

LOK SABHA DEBATES

(Part II—Proceedings other than Questions and Answers)

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LOK SABHA

Tuesday, 26th April, 1955

The Lok Sabha met at Eleven of the Clock.

[MR. SPEAKER in the Chair]

QUESTIONS AND ANSWERS

(See Part I)

11-52 A.M.

PAPERS LAID ON THE TABLE

NOTIFICATION UNDER REQUISITIONING AND ACQUISITION OF IMMOVABLE PROPERTY ACT

The Minister of Works, Housing and Supply (Sardar Swaran Singh): I beg to lay on the Table a copy of the Ministry of Works, Housing and Supply Notification No. E II-24. (1)/55, dated the 25th March 1955, under sub-section (3) of section 22 of the Requisitioning and Acquisition of Immovable Property Act, 1952. [Placed in Library. See No. S-148/55.]

REPORT ON FIRST GENERAL ELECTIONS IN INDIA

The Minister in the Ministry of Law (Shri Pataskar): I beg to lay on the Table a copy of the Report on the First General Elections in India, 1951-52, Volume I (General). [Placed in Library. See No. S-149/55.]

NOTIFICATIONS UNDER SEA CUSTOMS ACT

The Minister of Revenue and Defence Expenditure (Shri A. C. Guha): I beg to lay on the Table a copy each

of the Ministry of Finance (Revenue Division) Customs Notifications Nos. 16 and 17, dated the 12th February, 1955, under sub-section (4) of section 43 B of the Sea Customs Act, 1878. [Placed in Library. See No. S-150/55.]

INSURANCE (AMENDMENT) BILL

The Parliamentary Secretary to the Minister of Finance (Shri B. R. Bhagat): I beg to move:

“That the Bill further to amend the Insurance Act, 1938, as passed by Rajya Sabha, be taken into consideration.”

This is a very small and simple Bill, and the object of it is to amend section 118 of the Insurance Act, 1938, in such a manner as to give powers to the Central Government to make applicable to any insurance business carried on by it such provisions of the Act as are considered desirable. That section as it stands at present completely excludes any insurance business carried on by the Central Government from the purview of the provisions of the Insurance Act, and this leaves no powers whatsoever to the Central Government to make exceptions to the Act even when they may be considered necessary and are in no way in contravention of the spirit underlying the special position accorded to State-conducted insurance business.

To illustrate this point as to how far the rigidity of the present provisions can go, I may point out that section 118 sometimes operates against well-intentioned improvement. I would draw the attention of the House to the position resulting from the non-applicability of the provisions of

[Shri B. R. Bhagat]

section 39 of the Insurance Act to the postal life insurance, on account of the latter being an insurance business carried on by the Central Government. Section 39 of the Insurance Act confers on the policyholder certain special advantages in the matter of nomination of the person to receive policy-moneys in the event of the policyholder's death. Without these provisions, the right of nomination available to the policyholders would be a very limited one, which, if exercised in favour of one's wife or children, would make the nomination once made irrevocable. A nomination under section 39 on the other hand can be revoked or changed by the policyholder at any time before the policy matures for payment, and it is automatically cancelled by a subsequent assignment of the policy or by the death of the nominee in the lifetime of the policyholder, and the right of the policyholder to deal with the policy in any manner as he likes is not affected. These special rights conferred by section 39 are not available to the policyholders of the postal life insurance, because section 39 of the Insurance Act does not apply to postal life insurance, and even if the Central Government wanted to apply these provisions, they cannot do so on account of the present provisions of section 118 of the Insurance Act.

It is with a view to meeting situations of this kind that section 118 is sought to be amended, and I trust that the House will give the amending Bill favourable consideration.

Mr. Speaker: Motion moved:

"That the Bill further to amend the Insurance Act, 1938, as passed by Rajya Sabha, be taken into consideration."

