Kendra, Chindiri, Guna.
127. Ambar Charkha Kendra, Motitabela, Indore.
128. Ambar Shahkari Mandal, Shajalpur, Ujjain.
129. Leather Stitching Centre, Karera, Guna.
130. M. P. Khadi and Village Industries Board, Ujjain.
131. M. P. Khadi and Village Industries Board, Gwalior.
132. M. P. Khadi and Village Industries Board, Morena Gwalior.
133. M. P. Khadi and Village Industries Board, Indore.
134. M. P. Laghu Udyog Nigam, Ltd., Indore.
135. M. P. Laghu Udyog Nigam, Ltd., Gwalior.
136. M. P. Laghu Udyog Nigam, Ltd., Bhopal.
137. M. P. Laghu Udyog Nigam, Ltd., Jabalpur.
138. M. P. Khadi and Village Industries Commission, Ujjain.
139. M. P. Khadi and Village Industries Commission, Shajalpur, Ujjain.
140. M. P. Khadi and Village Industries Commission, Ratlam.

141. M. P. Khadi and Village Industries Commission, Indore.
142. Janapad Sabha, Hosangabad, Itarsi.
143. Janapad Sabha, Sahogpur, Itarsi.
144. Janapad Sabha, Seoni Malwa, Itarsi.
145. Janapad Sabha, Harda, Itarsi.
146. Janapad Sabha, Harsud, Khandwa.
147. Janapad Sabha, Burhanpur, Khandwa.
148. Gen. Staff ADIS Khandwa Block.
149. (Tech. Staff) D.E.O.E. Khandwa, Block.
150. Gorkha Military School, Dehradun.
151. Municipal Board, Chandpur.
152. Municipal Board, Rishikesh.
153. Municipal Board, Mussoorie.
154. Municipal Board, Shamli.
155. Municipal Board, Muzaffarnagar.
156. Antarim Zila Parishad, Moradabad.
157. Municipal Board, Notawara.
158. Municipal Board, Moradabad.
159. Municipal Board, Meerut.
160. Antarim Zila Parishad, Meerut.
161. Municipal Board, Rishikesh.
162. Municipal Board, Saharanpur.
163. Govt. Horticulture, Saharanpur.
164. T. T. Devasthanam.
165. State Housing Board.
166. Municipal Corporation, Hyderabad.
167. Regional Research Laboratory.
168. Government Sandlwood Oil Factory.
169. Mysore Govt. Silk Factory.
170. Khadi Board.
171. City Municipality, Mysore.
172. Mysore Govt. Road Transport Department.
173. Bangalore Corporation.
174. Government Porcelain Factory.
175. State Electricity Board.
176. Kerala Electricity Board.
177. Electricity Board, Dharwar.
178. Electricity Board, Udipi.
179. Port Trust Board.
180. Kerala Government.

181. Mysore Government.
182. Delhi Electric Supply Undertaking.
183. Delhi Government Co-op. Industrial Society.
184. Delhi Municipal Corporation.
185. Tuberculosis Centre (Delhi).
186. Patel Chest Institute, Delhi.
187. Delhi Public Library.
188. Safdarjung Hospital, Delhi.
189. Lady Harding Medical College.
190. Irwin Hospital.
191. Delhi Govt. Schools (Boys).
192. Delhi Govt. Girl's Schools.
193. Municipal Corporation Schools (Delhi).
194. Delhi Armed Police.
195. Directorate of Education Delhi State.
196. Delhi Transport Undertaking.
197. Notified Area Committee (Delhi).
198. Block Development Offices (Delhi).
199. Delhi Fire Service.
200. Andhra Pradesh Govt. Guest House (Delhi).
201. Water Supply & Sewage Disposal Undertaking.
202. Delhi Police.
203. Regional College Unit (Delhi).
204. Delhi Zoological Garden.
205. Punjab Roadways.
206. Pepsu Road Transport Corporation.
207. Punjab State Ware Housing.
208. Punjab State Small Scale Industries Corpn.
209. Punjab State Co-op. Land Mortgage Bank.
210. Punjab Financial Corpn.
211. All the Deptt. of State Govt. Punjab.
212. Punjab State Khadi Gram Udyog Sangh.
213. Municipal Committees in Punjab State.
214. Notified Area Committees.
215. Punjab State Electricity Board.
216. Punjab Government High Schools.
217. Punjab University.
218. Kurukshetra University.
219. Govt. Colleges, Punjab.
220. Punjab Agriculture University.



