Inquiry appointed for the purpose will disclose the full facts. Before taking off, the aircraft had undergone all the necessary tests and inspections according to usual practice.

It must have become clear to the crew soon after the trouble was noticed that the aircraft could not maintain its height. Flying Officer Ganesan ordered the other pilot, Flying Officer Rammohan to bale out, and the latter landed by parachute uninjured.

The Captain of the aircraft, Flying Officer Ganesan, concerned about the safety of the villagers below—which was an inhabited area—made every possible effort to steer his aircraft away to avoid the civil population. He succeeded in doing so by not baling out and risking his own life in the best traditions of the Indian Air Force. The aircraft landed in a cashew-nut grove thereby avoiding the villagers but causing fatal injuries to the Pilot. He was picked up severally wounded in the head but still alive. The neighbouring villagers who saw the crash soon arrived on the scene and saw the Flying Officer with his injuries. The Flying Officer seems to have inquired whether any one in the village was hurt. After he had been told that there were no casualties and that the other airman had been seen landing safely, he collapsed and died.

Flying Officer Ganesan died like a gallant officer in the prompt performance of his duties knowing very well the almost certain risk to his life in the effort he made to steer the aircraft away from the village areas. The Auxiliary Air Force has lost a gallant and able Pilot and the Indian Air Force a promising young recruit or reservist. Flying Officer Ganesan was extremely well thought of by his colleagues and showed marked qualities of leadership. He is survived by his father, who is also a public servant. Flying Officer Ganesan's life ended at the very young age of 25 years but he has left with the Auxiliary Air Force a record of which it can justly be proud and in the best traditions of the Indian Air Force itself.

Government feel sure that the House will want the appreciation of this Officer's gallantry and his devotion to duty to be expressed in the House, more particularly as Flying Officer Ganesan was a volunteer who joined the Auxiliary Air Force so that he could have served his country when the occasion called for his services.

Mr. Speaker: I am sure the House greatly appreciates the gallantry of Flying Officer Ganesan who risked his life to save the lives of many of the villagers there. He died while on duty. The House expresses its deep sense of sorrow and appreciates the gallantry of this Officer and sends its condolences to the members of the bereaved family.

12.10 hrs.

INSURANCE (AMENDMENT) BIlL—*contd.*

Mr. Speaker The House will now take up further consideration of the following motion moved by Shrimati Tarkeshwari Sinha on the 17th March, 1961, namely:—

> "That the Bill further to amend the Insurance Act, 1938, be taken into consideration."

Shrimati Tarkeshwari Sinha may continue her speech.

The Deputy Minister of Finance (Shrimati Tarkeshwari Sinha): The other day I was explaining to the House that it is a great loss to our country when the Indian insurance business is re-insured with foreign companies. We lose foreign exchange on this because a large amount of business is transferred every year to the foreign companies, the amount which is re-insured with the foreign companies. We lose income-tax on

[Shrimati Tarkeshwari Sinha]

that also because they do not pay taxes to the Indian Government; they pay taxes to their own Government. These have been the reasons why the Government thought it wise to bring this Bill. The House will readily agree with me that it will be a great advantage to the country if the handling of reinsurance is done inside the country and it should be encouraged as much as possible.

12.12 hrs.

