

These lines should correctly have read as follows :

"(a) a sum equal to 155 per cent of such amount, in the case of goods comprised in Item No. 22 (4);"

In fact, sub-clause (a) of clause 30 of this year's Finance Bill is a verbatim reproduction of sub-clause (a) of Section 22 of the Finance Act, 1955.

I have considered how best this inadvertent error could be rectified and have decided to introduce a formal amendment in due course, which will have the effect of continuing the surcharge on Item No. 22 (4) at 155 per cent., as if no error had been made in the Bill. I may add that the Provisional Collection of Taxes Act, 1931, does not apply to reduction, so that the reduction will have to effect until the House has passed the Bill. The reduction can only be made by a notification. No such notification has been issued and therefore, there is sufficient time for us to bring an amendment of the nature I have pointed out.

Dr. Lanka Sundaram (Visakhapatnam) : What about the reduction ?

Shri C. D. Deshmukh : There will be no question of reduction because the Act does not apply here.

Mr. Deputy-Speaker : Only after the 1st April it will apply. Before that, the amendment has to be introduced.

LIFE INSURANCE (EMERGENCY PROVISIONS) BILL—Contd.

Mr. Deputy-Speaker : The House will now resume consideration of the Life Insurance (Emergency Provisions) Bill. Out of 12 hours allotted for this Bill, namely, 10 hours for general discussion, 1½ hours for clause by clause consideration and ½ hour for third reading. 6 hours and 50 minutes have already been availed of. This leaves a balance of 5 hours and 10 minutes of which 3 hours and 10 minutes are for general discussion.

Five hours and 10 minutes means this Bill would go on till 5 P.M. We will have half an hour left. Does the hon. Finance Minister propose to start the other Bill ?

The Minister of Finance (Shri C. D. Deshmukh) : I do not think it will be desirable to start the other Bill. It is

not likely to be taken up for some time and it is not on the agenda. It has been discussed before and I thought it would not be desirable to take it up now.

Mr. Deputy-Speaker : How long does the hon. Minister require ?

Shri C. D. Deshmukh : About 40 minutes.

Dr. Lanka Sundaram (Visakhapatnam) : The remaining half an hour also may be given to this Bill, because there are a number of speakers.

Mr. Deputy-Speaker : All right ; leaving 2 hours at the end, clause by clause consideration should start at 3-30. That means the hon. Finance Minister will be called between 2-30 and 2-40 P.M. The House will have another half an hour so far as this Bill is concerned.

Shri Venkataraman will continue his speech.

Shri Venkataraman (Tanjore) : Mr. Deputy-Speaker, yesterday I started by saying that the control and regulation of insurance has not yielded any result at all and that every time control and regulation has been circumvented. The hon. Finance Minister has in his speech pointed out how the control over the holding of the shares has been evaded by the shares being held in the name of all sorts of relatives and friends. I will not go into it. The Finance Minister also dealt with the other aspect of the evasion of the ceiling on administrative salaries. He said that where ceiling has been fixed, it has been evaded by appointing a number of sinecures and dummies and relatives of the men in charge. I will proceed to give some more instances of the way in which the provisions of the Insurance Act have been evaded.

Under sub-clause 4 (b) of section 27 of the Insurance Act, an insurer shall not invest in the shares or debentures of one company more than 10 per cent of the subscribed capital of that company. This Act was passed in 1950. But in 1951 the amount in excess of the permissible investment is Rs. 1,64,00,000 and odd; in 1952 it is Rs. 1,37,00,000 and odd; in 1953 it was Rs. 1,03,00,000 and, lastly, as late as 1954, the amount in excess of the permissible investment was Rs. 60,83,000. It is another instance of how the regulation and control which the Insurance Act envisaged has been evaded and there has been a