221. Himachal Pradesh State Co-op. Bank.
222. Himachal Govt. Rasin Terpin-tin Factory.
223. Cantonment Board Jammu.
224. Jammu Central Co-op. Bank.
225. Rajasthan Transport Deptt.
226. Rajasthan Public Relation Office.
227. Rajasthan Khadi Sangh.
228. University of Jodhpur.
229. P.S. & Z.P. Service Selection Commission (Raj.).
230. Udaipur University.
231. Rajasthan College of Agriculture.
232. Food Commissioner, Rajasthan.
233. Railway Magistrate.
234. Municipal Committees in Rajasthan State.
235. Cantonment Board in Rajasthan State.
236. Office of the Accountant General, Rajasthan.
237. Asstt. Commissioner Sch. & Tribes, Rajasthan.
238. Rajasthan District Board.
239. Municipal Board, Rajasthan.
240. Panchayat Samities, Rajasthan.
241. District Medical Health Deptt.
242. Zilla Parishad.
243. Ayurvedic Deptt. Rajasthan State.
244. State Medical Deptt.
245. Office of the Rajasthan Secretariat.
246. Office of the Excise Magistrate.
247. Treasury Office.
248. Rajasthan Revenue Board.
249. Office of the Land Record Staff.
250. Office of the Rajasthan Civil Supply Deptt.
251. Orissa Govt.
252. West Bengal Govt.
253. Assam (Under Negotiation).
254. Director of Fisheries, Taraporewala Aquarium, Bombay.
255. Fisheries Technological Laboratory (Asstt. Director of Fisheries).
256. Greater Bombay Milk Scheme (Offices of the Director).
257. Local Self-Govt. Institute.
258. Maharashtra Housing Board, Bombay.
259. Maharashtra State Electricity Board.

260. Maharashtra State Village Industries Board.  
 261. Regional Provident Fund Commissioner (Maharashtra State).  
 262. Zilla Parishad, Kolaba.  
 263. Zilla Parishad, Thana.

### C. PUBLIC UNDERTAKINGS ETC.

1. Reserve Bank of India.
2. Industrial Finance Corporation of India.
3. Hindusthan Machine Tools.
4. Khadi and Village Industries Commission.
- 5. National Mineral Development Corporation.**
6. State Bank of India.
7. U.P. Electricity Board, Bulandshahr.
8. U.P. Electricity Board, Mainpuri.
9. Life Insurance Corporation of India.
10. K.E.S.A. Kanpur.
11. I.I.T. Kanpur.
12. Indian Airlines Corporation.
13. Bareilly Elec. Co.
14. Shahajahanpur Elec. Supply Co.
15. Pilibhit Elec. Supply Co.
16. Birbal Sahni Institute of Palaeobotany, Lucknow.
17. Central Drug Research Institute, Lucknow.
18. National Botanic Garden, Lucknow.
19. U.P. Elec. Supply Co. Ltd.
20. Govt. Chicken & Embroidery Scheme, Lucknow.
21. U.P. State Warehousing Corpn. Lucknow.
- 22. U.P. State Electricity Board, Lucknow.**
23. Hydrel Stores & Procurement Circle, Lucknow.
24. Hydrel Procurement & Purchase Divn. Lucknow.
25. U.P. Electricity Board Hydro Elec. Generation Divn. Pilibhit.
26. Hydrel Test Division U.P. State Elec. Board, Faizabad.
27. Hydrel Circle, Faizabad.
28. Sultanpur Hydrel Divn. Faizabad.
29. Hydro Elec. Sub-Division, Faizabad.

