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ANNUAL REPORT OF REGISTRAR OF NEWS PAPERS FOR INDIA ON PRESS IN INDIA FOR 1971.

THE DEPUTY MINISTER IN THE MINISTRY OF INFORMATION AND BROADCASTING (SHRI DHARAM BIR SINHA) : I beg to lay on the Table :—

A copy of the Annual Report (Part I) (Hindi version) of the Registrar of Newspapers for India on Press in India, 1971. [Placed in Library. See No. LT-6056/73].

#### RULES COMMITTEE MINUTES

SHRI SHIVNATH SINGH (Jhunjhunu) : I lay on the Table Minutes of the sittings of the Rules Committee held on the 3rd September and 12th December, 1973.

#### COMMITTEE ON PRIVATE MEMBERS' BILLS AND RESOLUTIONS

##### THIRTY-FIFTH REPORT

SHRI G. G. SWELL (Autonomous Districts) : I present the Thirty-fifth Report of the Committee on Private Members Bills and Resolutions.

12.09 hrs.

STATEMENT BY MEMBER RE-ANSWER TO US Q. NO. 5231, DATED 31-8-73.

श्री मधु लिमचे (बांका) : अध्यक्ष महोदय, चूँकि यह ब्यान लम्बा है मैं इस को नहीं पढ़ रहा हूँ। मगर एक डेढ़ मिनट मैं सिर्फ इस का सारांश बताना चाहता हूँ।

1971 के लोक सभा चुनाव के लिये रक्षा मंत्रालय से महिन्द्रा जीपों को मुक्त करवाया गया, रिलीज करवाया गया। न्यू इंडिया ने इनशोरर्स कम्पनियों का एक गूट बना कर कांग्रेस पार्टी को हायर परचेज पर 550 से भी अधिक जीपें दीं। इस में बहुत सारी अनियमितताएँ हुई हैं, कानून टूटे हैं।

मेरे प्रश्न का जो उत्तर दिया गया उस में न्यू इंडिया के व्यवस्थापकों ने सुशीला जी को गुमराह किया, उस का नतीजा हुआ कि उन के छोटे से जवाब में आठ असत्य बातें आयीं। मेरे बयान को सभा पटल पर रखने हुए मैं आशा करता हूँ कि भविष्य में ऐसी गलत बयानी नहीं होगी और उत्तर प्रदेश के चुनाव में ऐसे गैर-कानूनी काम नहीं होंगे।

I lay the Statement on the Table.

#### Statement I

Sir, On 31st August, 1973, I framed a question on the diversion of our 550 jeeps from the Defence needs to the Congress Election Campaign of 1971, and other allegations about malpractices in New India Assurance Co. Ltd.

The Deputy Minister completely evaded answering my main question about diversion of jeeps. She replied to other parts of my question but her reply was full of evasion and half truths. Not only this, she gave incorrect and misleading answers to a number of points raised by me.

I am listing below the major incorrect statements made by her. I hope she will correct her answer fully.

#### INCORRECT STATEMENT NO. 1:

*No Approach by Hire Purchase Companies*

The Deputy Minister had stated : "Early in 1971, insurers were approached by hire purchase companies for providing hire purchase indemnity covers in respect of jeeps required by a number of parties." It is not correct that hire purchase companies approached insurers for providing hire purchase indemnity covers. In fact, the idea of the creation of a consortium of insurers was conceived by the New India Assurance Co. Ltd. and a scheme was first circulated by it amongst some members of the All India Insurance Companies' Association. The circular letter was signed by Mr. Teliwala, the President of the Association. It was only after a selected group of insurers agreed to the scheme put up by the New India that Mr. G. V. Kapadia, New India's General Manager, approached a few selected hire

[Shri Madhu Limaye]

purchase companies to share the business. Insurance arrangements were made as soon as jeeps rolled out of assembly plant in February, 1971 and cover notes were issued. No approach was made by hire purchase companies for H. P. Indemnity cover before the dates of the issue of cover notes for jeeps. Number of cars to be allocated to each hire purchase company was finalised after March 1971; hence the question of providing indemnity cover earlier than April, 1971 could not have been mooted by the hire purchase companies at all.

**INCORRECT STATEMENT NO. 2:**

*No Substantial Business, Substantial Scandal*

It has been stated by the Deputy Minister that "the business involved was substantial." The business cannot be said to be substantial in the context of the past business transactions (a) of individual hire purchase companies; and (b) even single insurers, like New India Assurance Co. Ltd., although from the point of view of political scandal, the transaction involving Rs. 1.25 crores could be said to be substantial. The consortium was formed not because the business transaction was "substantial", but because the scandal was of a "substantial" nature and Mr. Shah of New India wanted that the blame should be shared by several companies in the event of the scandal being exposed.