Shri K. K. Basu (Diamond Harbour): Though this Bill is, as has been mentioned by the hon. Parliamentary Secretary, a very short one, yet as a matter of fact it makes an improvement on the existing position, so far as the working of the postal life insurance as affected by the Insurance

Act is concerned. But I am not fully conversant with the import of the hon. Parliamentary Secretary's statement. There is also a provision in this Bill by which they want to restrict or make a sort of exception by empowering the Central Government to decide how far the provisions of the Insurance Act should be applicable to the case of postal life insurance.

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Sir, one of the cases that has been cited is the extension of the scope of sections 38 and 39 which under the existing system is not applicable to the Postal Life Insurance. It is definitely an improvement and possibly quite a good section and the people might be able to get advantage of the Postal Life Insurance which they are now doing. But, I think the hon. Parliamentary Secretary should have explained at length as to why they want to keep this specific provision ".....except to such extent as the Central Government may by order specify, to any insurance business carried on by the Central Government". It is true that so far as the Postal Insurance is concerned, there are certain restrictions and there are certain special conditions because this Postal Insurance though originally started for the employees of the postal department has been extended only to the government servants of the Centre and the States. But this distinction should have been explained because we feel that there are great advantages of this Postal Life Insurance, which in the present context of affairs in our country should be extended even to the common man.

Though there are private insurance companies, unfortunately, in the last 25 years, so far as the Indian companies are concerned they have extended to a great extent, but even then today in our country there are large areas where there is no scope for insurance. Also in spite of the great expansion of the Indian insurance companies, there are methods of working which are not to our help.

We know, Sir, this agency system, many times in the rural and some urban areas, take advantage of the credulity and goodness of our people and sometimes misguide them. We have seen that in spite of the provisions of the Act and also having an establishment like the Controller of Insurance many big insurance companies had to be closed down or had to be taken over by the administrators appointed by the Government. Therefore, as yet these private insurance companies have not been able to come to that state when we can rely entirely on their capacity to come in and extend the facilities to the common man for going in for insurance. Of course, I understand, in answer to some question the other day, the Finance Minister explained that the position of nationalisation of insurance companies is still being considered by the Government. Therefore, I do not want in this short Bill to go into the length of the merits and demerits or the necessity as such. But, what I feel is that in the present context of affairs, the insurance companies may be able to a great extent to mop up the savings of the common man or the middle class people who may be in a position to save very little. That advantage should be taken by our Government to see that those savings are utilised for our development projects when we are having one Plan after another for the improvement and economic amelioration of our country. I am fully conscious of the fact that even in the Insurance Act there are limitations as to the mode of investment on which the private insurance companies can go on investing. Even then there is wide scope wherein the companies can utilise those funds on such investments which they think proper. We have also seen reports that in many cases these investments are not proper as a result of which to a large extent the policyholders suffer. We have also known that in spite of the limitations of the extent of expenditure as provided in the Insurance Act, these private insurance companies have exceeded the limit—there are

subterfuge methods by which they can do that—that has been allowed under the Insurance Act; otherwise how, when in the last two years, two of the insurance companies at Bombay had to be taken over by the Government and in spite of their being administered by persons appointed by the Government, the administrative costs have gone up?

Therefore, I feel here is an insurance policy where the average premium is much lower. We feel there are still scope for the private insurance companies to reduce their premium, because sometimes we find that some of the insurance companies want to reduce the rates somehow or other under pressure of business or sometimes it is said that the Government also advise them to reduce the premium rates. Here is an insurance department offering insurance policies to government employees at lower rates. The rates are lower because the expenditure ratio is much lower than in the private companies.

We wish, therefore, that the Government take seriously into consideration, till they decide nationalisation of the entire insurance business, that at least they should extend the facilities that these policies offer to the ordinary citizens of India. Thereby the Government, on its own, also will get advantage of the savings of the common people and the income that they may derive by way of premium. When this is offered to the common man they will go in for insurance and the money they may get may very well be utilised in the development projects of our country.

Therefore, I feel Sir, though the Government have promised that they are bringing a comprehensive Bill on the basis of the decision of nationalisation, they should not only limit this amending Bill to the extension of facilities under sections 38 and 39 to the Postal Life Insurance, but they should also go in for further amendment and open the Postal Life Insurance to be subscribed by the common man of the country.

