

recommendations to make to the Lok Sabha in regard to the said Bill."

(ii) "In accordance with the provisions of sub-rule (6) of rule 162 of the Rules of Procedure and Conduct of Business in the Rajya Sabha, I am directed to return herewith the Appropriation (Railways) No. 3 Bill, 1958, which was passed by the Lok Sabha at its sitting held on the 16th August, 1958, and transmitted to the Rajya Sabha for its recommendations and to state that this House has no recommendations to make to the Lok Sabha in regard to the said Bill."

12:27 hrs.

CALLING ATTENTION TO MATTER OF URGENT PUBLIC IMPORTANCE

DERAILMENT OF TRAIN AT REVELGANJ

Shri S. M. Banerjee: Sir, under Rule 197 of the Rules of Procedure and Conduct of Business in Lok Sabha, I beg to call the attention of the hon. Minister of Railways to the following matter of urgent public importance and request that he make a statement thereon:—

Derailment of a Passenger train at Revelganj Station on the 19th August, 1958

The Minister of Railways (Shri Jagjivan Ram): At about 21-10 hours, on 19th August, 1958, while No. 85-UP Muzaffarpur-Banaras Passenger train was being received at Revelganj, a non-interlocked station on the Chhupra-Aunrihar, Metre Gauge Section of the North-Eastern Railway, it entered the Goods Shed Siding and collided with five wagons standing there. As a result of this, the engine and two vehicles next to it viz., a Parcel van and a Third Class Bogie, got derailed. I regret to have to mention that 22 persons received injuries, of whom 4 were grievously

hurt. All the injured persons were rendered First Aid at the site by the Guard of the train; of these 14 continued their journey by the same train. The remaining 8 were given medical attention at District Board Hospital at Revelganj, wherefrom one was discharged and 7 were transferred to the Civil Hospital at Chhupra and admitted there. One of them unfortunately expired last night. Of the remaining 6, one person was discharged on 20-8-1958 and others are reported to be progressing in the Hospital. The cost of damage to Railway property is assessed at Rs. 1,250. The Government Inspector of Railways has held his enquiry on 23rd and 24th August, 1958, into the accident and his report is awaited.

12:28 hrs.

STATEMENT RE. INVESTMENT POLICY OF LIFE INSURANCE CORPORATION

The Minister of Finance (Shri Morarji Desai): Sir, I am placing on the Table of the House a notification which makes applicable to the Life Insurance Corporation certain provisions of the Insurance Act. [Placed in Library. See No. LT-852/58.]

The House will recall that Section 43(2) of the Life Insurance Corporation Act lays down that these provisions would be made applicable to the Life Insurance Corporation, subject to such conditions and modifications as may be specified in the notification. The notification is in pursuance of this requirement.

One of the Sections which the notification deals with is Section 27 of the Insurance Act. It is, by now, common knowledge that this Section defines in fairly precise terms the ambit within which an insurer could operate in the matter of investments. By making it applicable to the Life Insurance Corporation, Government is laying down the framework within which the Life Insurance Corporation can

[Shri Morarji Desai]

similarly operate. In short, this modified Section contains, by and large, the investment policy which the Life Insurance Corporation will follow.

There are good reasons as to why the salutary provisions of Section 27A should be retained. Both the freedom given and the restrictions imposed by it have stood the test of time. While ensuring the safety of the policy holder's money the possibility of augmenting profits has also been afforded. For this reason Section 27A has proved satisfactory both to the insurers and the policy holders. We, therefore, have followed these principles subject only to such changes as have become necessary owing to the fact that investments which were previously spread over 240 odd companies are now held by one single Corporation. I may add that in coming to our decision we have consulted both the Corporation and the Reserve Bank of India.

Under the scheme referred to, the investments of the Life Insurance Corporation will be divided into three broad categories: firstly, the Government and approved securities which generally mean gilt-edged securities; secondly, investments approved under this very section and, thirdly, other investments. The limitations are that at least 50 per cent of the total funds should be held in Government and approved securities, and not more than 15 per cent should be held in the form of other investments. The result is that about 35 per cent is held in what is known as approved investments.