[Shri Venkataramac:]

breach of the provisions of the Bill. I am at pains to explain this, because Mr. Tulsidas Kilachand yesterday said that the Finance Minister has taken out only one or two instances in which there has been misapplication according to him and misappropriation according to me of the funds of insurance companies and he has convicted the entire industry on the charge which is so flimsy. On the contrary, you will find that in every regulation there has been a breach and a substantial breach by the companies. Let me go to another regulation which has again been violated. Under Section 40-B of the Insurance Act, there is a limitation on the expenses of the management in life insurance companies. Before I go to that, I shall refer to another point. Permissible investment in companies has not been done according to me in a manner which is advantageous to the policyholders. The permissible investment has been made by the people in charge of insurance companies in concerns which are allied to or conducted by them, except in the case of the Oriental Insurance Company, where the investments have been diversified. In the case of all other insurance companies where the permissible investment on shares of the companies is allowed, the investment has been only in respect of those concerns which are run by the persons in charge of the insurance company. Therefore, instead of the investment being made to the best advantage of the policyholders, investment has been made only to suit the private ends of the insurance magnates.

I will now refer to the breach of the other provisions of the Act. Section 40-B deals with the limitations on the expenses of management of life insurance companies. Let us see how many companies observed this limitation. In 1951, 61 companies contravened that provision; in 1952, 62 companies contravened that provision; in 1953, 58 companies contravened that provision, with regard to the limitation of expenditure, it is not as if the Finance Minister accused the insurance industry by quoting stray instances of mis-management. On the contrary, the statistics show that contravention of all these regulations and control is a habit with the insurance industry.

Yesterday, Mr. Tulsidas Kilachand referred to the settlement of the disputes by claimants. He said that there have been only about 108 cases in which there were disputes and that very

small percentage—only 40 of them—have been settled in favour of the policyholders and that this cannot be a charge against the insurance industry. I am afraid Mr. Kilachand has not read his brief or his books properly. The figures quoted in the Indian Insurance Book at page 65 relate to the settlement of claims of policies not exceeding Rs. 2,000. For the settlement of insurance policies less than Rs. 2,000 in value, a procedure has been prescribed whereby instead of going to the court, the small insurance policyholder may apply to the Controller of Insurance and have his claim adjudicated upon. In respect of these small claims, that is Rs. 2,000 and less, the number of disputes which have come up before the Controller of Insurance 1955 was 108 and the number still pending decision when this report was issued was 76. In the previous year, 1954, 98 disputes came up and 69 were withdrawn. They were withdrawn because they were settled. As the report itself says, when the matter was taken to the Controller of Insurance, the insurance companies got nervous and they settled the matter. Then 16 of them have been settled in favour of the policy holders. Only one out of these 98 cases was settled in favour of the insurance company. It is not the number. It is the manner in which the insurance company settles the claim that has got to be enquired into by the House. In respect of the settlement of claims, this is the report in para 7 :

“Since the issue of the last report the Controller had decided 18 disputes under section 47-A. The decision in all these was in favour of the claimants. In 16 of these disputes, the insurers were found to have withheld payment without any reason whatsoever and no defence was put forward by the insurers. In one other case, the insurer was unable to substantiate the allegation made by him that the assured was guilty of fraud. In all the remaining cases, the insurer was found to have wrongly interpreted the terms of the contract.”

These are flimsy reasons only intended to delay the settlement of claims. It is not a genuine dispute. Therefore, I want to submit to this House that the record of the insurance companies even in the matter of settlement of claims has not been very good and very fair.

When the Insurance Consolidation Bill was before this House, I was responsible for moving an amendment

that the Government should take powers for the appointment of directors to insurance companies. Section 48-C of the Insurance Act which empowers the Government to appoint directors to insurance companies was accepted and made a part of the Insurance Act. This could not be used at all, because if the Government sought to appoint a director to a good company, a company which was running well, naturally, the persons objected, "you are trying to appoint a director for a company which is functioning properly; it is interference and meddling on the part of the Government and it should not be done." If you try to appoint a director to a company which was not functioning well...

Shri Velayudhan : (Quilon *cum* Mavelikkara-Reserved-Sch. Castes): How much time is allowed to this hon. Member?

Shri Venkataraman : When the hon. Member ever becomes Deputy-Speaker or Chairman, he can control the proceedings.

Mr. Deputy-Speaker : The other Members are interested. The hon. Member started at 11.25. He has only taken 10 minutes.

Shri Velayudhan : I was only putting somebody's query.

Mr. Deputy-Speaker : The hon. Member may finish in 10 minutes.