[Shri K. K. Basu]

With these words, I generally support the Bill and I hope the Government will take into consideration this aspect of it and bring in a further amending Bill.

Shri Matthen (Thiruvellah): Sir, I welcome this amending Bill. It is very useful to make these Government owned companies also get the advantage of the insurance companies.

There are some insurance companies started by some States. I know about my State which has got an insurance company doing life business. I think Mysore too has got an insurance company. I do not know how they are working and whether they are working just like other public insurance companies. This Bill only refers to the companies under the control of the Central Government. I want the hon. Minister to look into that aspect. I do not know whether other States have got similar companies. But, I know definitely about these two States.

Then, Sir, I entirely agree with my friend Shri K. K. Basu about the nationalisation of insurance companies. But, I am not suggesting a complete nationalisation of companies because, personally I want the private sector also to work side by side so that it may be an incentive, a sort of encouragement to the public sector. But, it is very very necessary that a State Insurance Corporation should be started on the lines of the State Bank Bill that is now pending before this House. In these days when insurance practically will be the only source of earning not only for government servants but also for other people engaged in other business or industries, it is very very necessary that these should be taken care of and nobody can take better care than the State especially in view of the socialistic pattern we have in view. This is the only saving which the people are leaving for their children and their family. Sir, I know—I do not want to cast any aspersion, but I can-

not help saying it—that several of these companies have not been doing their business honestly. After all, insurance companies are not like banks. In banks there is always the liability of deposits which is a Damocles' sword hanging on the head of the bank manager. In fact in insurance companies, their funds are accumulating as premiums come in just like a snowball growing in size. After all, the capital involved in the starting of a company is very very little when compared to the amount of funds that will come in the hands of the managing agents. Even though managing agency has been abolished in insurance companies, they are still having *de facto* managing agency and are using large funds for their own purposes. They are exploiting public money. Therefore, what I would suggest is that we should start a State Insurance Corporation. As I said when I was talking on the Finance Bill, it should have been done before the State Bank Bill was introduced. Because these days when we are needing funds very badly for our development schemes or the Five Year Plan, when the Finance Ministry is straining every nerve to find out funds and is resorting even to deficit financing, there is a pretty good bit of funds available with the insurance companies, which, I am sure, even the people who insure will be happy to be utilised by the Government for development purposes. I very earnestly suggest to the Finance Minister to take up this question. I am not for a complete abolition of the private insurance companies. But, I would like to set up a first class State Insurance Corporation working on real commercial principles—not like the Government departments; they must canvas, get policies and, especially in view of the fact that we are trying to have rural development schemes, our new rural branches can help them. The new State Bank can have more use of the funds collected if we popularise the scheme and collect funds from the people who want to insure. Therefore, I once again say that a State

Insurance Corporation should be started.

Shri B. R. Bhagat: I am very grateful to the two hon. Members who have generally supported the Bill. Before I come to the specific points made by Mr. Basu, I would refer to one or two general points that have been made, which are not particularly relevant to this amending measure.

Mr. Basu referred to the private insurance companies and the way they are working and the abuses that have crept in and also for the need of mopping up the savings available for development purposes. The different measures taken by the Government during last few years have the same object in view, that is, diverting the reserves and the savings for development purposes. There is no difference in the object. But, I think, this is not the time and the occasion to go into the question of how the private insurance companies should invest their funds. So, I will leave this point at this stage.

Shri Matthen: But, if the company is taken over by Government for mismanagement?

Mr. Speaker: That question does not arise.

The Minister of Revenue and Defence Expenditure (Shri A. C. Guha): The managements of several insurance companies have already been taken over by Government.

[MR. DEPUTY-SPEAKER in the Chair]

Shri B. R. Bhagat: As regards the point made by the hon. Member who spoke next that there are some State insurance companies run by the State Government, I have nothing much to enlighten him on that except that this question is being examined as to how far it is legal or constitutional for State Govts. to run insurance companies. Some doubts have arisen about the propriety or constitutional power of the State Governments to run insurance companies and the whole question is at present under examination at the proper level and

before long some decision will be arrived at.