To a large extent the modifications suggested in respect of approved investments, are of a minor character. It was necessary to make them because of the altered conditions which obtain after nationalisation of Life Insurance. But I shall, in particular, draw attention to the modified Section 27A(4) and 27A(8). While the former enables the maximum limits of holdings of the Corporation in the ordinary shares of the companies to be raised

from 10 per cent to 30 per cent of the subscribed ordinary capital (with a further provision for exceeding this limit with the prior approval of the Central Government) the latter modification will permit the Corporation to invest in private limited companies also, with the prior approval of the Central Government.

There are certain other matters pertaining to the investment policy of the Life Insurance Corporation which, I feel, are of some importance. I shall mention these briefly.

To begin with, I would like to make it quite clear that the Life Insurance Corporation shall always keep in mind the provision of Section 6(1) of the Life Insurance Corporation Act, which enjoins on it the duty of carrying on its business to the best advantage of the community. Let me be more specific. Whereas the Life Insurance Corporation will always bear in mind that its primary obligation is to its policyholders whose money it holds in trust, and will work as far as possible on business principles, it will never lose sight of the fact that, as the single largest investor in India, it has to keep before it the interests of the community as a whole. It will, therefore, invest in ventures which further the social advancement of the country. It will take no parochial view. Its funds are drawn from all over India and they will, as far as practicable considerations allow, be invested for the good of the entire country. Thus there shall be a studied diversification of its investible funds which is an essential requirement of any insurer particularly the sole insurer of a country.

I next come to the attitude which the Life Insurance Corporation should adopt in relation to the Stock Markets. There is not the slightest intention that the Life Insurance Corporation should indulge in speculation and thus take advantage of temporary fluctuations in market prices. It must necessarily invest on a long-term basis.

But this should not preclude it from certain buying and selling operations when circumstances so warrant. It will actively examine its investment portfolio from time to time and decide whether certain of its holdings are worth keeping, adding to, or disposing of. If, for instance, the Life Insurance Corporation were to sell during periods of boom and to buy during periods of depression not only would the Life Insurance Corporation gain but, indirectly, the national interest would be served by evening out the fluctuations in the stock market.

Apart from Section 27A, there are various other sections of the Insurance Act, which it is obligatory on Government to apply to the Life Insurance Corporation with such modifications and subject to such conditions as may be considered necessary. These sections deal with certain "returns" and statement of accounts which insurers have to submit to the Controller of Insurance so as to enable the latter to ensure that the interests of the policyholders are safe. These provisions are salutary ones; and, it is felt that the Life Insurance Corporation should continue to submit these returns and be governed by the sections in question. This matter has also been considered very carefully in consultation with the Life Insurance Corporation and the modifications made are of a minor character.

In conclusion, I would like to add that the investment policy which is before you has taken into account all that has been said on the subject in the recent past. Different schools of thought have advocated application of varying standards. We thus have been able to study and sift the available material and I hope the policy indicated will have the approval of the House.

Shri Bimal Ghose (Barrackpore): This statement may be circulated to all of us.

Mr. Speaker: Yes; copies will be available to all hon. Members who want them.

Shri Prabhat Kar (Hooghly): It may be circulated to all, because it is an important policy statement regarding the investment of the L.I.C.

Mr. Speaker: Those hon. Members who want copies may ask and take copies from the Notice Office.

12.36 hrs.

ELECTION TO COMMITTEE

ESTIMATES COMMITTEE

Shri B. G. Mehta (Gohilwad): I beg to move:

"That the Members of this House do proceed to elect in the manner required by sub-rule (3) of Rule 254 read with sub-rule (1) of Rule 311 of the Rules of Procedure and Conduct of Business in Lok Sabha, one Member from among themselves to serve as a member of the Committee on Estimates for the unexpired portion of the term ending on 30th April, 1959, vice Shri Mahavir Tyagi resigned."

Mr. Speaker: The question is:

"That the Members of this House do proceed to elect in the manner required by sub-rule (3) of Rule 254 read with sub-rule (1) of Rule 311 of the Rules of Procedure and Conduct of Business in Lok Sabha, one Member from among themselves to serve as a member of the Committee on Estimates for the unexpired portion of the term ending on 30th April, 1959, vice Shri Tyagi resigned."

The motion was adopted.