The Deputy Minister has not placed before the House the whole truth. She has even attempted to give incorrect suggestion with a view to misleading the House. The Association did not circulate the scheme to all its members, and deliberately kept out insurers from the South and almost all foreign insurers.

**INCORRECT STATEMENT NO. 3:**

*One Political Party Not Four*

The Deputy Minister says that jeeps were given for use of a few individuals and four political parties. But she has

not mentioned the names of these parties. The statement is patently incorrect. From the records of New India, it is clear that no other political party was involved. But in over 500 policies the address of Maharashtra P.C.C. is given thus proving the involvement of the Congress Party in this shady transaction.

**INCORRECT STATEMENT NO. 4:**

*Sale of Jeeps not in Normal Course*

The Deputy Minister stated that "548 jeeps were sold by Mahindra and Mahindra in the normal course". Jeeps were not sold in "normal course".

In the normal course a purchaser :—

- (a) has to purchase a jeep through a dealer;
- (b) has to submit in writing his application to buy;
- (c) make his own arrangements for insurance policy;
- (d) obtain temporary registration plate.

In the above case, 548 jeeps were not sold "normally" as suggested by the Deputy Minister.

The Deputy Minister further asserted that the "consortium handled the business in accordance with commercial principles and practices." The Deputy Minister has attempted to mislead the House for this business was *not* in accordance with commercial practices and principles, because :

- (1) the insurer did not obtain proposal forms duly signed by the proposed insurers for comprehensive cover;
- (2) did not obtain proposal form for hire purchase indemnity cover;
- (3) did not collect in most cases the normal 25 per cent down payment;
- (4) did not obtain business from agents as no agents code appeared on copies of policies and on proposal forms.

In fact, the business was distributed and the commission cheques made long time after its acceptance;

(5) cover notes are never issued on the spot at jeep factories;

(6) cover notes did not bear engine number and chassis number;

(7) New India did not charge "handling charges"; and

(8) H. P. contracts were not allowed to run for full period of 12 to 18 months as stated in the schedule of H.P. agreement. All jeeps were disposed of before the expiry of H.P. contract. Almost all jeeps were either voluntarily surrendered, or confiscated by H. P. companies and/or insurers after 3 months of its use.

It would be thus seen that the business was neither normal nor in accordance with the commercial principles and practices.

#### INCORRECT STATEMENT NO. 5:

##### *Proposal Form and Premiums*

The Deputy Minister stated that "it duly considered all requests for H. P. indemnity covers". In fact, no written proposal came to New India for H. P. indemnity cover.

The practice of issuing cover note without a proposal form is irregular. The cover notes are followed up by issuance of policies and in the policies there is a declaration that the contract of insurance is based on the information supplied in the proposal form. Therefore, a policy issued without a proposal form is irregular. Can a policy of motor insurance be issued without a proposal form, leave aside the cover note? *It is essential to have a proposal form so that the insurer can ascertain whether the risk is of 'standard nature'.* For every contract there must be an offer in the form of a proposal and if the offer is accepted, it becomes a contract. But in motor insurance, it has always to be a written form duly signed

by a proposer and the High Courts have given rulings on this aspect. It has been settled in Madras High Court in case of S. Subramania Vs. Hindustan General Insurance Society Ltd. . . "It is now well settled that answers to questions of the proposal form are the basis of a condition precedent to the liability of insurers under the contract." (1972 A. C. J. 444 S. A. No. 1740 of 1967).

#### INCORRECT STATEMENT NO. 6:

##### *No risk of Standard Nature*

The Deputy Finance Minister's statement that "the cover notes were issued on the spot, and for this purpose, it was not necessary to insist on proposal forms particularly because the risk was of *standard nature*" is, therefore, highly misleading. All motor vehicles—jeeps, Tata Mercedes, Fiat, Ambassador, Standard moving out of the factory are risks of a standard nature but nevertheless all the insurers in India, including New India, insist on a proposal form, because the proposal form is the basis of motor insurance contract, providing all material facts regarding the insured as well as the vehicle in 'good faith'. The preamble of standard motor policy reads:

"Whereas the insured by a proposal and a declaration dated as stated in the schedule, which shall be the basis of this contract and is deemed to be incorporated, herein has applied. . . ."