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

We find that there is sometimes mutual distrust and suspicion between one insurance company operating directly in India and another and so it hesitates to give some portion of its insurance business to another company. The fear is that if a company gives some of its business by way of re-insurance to another company, also operating here directly, then during the course of a short time, the second company may manage to get the whole of the business directly from the client. This fear, rightly or wrongly, exists. Because of this fear, re-insurance business between directly operating companies takes place only to a limited extent. On the other hand, if there is definitely and specifically a reinsurance company, that is to say, a company which will not issue any direct policy but will only take reinsurance from the insurance companies, there is no reason why the directly operating companies should have any distrust or suspicion of such a company. In fact this position was realised by the Government some years ago and a reinsurance company called the India Reinsurance Corporation was brought into existence and it is functioning since 1957. Government used its good offices in this connection and played a great part in persuading most of the companies operating in India—Indian as well as non Indian—to enter into a voluntary agreement with this reinsurance company so that each company gives by way of reinsurance 5 to 10 per cent of its business. I believe that this company is on a stable footing now because of the business which is assured to it, year after year. After the lapse of three years and in view of the vast potential for expansion of general insurance business in our country, it was felt that the time had come for another reinsurance company to come on the stage. Therefore, since 1960, there is another reinsurance company in operation, namely, the Indian Guarantee and General Insurance Company, a subsidiary of the Life Insurance Corporation. Efforts were made on the lines as before to persuade the insurance companies operating in India to give the second reinsurance company a similar share of business as they are giving to the first one on a voluntary basis. I am sorry to observe that this move did not meet with the success which the Government expected. I do not know what were the reasons for the non-co-operation of a section of the insurers operating in India. Whatever may be their reasons, we have to think of the interests of the country and do the right thing. General insurance business is expanding fast with the operation of our Plans and the development of commence and industry. So, it is essential that the functioning of this business in India is channelised in such a way, that it contributes its due share in strengthening the economic fabric of the country.

The object of this Bill is to build reinsurance businese in India by strengthening reinsurance companies. We are proposing that a second reinsurance company also be built up, by getting an appropriate share of the Indian business from all the companies. Such a share from all companies in India gives a very strong base for a reinsurance company, so that one can confidently expect it to flourish. Naturally, we have to ensure that the reinsurance companies do not enter into harmful competition between themselves. We have also to ensure that they function in such a way that they build up this business on sound lines. The calibre of our reinsurance companies must be such that they can canvass for and get reinsurance business outside India also, just as some of the general insurance companies have been operating outside the country and the LIC has been operating outside the country.

Now, I shall turn to another aspect of this matter. There are countries in the world which are not developed in this business. In other words, I am talking about those countries which are similar to our country in this respect. These countries found that reinsurances were being placed mostly outside. Such countries were therefore forced to erect artificial barriers in respect of reinsurance business. I may mention here that State reinsurance monopolies or State reinsurance units exist in several countries. Turkey, Chile, Brazil and Argentina have monopolies, while partial compulsory schemes operate in Pakistan and even in France. In Pakistan, thirty per cent of all business written in that country has to be reinsured with the Pakistan Reinsurance Corporation. So, in suggesting that in our country every insurer should place a certain share not exceeding thirty per cent of its business, with two Indian reinsurers we are only adopting a middle course between the one extreme of leaving the reinsurance business completely un-regulated and the other extreme of requiring all reinsurances to be placed within the country. Our proposal is therefore a very moderate one. The interest of the Government is only to channelise the whole development according to sound principles, looking to the overall development of the country.

I shall now explain the provisions of the Bill briefly. Clause 2 of the Bill adds two new sections to the Insurance Act, 1938. The first of these sections requires every insurance company operating in India to reinsurance a minimum share not exceeding thirty per cent of the sum assured on each policy issued in India with Indian reinsurance companies which are approved by the Government for the purpose. Government will fix the percentage of business to be so reinsured and it will also fix how this business is to be allocated between the Indian reinsurers. Any notification issued in this connection has to be placed before each House of Parliament. The second section to be added provides for the constitution of an advisory committee of not more than five persons who have special knowledge and experience of insurance business. This committee will have to be consulted by Government before taking a decision in these matters.

Clause 3 of the Bill gives powers to the Government to specify, by rules made under the Act, the details as to the working of this Advisory Committee. The clause also changes the existing sub-section (3) of section 114 of the insurance Act, 1938 so that the procedure as to laying of the rules made under the Insurance Act, 1938 before the Houses of Parliament is brought in line with similar provisions in other Acts.