30. Hydro Elec. Divn. Gonda.
31. Hydro Elec. Divn. Badaun.
32. Hydel Construction Division, Faizabad.
33. Hydel Test-Divn. Faizabad.
34. Asstt. Registrar Co-op. Societies, Nainital.
35. Central Stadium Managing Committee, Lucknow.
36. C. G. Fruit Preserving Factory, Nainital.
37. S.D.O.I. Sarda Hydel Divn. Shahajanpur. ..
38. S.D.O. III Hydro Elec. Divn. Lucknow.
39. Vill. & Oil Industry, Khadi & Village Commission, Lucknow.
40. Investigation & Planning Circle U.P. State Elec. Board, Lucknow.
41. Electricity House, Lucknow.
42. Fertilizer Corporation of India.
43. U.P. Hydro Elec. Board, Varanasi.
44. U.P. Hydel Elec. Board, Gorakhpur.
45. Hudel Distribution Division, Gorakhpur.
46. U.P. Hydel Elec. Board, Deoria, Azamgarh, Jaunpur, Ballia, Ghazipur, Mirzapur.
47. Hindusthan Alluminium Factory, Mirzapur.
48. U.P. Hydro Electric Board, Azamgarh.
49. Hydel Test Division, Gorakhpur.
50. Hydel Construction plan, Azamgarh.
51. M.P. Electricity Board.
52. M.P. State Co-operative Bank.
53. Indian Oil Company.
54. All M.P. Laghu Udyog Nigam Ltd.
55. M.P. Road Transport.
56. Hydel Division, Nagina.
57. Hydro Electric Division, Dhampur. ..
58. Hydel Sub-Division, Dehra Dun.
59. Indian Institution of Petroleum, Dehra Dun.
60. Hydel Division, Moeadabad.
61. Hydro Electric Sub-Division, Chandausi.
62. Hydro Elec. Division, Roorkee.
63. Hydel Communication Division, Roorkee.
64. University of Roorkee, Roorkee.
65. Hydro Electric Power House, Saharanpur.
66. Export Credit & Guarantee Corporation.

67. Indian Oil Corporation.
68. Indian Rare Earths Ltd.
69. Indian Telephone Industries Ltd.
70. Mazagaon Dock Ltd.
71. Minerals and Metals Trading Corporation of India.
72. National Small Industries Corpn. (Bombay) Pvt. Ltd.
73. State Trading Corporation of India Ltd.
74. State Bank of Bikaner.
75. State Bank of Indore.
76. State Bank of Jaipur.
77. State Bank of Patiala.
78. Oriental Fire & General Insurance Co.
79. Indian Refineries Corpn.
80. National Project Corpn.
81. Indian Handicraft Dev. Corpn.
82. State Bank of Rajasthan.
83. Air India International.
84. Bharat Electronics.
85. Hindusthan Insecticides.
86. National Building Corporation.
87. Tractor & Equipment Corpn.
88. Neiveli Lignite Corporation.
89. Heavy Electricals, Trichy.
90. State Bank of Hyderabad.
91. Heavy Electricals.
92. State Bank of Mysore.
93. Hindusthan Aircraft.
94. State Bank of Travancore.
95. Hindusthan Steel.
96. Coal Board.
97. Indian Finance Corporation.
98. Regional Provident Fund.
99. Central Mining Research Station.
100. Hindusthan Cables.
101. Central Mech. Eng. Res. Institute.
102. Nat. Metallurgical Lab.
103. Central Fuel Res. Inst.
104. Hindusthan Small Tools.
105. Central Glass and Ceramic Res. Inst.
106. Sindri Fertilizers.

107. Gardenreach Workshop.
  108. Oriental Gas.
  109. W. B. State Electricity Board.
  110. Durgapur Projects.
  111. Behar State Electricity Board.
  112. Behar State Khadi and Village Industries Board.
  113. Behar School Examination Board.
  114. Assam Govt. Electricity Board.
  115. Bombay Electric Supply and Transport Undertakings.
  116. Maharashtra State Road Transport Corporation.
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December, 1957                      December, 1958                      December, 1959