In the normal course, a vehicle moving out of assembly line is given temporary plate by R.T.O. In the present case, no such plates were given. On the contrary, arrangements were made to supply in advance regular Registration plates through the influence of M.P.C.C. Bombay. Thus avoidance of the proposal form in this case is illegal and highly irregular. Risk could not be said to be a standard risk as there were hundreds of separate insureds and "moral hazard" of each differed. The Company in the present case did not obtain proposal forms because the alleged proposers and/or insureds either did not exist

[Shri Madhu Limaye]

and if they did exist, they were all benamis  
care of M.P.C.C., Tilak Marg, Bombay.

**INCORRECT STATEMENT NO. 7:**

*Payment of Premiums*

Premiums were not paid by or "collected" from the insured but were paid by Mahindra and Mahindra through three cheques against deposit guarantee. The Deputy Minister's statement, is therefore, incorrect. She has unwittingly been guilty of hoodwinking Parliament by misstatements supplied to her by the top New India officials. She has been used by unscrupulous New India Managers for deceiving Parliament.

**INCORRECT STATEMENT NO. 8:**

*Evasion of Central Sales Tax*

As per H.P. contract, H.P. companies were the owners of vehicles and the insurers had a lien on vehicles against H.P. contract. As the vehicles were disposed of by either H.P. companies and/or insurers as owners or joint owners in a manner involving Inter State Transactions, they ought to have collected sales tax and paid it to Central Government in each and every case. Any Joint Stock Company or a partnership firm engaged in H. P. business, having acquired a vehicle under H. P. contract, becomes owner, and while effecting sales outside the State charges sales tax for Central Government.

Finally, let me say that I am absolutely sure about the facts.

THE DEPUTY MINISTER IN THE  
MINISTRY OF FINANCE (SHRIMATI  
SUSHILA ROHATGI) : Sir, I lay the  
statement on the Table of the House. It  
contains the replies to all the points raised  
by the hon. Member.

**STATEMENT II**

The question related, *inter-alia*, to the purchase of over 500 jeeps, for election purposes in 1971 with finance provided by hire-purchase companies and to insurance

cover granted in this connection by a Consortium of insurance companies including New India Assurance Co. Ltd. It was pointed out in the answer that the Consortium consisting of 16 insurers, including New India Assurance Co. Ltd., and Oriental Fire & General Insurance Co. Ltd., (a subsidiary of the Life Insurance Corporation of India) had provided hire-purchase indemnity cover in respect of 548 jeeps sold by M/s. Mahindra & Mahindra Ltd., in the normal course and it was gathered that the jeeps were purchased on hire-purchase basis for the use of 4 political parties and some independents. It was also stated in the answer that the Consortium had handled the business in accordance with the commercial principles and practices.

2. In the notice dated 17-11-1973, the Hon'ble Member has listed what, according to him, are major incorrect statements in the answer. In view of the further points raised by him the matter has been examined further in consultation with the General Insurance Corporation of India. It is found that the answer is in conformity with the facts on record.

3. On the basis of the available information the points raised in the notice are dealt with below :-

**Re : Alleged incorrect statement No. 1:**

The allegation is that "it is not correct that hire purchase companies approached insurers for providing hire purchase indemnity covers" and that actually "it was only after a selected group of insurers agreed to the scheme put up by the New India that Mr. G. V. Kapadia approached a few selected hire purchase companies to share the business".

There are letters on record from hire purchase companies written early in January, 1971, asking for increased hire purchase indemnity facilities for financing of various types of vehicles including Jeeps. It appears that it was only thereafter that the Indian Insurance Companies' Association finalised a scheme which was circulated on 21-1-1971 to Principal Officers of all member companies.

**Re : Alleged incorrect statement No. 2:**

The allegation is that "the business involved was not substantial and that the Indian Insurance Companies' Association did not circulate the scheme to all its members and deliberately kept out insurers from the South and almost all foreign insurers".

It is gathered that on the basis of enquiries received by the hire purchase companies the demand for financing of jeeps was estimated at around 1000 involving a hire purchase finance of about 1.6 crores. Further, the jeeps were expected to be utilised for non-commercial purchase and the hire purchase facilities were expected to be availed of by individuals scattered over a wide area. These considerations appear to have weighed with the Insurers in deciding to give covers on a co-insurance basis.

It is also gathered that the Association sent the Circulars to all its members including those from the South. Actually, one of the companies from the South participated in the Scheme. Foreign companies were not addressed as they were not members of the Association.

**Re : Alleged incorrect statement No. 3:**

It was stated in the answer that "it is gathered that these jeeps were purchased on hire purchase basis for the use of four political parties and some Independents". It is alleged that only the Congress Party, and no other political party, was involved in the purchase.

Government maintain that the answer is based on the information available on record.