Lastly, a word of explanation about the amendment to the Bill I have given notice of. After the introduction of the Bill, there was a long discussion with some representatives of the insurance business. One matter urged by these representatives was that the Government should fix the terms and conditions in respect of the re-insurance business required to be placed with the Indian re-insurers. The Government has decided to accept the responsibility in order to remove any friction over this between the Indian insurers and the insurers generally. It is highly desirable to promote cordiality in their day to day operations. Another matter accepted by Government is that in fire insurance business, insurers may follow the practice they are following at present with respect to 'India Re-insurance Corporation'. The practice is that an insurer may either re-insure a share of every policy or give a share out of what is known

[Shrimati Tarkeshwari Sinha]

in re-insurance business as the 'first surplus' after the company's own net retentions' so that the premiums payable on th re-insurance will be the same as on the first basis. This also is a reasonable proposition. To provide for these two matters, it is proposed to add two new sub-sections to the proposed section 101A in clause 2 of the Bill. I need not elaborate these matters except to say this that the whole matter has been very carefully examined by technical experts, and by us. I do not propose to add anything to this, but I would like to assure the House that every point was carefully examined and only after careful examination we have come to this conclusion and we have put forward this Bill for the consideration of the House.

Sir, I do not want to take any more time of the House. I move.

Mr. Deputy-Speaker: Motion moved:

"That the Bill further to amend the Insurance Act, 1938, be taken into consideration."

Shri Sadhan Gupta (Calcutta-East): Mr. Deputy-Speaker, Sir, while I welcome this Bill, I have certain criticisms to offer both as regards the scope of this Bill and as regards the fact that opportunity has not been taken to amend certain other sections of the Insurance Act.

Now, I will dispose of the second matter first very briefly. It is undoubtedly important that we should provide for reinsurance to save foreign exchange, but there is another thing which is very important for the insurance industry and which is being brought into prominence by the recent decision of the Supreme Court. The Supreme Court has decided that Section 31A of the Insurance Act is a bar to the payment of bonus to employees of insurance companies. This is a very unfortunate state of affairs and this should be corrected, because if the employees are deprived of bonus there will be considerable discontent, and I think opportunity ought to have been taken in this Bill to provide an amendment of Section 31(a) also.

As regards the provisions of re-insurance itself, I do welcome them so far as they go, but I think the provisions ought to have been more drastic. We are desperately short of foreign exchange today and we ought to take every opportunity and every means of saving as much of foreign exchange as we can. The hon. Deputy Minister has already told us that Indian insurers are not willing to re-insure with other Indian companies because they apprehend that the companies with which their business would be re-insured would ultimately swallow up their clientele. If that fear is there—that fear would be there in the minds of all private competitors—then we can be sure of one thing, that whatever will not go to the two re-insurance corporations will definitely go to foreign re-insurers. That we may be sure, and so there is a chance that at least 70 per cent of the re-insurance premium will continue to be lost to foreign companies and we shall be short of foreign exchange to that extent. Therefore, by way of saving foreign exchange we make very little progress—only 30 per cent—and from the present position it is quite clear that the Indian companies will not be persuaded to re-insure any further amount than they can be compelled by the Government after this Act comes into force.

Because of this, Sir, different methods should have been adopted. Firstly, there should have been a method of compelling the whole amount to be re-insured with the re-insurance corporations. I take it that both the re-insurance corporations are on a sound footing and there is no reason why they should not cater to the whole re-insurance business. If Turkey can do it, if Brazil can do it, we do not see why we should not follow the practice of Brazil rather than follow Pakistan, especially when we are desperately in need of foreign exchange.

Here what do we provide? Only a saving of 30 per cent is there. I believe, Sir, annually about Rs. 4 crores are lost in foreign exchange by way of re-insurance—the hon. Deputy Minister will correct me if I am wrong, but that is my information. If that is so, we only save just about over a crore of rupees and Rs. 3 crores will continue to be lost. Why have it that way? Why not have the whole business of re-insurance?

Then, if we have to save foreign exchange there is another aspect of it. Sometimes it may become necessary for one country to re-insure with other countries. If that becomes necessary it is desirable that such re-insurance should be routed through the re-insurance companies or—there is another way of doing it—the whole general insurance may be nationalised and the nationalised business may re-insure with foreign insurance companies and in turn accept re-insurance from foreign insurers. Whichever way you adopt, the position is that we can command a very large re-insurance business and by that very volume we command we can get beneficial terms from foreign insurers. The result is, we not only do not lose foreign exchange on re-insurance but we actually gain foreign exchange through re-insurance by mutual re-insurance and we can get more favourable terms in re-insurance treaties.