Category

Category	December, 1957		December, 1958			December, 1959			
	Number	Gross salary	Number	%age rise over (1)	Gross salary	%age rise over (2)	Number	%age rise over (1)	Gross salary
	1	2	3	4	5	6	7	8	9
Class I Officer	1,038	9.20	1,432	37.9	12.21	32.7	1,479	42.5	12.82
Development Officer	5,222	13.13	4,830	7.5	15.27	16.3	5,188	0.6	17.53
Supervisory and Clerical Staff	19,588	40.22	22,994	17.3	47.64	18.4	24,652	25.8	50.68
Subordinate staff	4,920	4.75	5,544	12.7	5.49	15.6	6,022	22.4	5.85
	30,768	67.30	34,800	13.1	80.61	19.8	37,341	21.3	86.88

## APPENDIX II

(Vide para 105)

Statement showing yearwise the number of employees of the Life Insurance Corporation of India in each cadre and their Gross Monthly Salary.

		December, 1950				December, 1961			
Age group	Number	%age rise over (1)	Gross salary	%age rise over (2)	Number	%age rise over (1)	Gross salary	%age rise over (2)	
10	11	12	13	14	15	16	17	18	
39	1,852	78.4	15.16	64.7	2,162	108.3	17.77	86.6	
33	5,808	11.2	19.71	50.1	[7,128	36.5	23.92	82.6	
26.0	26,706	36.3	54.90	36.4	28,625	46.1	63.51	57.8	
23.1	5,878	19.4	6.05	27.3	5,933	20.6	6.94	46.1	
29	40,244	30.7	95.82	42.3	43,848	42.5	112.14	66.6	

March, 1963

March, 1964

Number	March, 1963			March, 1964			
	%age rise over (1)	Gross salary	%age rise over (2)	Number	%age rise over (1)	Gross salary	%age rise over (2)
19	20	21	22	23	24	25	26
2,495	140.3	20.48	122.6	2,751	165	22.08	140
8,208	57.1	27.85	112.1	8,585	64	30.37	131.3
30,915	57.7	78.60	95.4	31,624	61	82.13	104.2
6,462	31.3	8.81	85.4	6,665	35	9.16	93.05
	56.3	135.74	108.6	49,625	61	143.74	113.5



### APPENDIX III

*Statement showing the Summary of Conclusions/Recommendations of the Committee on Public Undertakings in the Report*

Serial No.	Reference to para No. in the Report	Summary of Conclusions/Recommendations
I	2	3
1	9	The Committee feel that although the appointment of the Chairman as the Chief Executive may not be illegal, there has been a departure from the management pattern envisaged in the Life Insurance Corporation Act, 1956 viz. the Executive Committee being incharge of the general superintendence and direction of the affairs of the Corporation and the Managing Directors being the whole-time executives of the Corporation. Under the circumstances the Committee feel that the matter needs to be reviewed in the light of the provisions of the Act.
2	10—12	Since the establishment of the Corporation there have been five changes in the incumbency of the post of Chairman and three changes in the incumbency of the post of the Managing Director. The Committee hope that to ensure continuity of management, Government would see to it that the Chairman and Managing Director of the Corporation are not changed so frequently.
3	15	None of the present Members of the Corporation had any experience in insurance. While appreciating the difficulty to secure suitable men with insurance experience to serve on the Board of the Corporation, the Committee recommend that the Corporation should secure some persons with sufficient knowledge and experience of insurance so that the Board plays a more useful role.
4	16—19	The Public Relations Committee at the Centre and the Employees and Agents Relations Committees and the Zonal Advisory Boards in each

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zone, though they had important functions assigned to them, had met infrequently. The Committee desire that these statutory bodies should be taken more seriously.

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The Committee were surprised to find that the Policy Holders Council contemplated under Section 49(g) of the Life Insurance Corporation Act, 1956 and Regulation 43 of the L.I.C. Regulations, 1959, had not been set up by the Corporation. They are of the view that although the functions of the Zonal Advisory Boards have been enlarged by the Corporation, the Boards are able to look after the interests of the policy-holders only to a limited extent, because it is a small part of their total responsibilities. Therefore it is not only necessary to constitute Policy Holders Councils contemplated in the Act and the Regulations but it would also have been advantageous to do so. The Committee strongly feel that at present the viewpoint of the policy-holders goes largely unrepresented before the management. They, therefore, recommend that immediate steps should be taken to set up Policy Holders' Council in each Divisional Office so that the management might acquaint itself first hand with the problems and difficulties of the policy-holders.