Mr. Basu first raised the point regarding the extension of the facilities of postal insurance to the common citizen. It is quite a good object. But the administrative difficulties in the way of extending it to the public are enormous. As he himself has said, the lower administrative cost in the Postal Life Insurance is one of the advantages of this and that is why it is getting popular. The difficulty would be, if it is extended, even if it is administratively possible, the administrative cost will immediately go up.

Shri K. K. Basu: If you can run the Postal Department, you can very well extend this.

Shri B. R. Bhagat: Just now all the collections are made without any extra charge because the premia are deducted from the salaries at source and no separate staff is kept for this purpose. If you extend it to the entire public, then, you will have to have a separate Department and more staff. The administrative cost will go up, and the greater difficulty will be how to collect the premia from the public. Just now you deduct it at source from the salaries of government servants but how can you do it in the case of the general public? These are some of the difficulties.

Shri Matthen: How are the other companies getting their premia?

Shri B. R. Bhagat: The facility has already been extended. There is a tendency to extend these facilities more and more and, recently, it has been decided to extend the scope to employees of industrial and commercial undertakings sponsored by Government. So, whatever is possible, is being done to extend the facilities. But, I must confess that extending to the entire public the facilities which are in the nature of amenities provided to the government servants is not possible at this stage.

The other point that was made was about the setting up of a State Insu-

[Shri B. R. Bhagat]

rance Corporation. I think that is too large a point to be covered by this small amending Bill and I can only say that the Planning Commission in its report has suggested that there should be more and more State participation in the insurance business. The bigger question of nationalisation or the starting of a State Insurance Corporation is not very relevant at this stage.

This is all I have to say.

Mr. Deputy-Speaker: The question is:

"That the Bill further to amend the Insurance Act, 1938, as passed by Rajya Sabha, be taken into consideration."

The motion was adopted.

Clauses 1 and 2

Mr. Deputy-Speaker: There are no amendments to any of the clauses.

Clauses 1 and 2, the Title and the Enacting Formula were added to the Bill.

Shri B. R. Bhagat: I beg to move:

"That the Bill be passed."

Mr. Deputy-Speaker: The question is:

"That the Bill be passed."

The motion was adopted.

RESERVE BANK OF INDIA (AMENDMENT) BILL

The Minister of Revenue and Defence Expenditure (Shri A. C. Guha):
I beg to move:

"That the Bill further to amend the Reserve Bank of India Act, 1934, be taken into consideration."

For the last few days, I have been speaking before this House on more or less the same subject, rural credit, starting from last Friday on a non-official resolution on that matter. This Bill is just another step in the implementation of the recommendation of

the Rural Credit Survey. The House knows the importance of this survey and the importance and far-reaching effects of the recommendations made by this Committee. I think, it can be said that this is the first report of its kind, surely for India and, perhaps, for most other undeveloped countries. There was never such a big undertaking to make a comprehensive survey of the entire agricultural or rural credit system. The Committee has used a certain phrase and this House has also endorsed these words—'integrated solution of the rural credit problem. During the debate on the State Bank of India Bill, Members expressed their anxiety that that Bill alone might not be quite sufficient to meet the requirements. I myself made it clear that that Bill was just intended to lay the foundations of the rural credit structure and other measures are to follow. This is one of the measures. I have also indicated that the Food and Agriculture Ministry will come forward with another measure. This Bill may be called just a sort of enabling measure to be followed by the Food and Agriculture Ministry's Bill to be introduced in this House.

This Bill authorises the Reserve Bank to advance some money to certain organisations and institutions which will be set up by the Food and Agriculture Ministry. Recently, in Delhi, there was a conference of the State Ministers connected with the co-operative movement. They have unanimously accepted the recommendations of the Rural Credit Survey concerning the development of the co-operative movement. The Central Board of the Reserve Bank also has approved those recommendations and the Reserve Bank is quite willing to implement the recommendations and take the necessary responsibility.

It may not be quite out of place here to mention what the Reserve Bank for the last few years has been trying to do about rural credit. When the Reserve Bank of India Bill was discussed in the Central legislature of those days, you must have been