All these things should have been looked into and in the context of our desperate shortage of foreign exchange the Finance Ministry ought to have made provisions on these lines either for nationalisation of general insurance or through compulsory re-insurance with the two re-insurance corporations of the whole amount of policies and then if necessary to route the foreign re-insurance of our country through the re-insurance corporations on a basis of advantage to our country. If this had been done, Sir, foreign exchange would have been saved and our insurance business would have been on a much better footing. As it is, the general insurance business is not on sound lines. On the whole, there are a few big companies, there are some small companies, some are flourishing and some are closing down. That is not a very fortunate state of affairs. This should have been remedied and this was a great opportunity which has not been availed of.

So I would suggest, even at this stage, to consider what can be done within the scope of this very Bill. The whole re-insurance business should be drawn into the two re-insurance corporations and nothing should be left to go outside because "to go outside" does not mean to go to other Indian companies but 'to go outside' means to go outside India which we cannot afford. So nothing should go outside. It should all be with the re-insurance corporations, and then if we find it profitable to have re-insurance treaties with foreign insurers let the re-insurance corporations do it; but let not our private companies reinsure with foreign insurers at all. With these reservations and qualifications I extend my support to this Bill.

Shri L. Achaw Singh (Inner Manipur): I rise to support this Bill. I fully agree with the objects stated in the Statement of Objects and Reasons. There are two objectives: the first is about the question of reducing our foreign exchange expenditure. The second is to help the growth of Indian insurance companies. I take this opportunity also to join Shri Sadhan Gupta and to submit that drastic steps have not been taken to bring the insurance business as a whole into stricter control under the Government. I have a few remarks to make in this respect.

The Act of 1938 has been amended several times. We find that the ob-

[Shri L. Achaw Singh]

jects of these amendments have been to secure greater control of insurance business in India. The object of this Bill is also the same. According to a survey made in 1956 it was found that the drain on our foreign exchange was to the extent of Rs. 1·36 crores per annum,and there was also a huge blackmarket in insurance business by businessmen and industrialists. An illegal income of over Rs. 2 crores was made by these people during that year.

The *Insurance Book* of 1959, which gives the figures for 1958, shows that most of the reinsurance companies were British and their number was 65. Their annual premium income was to the extent of Rs. 7.19 crores whereas the share capital of these companies was only Rs. 5.13 crores. So, we find that our general insurance was dominated by the British companies. They were not therefore interested at all in devolping the reinsurance market in India, at the expense of their home market and also at the expense of the brokerage houses in London. Of course, it is true, as the Deputy Minister has said just now, that we have started to do something in this respect by starting the Indian Reinsurance Corporation in 1957, but that was only a beginning. I have referred to several journals and I find that there has been a controversy. The big interests have raised many important issues regarding this amending Bill. The first point they have raised is about the general business of insurance companies. By the diversion of this 30 per cent of the premium, they say that the revenue accounts of these companies will be seriously affected; then again, they say that this quota cession of 30 per cent is rather acquisitive in character and that it would damage India's reputation abroad and would not help to prevent the drain on foreign exchange. They also say that the Government have got a design to help the Indian Guarantee at the expense of the Indian Reinsurance Corporation, and add that this is a sort of backdoor nationalisation. I cannot agree with these views, and these points and objections are not at all, tenable, as the Deputy Minister has made it quite clear.

Our Reinsurance Corporation are working at a disadvantage and on disadvantageous terms. We find that the Reinsurance Corporations in India have not been able to get a proper reciprocity of their business for the cessions abroad. There is a customary exchange of our profitable business in India with the unprofitable business abroad, and that aggravates our foreign exchange position also.