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The Committee attach great importance to the inspection work and hope that the Inspection Organisation of the Corporation would undertake an early inspection of the Central Office and the Zonal Offices.

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While the Committee realise that it may not be possible to lay down every instruction issued to a public undertaking in the shape of a direction, it is at the same time necessary that clear principles should be laid down in writing specifying the occasions when it should take the form of an instruction rather than a directive. The representative of the Ministry conceded that the principles governing the relationship between the public undertakings and the concerned Ministry which had evolved over a period of time could be codified, if an attempt was made. The Committee, therefore,

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recommend that the Government should clearly lay down principles for guiding the relationship between the public undertakings and concerned Ministries.

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In the Committee's view there seems to be no valid ground for making an exception in the case of the Corporation from the decision of the Government on the Krishna Menon Committee Report that appointments to posts carrying an initial or ultimate salary exceeding Rs. 2,250 should be subject to the approval of Government. The Committee trust that the Government would issue suitable directives to the Corporation requiring the latter to seek the approval of the Government for creation of posts carrying salary exceeding Rs. 2,250 p.m.

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The Committee are constrained to observe that the Corporation has not been fixing its targets on a scientific basis. There is immense potential for expansion of the life insurance business, if one compares the ratio of the life insurance business to national income in India with the other countries. The Corporation should, while fixing the targets for a year, not only take the past performance into account but also examine what has been the rise in the savings of the people and what proportion thereof ought to be aimed at.

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The non-achievement of even the modest annual targets of business fixed by the corporation during the last 4 years in the opinion of the Committee, a clear evidence of lack of vigour in the present organisation of the Corporation. It is also an indication that the business offered by the Corporation needs to be made more attractive. The organisational changes suggested in Chapter IX and certain other suggestions made in Chapter IV should enable the Corporation to procure more business than hitherto. But at the same time, Corporation should also review the manner in which the business is canvassed with a view to effecting improvements therein.

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- 11      44      In the Committee's view drawing up of a suitable plan by the Corporation is absolutely essential for a proper and purposeful development of its business. They, therefore, hope that the Corporation would draw up a Five Year Plan of development of its business commencing from the 1st April, 1965.
- 12      49      It was the declared objective of the Corporation to spread insurance as widely as possible and in particular to rural areas. The Committee would, therefore, strongly urge that the Corporation should lay much more emphasis on popularising insurance in rural areas than they do to-day.
- 13      50      The Committee feel that the fixation of targets for rural areas is a *sine qua non* for spreading rural business and the Corporation should do it in the future years.
- 14      51      Extension of the facility of collection of premia through post offices seems to be a desirable step for the expansion of rural business, and the Committee would urge that the Corporation should explore the possibility of extending the arrangement in the remaining States also as early as possible.
- 15      56      The Committee feel that the efforts made by the Corporation to secure more business under the Group Insurance Scheme have not yet shown worthwhile results. They suggest that the Corporation should take more energetic measures to popularise this type of insurance both in the public and the private sectors. The Committee would also suggest laying down of suitable targets for the Group Insurance Scheme.
- 16      61      The Committee are not convinced by the arguments put forward by the Government for not introducing the Salary Savings Scheme in all the Central Government Departments/Public Undertakings and certain Governments *viz.*, that of Central Government Departments/Public Undertaking and certain Governments *viz.*, that of
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Rajasthan, Punjab, Orissa and Kerala whose accounts are also maintained by the Comptroller and Auditor General have with advantage introduced this scheme. They recommend that Government should re-examine the entire question of introducing Salary Savings Scheme in the Central Government Departments/Public Undertakings. The Government should also urge upon the remaining State Governments to introduce the Salary Savings Scheme.