**Re : Alleged incorrect statement No. 4:**

It was stated in the answer that "the Consortium provided hire-purchase indemnity cover in respect of 548 jeeps sold by M/s. Mahindra & Mahindra Ltd. in the normal course". It is alleged that the business was not conducted in the normal

course and was not in accordance with the commercial principles and practices.

The allegation is incorrect. The manufacturer as well as the insurers forming the Consortium acted in accordance with the commercial practices and principles and duly collected their charges and dues. As regards the conduct of the insurer the points (1) to (8), mentioned in the notice, are dealt with below :—

(1) As stated in the answer it was not considered necessary to insist on the proposal forms (for insurance of vehicles) particularly, because the risk was of a standard nature. It may be pointed out that although it is customary to obtain proposal forms, they are not necessarily obtained in each and every case. The primary purpose of a proposal form is to assess and rate the risks accurately and to determine the exact premium payable. In the instant case, the risk was of a standard nature and the premium could be determined in advance without insisting on the proposal form.

(2) As most of the hire purchase companies already had indemnity facilities, fresh proposal forms were not obtained.

(3) It is not correct to say that the Consortium "did not collect, in most cases, the normal 25 per cent down-payment." The schemes provided for cash down payment of a minimum of 20 per cent of the invoice value and sales-tax. It is gathered that this provision was complied with.

(4) The business was obtained through hire purchase companies, who gave the names of the agents.

(5) It is stated in the notice that "cover notes are never issued on the spot at jeep factories". It may be pointed out that there is no legal bar to the issue of cover notes at any place to suit the convenience of the clients. Cover notes are also issued at the offices of the RTOs. all over India.

(6) The allegation that "cover notes did not bear engine number and chasis number" is not correct.

(7) New India Assurance Co. Ltd., had agreed as a part of the Scheme not to charge any "handling charges".

(8) It is alleged that the hire purchase contracts were not allowed to run for a full period of 12 to 18 months referred to in the Schedule of the hire-purchase agreements. It may be pointed out that it is not obligatory that the hire-purchase contracts should run for the maximum period.

Re : *Alleged incorrect statement No. 5:*

It was stated in the answer that the Consortium duly considered all requests for hire purchase indemnity covers but it is alleged in the notice that no written proposal was received in this connection. It is gathered that requests for hire purchase indemnity covers were received in writing and were dealt with by insurers in the normal course, including reference to the Board of Directors where necessary.

As regards proposal forms for motor insurance cover, the same were not insisted on for the reasons already mentioned in item (1) under alleged incorrect statement No. 4. The case of S. Subramanian Vs. Hindustan General Insurance Society Ltd. referred to by the Hon'ble Member deals with mis-description of the risk whereas in the present case there was no such possibility as the risk was of a standard nature.

Re : *Alleged incorrect statement No. 6:*

The Hon'ble Member had stated that even though all motor vehicles moving out of the factories are risks of a standard nature, insurers in India do insist on proposal forms. It may be pointed out that a proposal form is not a legal requirement. Insurers ask for a proposal form to enable them to rate the risk. Absence of the proposal form did not handicap the insurers in the proper rating of the risks.

Re : *Alleged incorrect statement No. 7:*

Government maintain that the statement that "the premiums under these policies were collected in each and every case and paid to the insurers" is correct. The premiums in respect of motor insurance cover were received by the insurers from M/s. Mahindra & Mahindra Ltd., who, it would appear, collected the premiums along with the saleprice of the vehicles.

Re : *Alleged incorrect statement No. 8:*

It has already been stated in the answer that since none of the insurers confiscated any vehicle, they were not concerned with the collection of Sales Tax. There is thus no irregularity committed by them.

It may also be added that the transactions under consideration were entered into between private parties and the insurance business in question was transacted by the insurers before nationalisation (Government took over the management of insurers carrying on general insurance business on 13-5-1971). Moreover, it is gathered that the insurance business in question did not result in any loss to the insurers.

SHRI B. V. NAIK (Kanara) : Sir, I have been requesting you for the last three days about the matter raised by me under Rule 377.

SHRI VIKRAM MAHAJAN (Kangra) : Yes; please allow it.

MR. SPEAKER : Well, I will keep your recommendation in mind, Mr. Mahajan. Now, Prof. Dandavate.

12.11½ hrs.

#### MATTERS UNDER RULE 377

(i) NON-CLEARANCE OF CHEQUES WORTH CRORES OF RUPEES IN DELHI BANKS.

PROF. MADHU DANDAVATE : (Rajapur) : Mr. Speaker, Sir, with your permission, I am raising a serious issue that has developed in the clearing house at Delhi, and as a result of which the banking industry, particularly in Delhi, is facing a grave crisis. The Bank of Baroda is