This Bill has some statutory requirements for the cession of 30 per cent, and I submit that this will help to conserve the necessary foreign exchange. There is another point also which may be mentioned, and that is the growing business or the growth of the industry. We have adopted a number of industrial programmes and the volume of insurance also is growing day by day. But there is a fear that there is a mushroom growth of this insurance business, and for that we require a greater control of the business. The present policy regarding insurance should be revised; the code of conduct adopted by the insurance companies has not been successful; the companies have infringed the law in various ways. The regulation and control which have been incorporated in some of these amending Acts have not been also successful. They have not been effective enough. Moreover, malpractices such as rebates, misappropriation of accounts, and falsification of accounts are not very uncommon. So, the question is wether we can do better by adopting stricter measures. I myself am in favour of nationalisation of general insurance business. A number of other countries like Argentina and Iran and some East European countries have already nationalised this business, and I do not think there is any reason why we should not do it, because, the income of these companies can be utilised for the development of our industrial schemes.

Another aspect of this question is this: in these companies there are no proper conditions of service formulated. The resources of these companies are also very slender. Some amount of compulsion is necessary, and that is why we appreciate the objects of this Bill. The companies have not got proper resources. Sometimes they cannot meet certain demands on their resources. There should be some compulsion by which they can accumulate adequate resources for the safeguard of their clients and also their staff. In that case, we will be able to do away with paper reserves which appear in the balance-sheets of these companies; these paper reserves have no real value.

The conditions of the general staff will be bright when we adopt this measure. Government has done a good job by bringing this amending Bill before the House.

With these words, I support the Bill.

Shrimati Tarkeshwari Sinha: Mr. Deputy-Speaker, Sir, I am very grateful to the hon. Members who have spoken and lent their support to this Bill. I am sure this Bill has generally been welcomed in the House. One or two points have been raised by the two hon. Members who have spoken. The hon. Member who just now spoke has really commended the provisions of the Bill. I have nothing to say except that I am grateful for all that he has said.

He has mentioned about certain general insurance companies not coming up to expectation in regard to proper business conduct. I am sure this re-insurance provision will make them more careful in their business operations. Though the reinsurance companies would not be exercising over-all control in their day to day operations, I am sure because of this arrangement, the insurance companies will improve their business conduct.

Shri Sadhan Gupta said that the Indian companies should re-insure the majority of their insurances with the Indian companies. That involves various complications, because the fundamental things in insurance business are cordiality and confidence. As the hon. Member is aware, general insurance to a great extent is controlled by foreign insurance companies. On the one hand, we are encouraging foreign investment. Therefore, we do not really propose to take any action which would really act as a discouragement to foreign investment. But all the same, I can assure the House that we have been very cautious and vigilant about the whole problem.

In my main speech, I have said that because Indian insurance business is more profitable and foreign insurance business is less profitable, foreign reinsurance companies have been making more profits on India insurance business. It is open to the Indian insurance companies to realise this and to re-insure with the Indian re-insurance companies which are in existence today. It is for their benefit that this measure has been brought forward. I think the Indian insurance companies will very soon realise that it is not profitable for them to insure a large amount of their business with the foreign re-insurance companies. I hope they will divert more and more of their business to the Indian re-insurance companies.

Another point raised by the hon. Member was that we should force the majority amount of the re-insurance on Indian business to be done here. I do not think that is a very sound approach to be made. After all, we in India want to do business abroad. Probably the House knows that the LIC has done very good business outside India. If we really do not reciprocate in these matters, I think we shall have to suffer ourselves because we also know that there is a lot of scope for doing insurance business out side India. Therefore, I do not think any rigid

[Shrimati Tarkeshwari Sinha]

rules should be made and any rigid steps should be taken in this respect.

So far as the point regarding bonus is concerned, this does not form part of the principles of this Bill. However, I know the feelings of this House in this matter. We are ourselves aware of the whole problem and we shall consider it with great care and concern.

With these words, I move that this Bill be taken into consideration.

Mr. Deputy-Speaker: The question is:

"That the Bill further to amend the Insurance, Act, 1938, be taken into consideration."

The motion was adopted.

Mr. Deputy-Speaker: The House will now take up clause-by-clause consideration.