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At present the policyholder under the Salary Savings Scheme is entitled for a discount of 75 Paise per thousand of sum assured per annum and the Corporation does not charge any extra for monthly payment of premiums which is usually charged in other cases. Since the chances of lapses under this scheme are very little, the Committee feel there is a case for giving a further incentive to the policyholders to avail of the insurance policy, without detriment to the Corporation. They would, therefore, recommend that the feasibility of giving a higher discount might also be considered by the Corporation.

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A certain rush of business towards the end of the year is perhaps inevitable but it appears to the Committee that the rush towards the end at present is more than what can be considered healthy. The Committee suggest that the Corporation should devise ways and means to see that Development Officers procure business evenly throughout the year and the chances of unsound business are reduced to the minimum. The Committee would also like the targets of new business to be procured by Development Officers to be fixed on a quarterly basis instead of the present annual one.

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67—71

The lapse ratio of the Corporation has been going up since 1960 so much so that the ratio for 1963-64 is higher than the year 1955, the year immediately preceding nationalisation. The Committee view the rise in the lapse ratio with alarm. They are left with the impression that although the Corporation is enthusiastic about writing new business not sufficient follow up work is being

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done. They therefore, suggest that the Corporation should take urgent steps not only to arrest further rise in the lapse ratio but also to bring it down to a lower level. In this connection they feel that there is also a case for providing suitable incentives to the agents for bringing in sound business.

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The Committee consider it regrettable that the recommendation of the Estimates Committee made in 1961 and reiterated in 1963 that the premium rates should be reviewed remains unimplemented. They feel that the premium rates which were fixed in 1956 are on the high side and call for an immediate revision. As for the Corporation's stand that they were awaiting the results of mortality investigations, the Committee feel that there was enough evidence to believe that the mortality rate has gone down. The raising of age of retirement of the Central and State Government servants is an indication of this fact. They, therefore, recommend that the Corporation should immediately appoint a Committee of Experts consisting of Controller of Insurance, representatives of the Corporation and independent actuaries to review the rates of premium offered by the Corporation with a view to bringing them down.

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The Committee are sorry to find that the actual surrender value of the Corporation is still much lower than that of some leading insurance companies. They would emphasise that as low surrender values adversely affect the limits to which loans can be given to the policyholders against their policies, no time should be lost by the Corporation to raise the surrender values of the Corporation's policies.

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The Committee no doubt appreciate that investment in Government and other approved securities is necessary, but it does not mean that the funds of the Corporation which are in the nature of trust money should be invested in them beyond the statutory minimum of 50 per cent., which has not been raised by Government itself. The Committee

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would like to point out that the Corporation is expected to work on business principles and further the interests of its policyholders. They would, therefore, recommend that consistent with social objectives the Corporation should so direct its investments that it earns a higher return on them.

23 87—92

Taken as a percentage of the total investments during 1963-64, the investment in Housing Schemes amounted to 22.5 per cent only. The Committee, therefore, urge that the Corporation should follow a more vigorous policy of investing in housing schemes. The observations made by the Committee in para 86 would also enable the Corporation to achieve this objective.

24 96

The Committee regret to note that the statutory requirements regarding the venue of the meetings of the Investment Committee have not been hitherto observed by the Corporation. They hope that the Corporation would in future adhere to them.

25 99-100

The Committee note that agenda papers on a good number of points during 1963-64 were not circulated well in advance to the Investment Committee. They need hardly emphasise that if the Investment Committee is to play an effective role it should not be treated in a casual way and barring such occasions where the offers themselves are received just a day or two in advance, in other cases, the Committee should be given sufficient time to consider each proposal.

26 102

The Committee notice that a suggestion made by the Estimates Committee in 1960 that the Corporation should collect the various minutes relating to the procedure of the Investment Committee to serve as a ready guide to the Members of the Committee has not yet been implemented. The Committee would urge that the Corporation should at least collect the aforesaid minutes and frame the Rules of Procedure for the Investment Committee as required under Regulation 23(ii) of the Regulations.

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27	104	The Committee feel that it should be possible to devise ways and means whereby the purchase of securities from the Reserve Bank of India by the Corporation could be effected directly and not through a broker thereby saving the Commission payable to the brokers. They trust that this matter would be looked into.
28	108	It appears to the Committee that the increase in the number of Class I Officers is very high. Moreover, whereas in other categories in earlier years, the number of officers has remained more or less at the level of the previous year or has even shown a decline, in the case of Class I Officers it has been constantly on the increase. The Committee deprecate such disproportionate rise in the number of Class I Officers and the high ratio obtaining between them and the Class II and III Officers and recommend the Corporation should urgently review the staff structure which seems to have become top heavy.
29	112	The Committee think that the economy and efficiency of the Corporation lies in increasing the business without proportionate increase in the operational cost. They would, therefore, urge that while reviewing the staff structure of the Corporation as suggested in para 108 <i>ante</i> the total strength that may be necessary for a certain quantum of business may also be worked out.
30	116	While the considerations pointed out by the Secretary, Ministry of Finance are no doubt important, the Committee feel that an unduly long time has been taken for the consideration of the proposal which affects the core of the organisation of the Corporation. Such delays also effect the satisfactory working of the whole organisation.
31	119	The Committee would urge that the heirarchical system of officers, obtaining in the Corporation should be reviewed early and suitable reduction in the senior managerial posts effected.
32	124—125	The Committee feel that if the Development Officers were to exist as an agency for scrutinising



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the proposals brought by the agents, they must also ensure that the business brought is sound.

In the rules of the Corporation at present there was a provision for new business bonus being paid to the Development Officers, if they brought business above a certain quota. But there was no corresponding disincentive against bad business. The rate of lapses clearly indicates that a good deal of poor business was brought in yearly. In such cases the Development Officer or the agent was the only gainer. The Committee, therefore, feel that the Corporation should work out some formula or device by which some deduction should be made from the New Business Bonus paid to the Development Officers for being set off against policies that might lapse.

- 33      127      The Committee are not clear as to why the Corporation has not so far complied with the statutory requirement of framing regulations governing the terms and conditions of service of the Agents and the method of their recruitment. The Committee urge that these should be framed at an early date.
- 34      131      The Committee are inclined to believe that the *benami* system still prevails and that the Corporation has not fully succeeded in eliminating the evil. The Committee, therefore recommend that the Corporation should take energetic steps to (i) weed out the existing *benami* agents and (ii) to properly screen the new agents at the time of their recruitment.
- 35      135      The Committee have noted earlier that the lapse ratio of the Corporation is rising and the service to the policyholders is also poor. In the opinion of the Committee this appears to reflect the unsound procurement of business and unsatisfactory after sale service on the part of the agents. The Committee understand that the better managed insurance companies in the past used to depend a great deal on professional agents whom they used to properly select and build up by training.

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The Committee therefore recommend that the Corporation should endeavour to develop a stable agency force built on a nucleus of whole time professional agents not only by exercising care in their proper selection but also by imparting them suitable training which would equip them better for the task.

56 137—138

The bonus declared by the Corporation in 1963 on the policies issued by it was lower than the bonus declared on the policies issued by Oriental, New India etc. The representative of the Corporation was of the view that the Corporation bonus should be stepped up further and it should certainly come up to about Rs. 18 per thousand. The Committee hope that the Corporation would make earnest endeavours to enhance the rates of bonus.

37 141

That the renewal expense ratio of the Corporation during the last few years should have remained between 12.42 per cent to 12.92 per cent shows that the organisation does not reflect economies of the scale. The representative of the Ministry of Finance had told the Estimates Committee, when they examined the Corporation in 1960 that the Corporation should attempt to bring the ratio down to 8 or 9 per cent. The Committee, therefore, feel that earnest steps should be taken by the Corporation to reduce its expense ratio.

38 146

The Committee hope that Government would review the time limit prescribed for submission of the valuation reports to the Controller of Insurance, so that these reports can be submitted to Parliament early.

39 151

The figures of complaints are a sad reflection on the state of service rendered by the Corporation. The Committee were surprised to learn that no disciplinary action was taken against any employee of the Corporation for the aforesaid inadequate follow up or accumulation of arrears. The Committee urge that the Corporation should take adequate measures to tone up its administration, so that the causes of complaints from its policy holders are removed.