Clause 2— (*Insertion of a new Part*)

Shrimati Tarkeshwari Sinha: I beg to move:

Page 1,—

after line 20, *insert*—

"(2A) Notwithstanding anything contained in sub-section (1), an insurer carrying on fire insurance business in India may, in lieu of reinsuring the percentage specified under sub-section (2) of the sum assured on each policy in respect of such business, re-insure with Indian re-insurers such amount out of the first surplus in respect of that business as he thinks fit, so however that, the aggregate amount of the premiums payable by him on such reinsurance in any year is not less than the said percentage of the premium income (without taking into account premiums on re-insurance ceded or accepted) in respect of such business during that year.

Explanation.—For the purposes of this sub-section, the year 1961 shall be deemed to mean the period from the 1st April to the 31st December of that year.

(2B) A notification under sub-section (2) may also specify the terms and conditions in respect of any business of reinsurance required to be transacted under this section and such terms and conditions shall be binding of Indian re-insurers and other insurers". (1).

Mr. Deputy-Speaker: Does she want to speak on that?

Shrimati Tarkeshwari Sinha: I have explained it in my main speech.

Mr. Deputy-Speaker: There are two other amendments of which notice has been received. Shri Somani is not here. I will put the Government amendment No. 1 to the vote of the House. The question is:

Page 1,—

after line 20, *insert*—

"(2A) Notwithstanding anything contained in sub-section (1), an insurer carrying on fire insurance business in India may, in lieu of reinsuring the percentage specified under sub-section (2) of the sum assured on each policy in respect of such business, re-insure with Indian re-insurers such amount out of the first surplus in respect of that business as he thinks fit, so however that, the aggregate amount of the premiums payable by him on such re-insurance in any year is not less than the said percentage of the premium income (without taking into account premiums on re-insurance ceded or accepted) in respect of such business during that year.

Explanation.—For the purposes of this sub-section, the year 1961 shall be deemed to mean the period from the 1st April to the 31st December of that year.

(2B) A notification under sub-section (2) may also specify the terms and conditions in respect of any business of reinsurance required to be transacted under this section and such terms and conditions shall be binding on Indian re-insurers and other insurers." (1).

The motion was adopted.

Mr. Deputy-Speaker: The question is:

"That clause 2, as amended, stand part of the Bill".

The motion was adopted.

Clause 2, as amended, was added to the Bill.

Clause 3, Clause 1, the Enacting Formula and the Title were added to the Bill.

Shrimati Tarkeshwari Sinha: I beg to move:

"That the Bill, as amended, be passed".

Mr. Deputy-Speaker: The question is:

"That the Bill, as amended, be passed".

The motion was adopted.

12·47 hrs.

*DEMANDS FOR GRANTS—*contd.*

MINISTRY OF EDUCATION

Mr. Deputy-Speaker: The House will now take up discussion and voting on Demands Nos. 13 to 15 and 112 relating to the Ministry of Education, for which 5 hours have been allotted.

83 cut motions have been tabled to these Demands. Hon. Members desirous of moving cut motions may hand over at the Table within 15 minutes the number of the selected cut motions. I shall treat them as moved if the Members in whose names those cut motions stand are present in the House and the motions are otherwise in order.

The time-limit for speeches will, as usual, be 10 to 15 minutes for Members including movers of cut motions.

DEMAND No. 13—MINISTRY OF EDUCATION

Mr. Deputy-Speaker: Motion moved:

"That a sum not exceeding Rs. 38,78,000 be granted to the President to complete the sum necessary to defray the charges which will come in course of payment during the year ending the 31st day of March, 1962, in respect of 'Ministry of Education'."

DEMAND No. 14—EDUCATION

Mr. Deputy-Speaker: Motion moved:

"That a sum not exceeding Rs. 15,39,40,000 be granted to the President to complete the sum necessary to defray the charges which will come in course of payment during the year ending the 31st day of March, 1962, in respect of 'Education'."

DEMAND No. 15—MISCELLANEOUS DEPARTMENTS AND OTHER EXPENDITURE UNDER THE MINISTRY OF EDUCATION

Mr. Deputy-Speaker: Motion moved:

"That a sum not exceeding Rs. 2,69,44,000 be granted to the President to complete the sum necessary to defray the charges which will come in course of payment during the year ending the 31st day of March, 1962, in respect of 'Miscellaneous Departments and other Expenditure under the Ministry of Education'."

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*Moved with the recommendation of the President