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40	156	In spite of the steps said to have been taken by the Corporation and the appointment of a Special Officer, death and maturity claims to the tune of about Rs. 15 crores were outstanding. The Committee need hardly point out that if a claim is paid promptly it creates a fund of goodwill and opens out further prospects of securing business. They, therefore, recommend that much more vigorous and concerted efforts should be made by the Corporation to settle the outstanding claims without further delay.
41	160	The Committee recommend that where payments of maturity claims are withheld for want of proof of age at least 90 per cent of the insured amount should be paid on maturity and the balance on the proof of age forthcoming.
42	164	The Committee feel that the Corporation has not set that importance to the question of prompt payment of money due under its policies as it ought to. It is significant that there has been no enquiry in any case of delay whether the delay was avoidable. There has been no case of disciplinary action against any officer or other employee of the Corporation for delaying settlement of claims. It cannot be that all the cases of delay referred to in para 153 arose out of default on the part of the policyholders or their heirs. The Committee are of the view that a policy maturing be it by efflux of time or by the death of the policyholder, the money payable in terms of the policy becomes the property of the policyholder or his heir or assignee as the case may be and since the Corporation has the use of that money and earns interest on it, the amount under the policy should be paid to the policyholder, his heir or assignee as the case may be with interest at an appropriate rate.
43	176	The Committee are surprised to find that the Inspection Organisation of the Corporation had also not looked into the delays in sanctioning loans and disbursing the same during their inspections.

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44	178	The grant of loans is one of the accepted services offered by the insurance companies to their clients all the world over. This benefit in turn is known to bring more business for the insurers. The advantage of this benefit can however be lost if there are delays in sanctioning of loans. The Committee regret to note that there is delay in the Corporation sanctioning loans. They recommend that the Corporation should grant loans expeditiously.
45	183	The nationalisation of life insurance business in India was resorted to for the benefit of the masses. It was, therefore, of prime importance that various loan schemes of the Corporation should more and more cater for weaker sections of society. The Committee hope that the Corporation would take suitable steps in this direction.
46	184—186	The grant of a loan on the security of a policy does not entail any risk to the Corporation. The Committee, therefore, feel that there is no reason why the procedure for the granting of a loan should be complicated. They recommend that the procedure should be simplified and liberalised and the Branch Offices empowered to sanction loans.
47	187	The Committee hope that receipts to policyholders for policies deposited with the Corporation as security for loans would be given by the Corporation as a matter of routine irrespective of requests.
48	188	The Committee would suggest that a study should be made of the loan agreement form of other companies to find out the most practicable but short and simple form in consultation with their solicitors.
49	189	The service rendered by the Corporation to its policyholders is far from satisfactory. The Committee feel that if the Corporation is to earn the good will of the insuring public and gain its confidence it will have to ensure greatly improved service to policyholders.

The Committee are convinced that the tardy growth of business, and deterioration of service to the policyholders which have been brought out in Chapters IV and VIII are ascribable to the present size and centralised organisation of the Corporation.

The Committee feel that if the standard of efficiency in the Corporation is to be improved, with better service to the policyholders, and the Corporation is to expand its business on a massive scale, its present zones must be constituted into completely independent Corporations.

Such a major reorganisation would involve the amendment of the statute and may take some time. They, therefore, suggest that in the meanwhile the present zones should be made fully autonomous not merely by delegating more powers to the Zonal Managers but by setting up separate Boards of Management and making each Zonal Manager the Chief Executive Officer of his Zone. The Committee hope that by this process overall business will expand, rural business would significantly increase and the service to the policyholders would also improve.

So far as investments are concerned, during the transitional period, the Central Board of the Corporation should look after this work, but even after formation of five independent Corporations it would be necessary in the national interest that the investments are equitably distributed throughout the country. A practical approach to this would be that a major portion of the investment of any Zonal Corporation should be earmarked for the zone itself. The balance should be left at the disposal of a central authority, to be created for the purpose for meeting also the needs of the backward areas of the country.

The details of reorganisation suggested in para 197 above will have to be worked out by an Expert Committee. The Committee, therefore, suggest that an expert committee may soon be appointed for the purpose.