Shri Venkataraman : I was saying that if they tried to appoint a director for a company which was not functioning well, they said, this will entirely shatter the credit of the insurance company in the market and that they will be ruined. Therefore, even when you put in very valuable restrictions regulating the insurance companies, in practice, it becomes very difficult to enforce them for all the consequences that may flow from them.

Shri Asoka Mehta said that it is becoming a habit with the Finance Minister now to say that regulation is not sufficient and that the regulatory procedure of law does not yield very good results and that he is repeating it very often. It is not the Finance Minister alone that has said it. Even when the Insurance Amendment Act of 1950 was before the House, those who voted for it, those who supported it said at that time that the regulations and controls that they were introducing then would not suffice.

I shall read only one or two sentences to show what those people felt at that time. Shri M. L. Gautam said:

"Only I would again warn this House that this Bill will not work. It will not suffice. It will not safeguard the interests of the policyholders. The sooner the Government places before the House a Bill for nationalisation of the industry, the better for the policyholders, the nation and all concerned."

Then Shri T. T. Krishnamachari as he then was,—he was not a Minister then—said:

"The Congress Party will before long realise that the police powers granted to the Government under this Bill are not adequate to safeguard the unfortunate policyholders from the rapacity of the individuals who are unscrupulous."

Shri Feroze Gandhi (Pratapgarh Distt.—West *cum* Rae Bareli Distt.—East): The Minister has changed his view since then.

Shri S. S. More (Sholapur): He is Minister on that condition.

Shri Venkataraman : This is what he said in 1950. My point is, it is not overnight that the Congress Party changed its view with regard to nationalisation of this insurance industry. It has been an insistent demand on the part of the Members that this is an industry which is pre-eminently fitted for being nationalised.

Shri Tulsidas argued that the Finance Minister had brought this Insurance nationalisation Bill as if he was convicting private enterprise in insurance and the penalty is nationalisation. It is not so. He did not say so. On the contrary, I shall read a portion of the Finance Minister's speech. He said:

"So, while it is the failure of the general run of insurance companies to live up to the high traditions demanded of them that has led Government to take this step, I would like to emphasise that nationalisation in this field is in itself justifiable. With the profit motive eliminated, and the efficiency of service is made the sole criterion under nationalisation, it will be possible to spread the message of insurance as far and as wide as possible, reaching out beyond the more advanced urban areas into hitherto neglected rural areas."

[Shri Venkataraman]

Therefore, really what the Finance Minister said is that the industry is one which, in the public interest, as a public utility and as a social service, ought to be nationalised. If he was persuaded to bring it a little sooner than what we expected, it was because of the misdeeds and mistakes of the insurance industry.

Then, Shri Tulsidas dealt with foreign insurance which the Indian companies have developed. He said, how will the nationalised concern carry on foreign insurance. He used the expression that we are exporting insurance abroad and that it will suffer. I do not see how it should suffer. Anyway, let us see at what cost we have exported insurance abroad. The foreign insurance renewal business of the Oriental costs us 17 per cent as against a renewal expenditure in India of 13.7 per cent. The foreign insurance business of Lakshmi Insurance Co., costs us 23.2 per cent as against 17 per cent in India. The foreign insurance business of National Insurance costs us 17.7 per cent as against 15 per cent in India. The foreign insurance business of the United India Life Insurance Company costs us 30.8 per cent as against 12.8 per cent in India. It is a matter for consideration whether it is worth while exporting this insurance at this heavy cost. It is obvious that private insurance cannot do foreign insurance except at such heavy cost and if that is so it is a matter for consideration whether we should do it. In fact in 1951 the Oriental Insurance Company had to transfer Rs. 3½ crores to the foreign policyholders Account. It is not worth robbing Peter to pay Paul, to take all that premium available from people in India and then sustain the foreign policyholders.

There is also another aspect. Now Indian insurance has been nationalised, I think it would still be possible for the nationalised insurance company to do business abroad. The business abroad is mainly done with the help of the Indian citizens abroad. It is not the foreign nationals that insure in the insurance companies registered in India; very largely it is the Indians abroad who insure themselves in the Indian companies. Therefore, once they get a feeling that the company is sound and that it will be able to honour its obligation and that there is hundred per cent security for the insurance policy, the business will increase and it will grow more.

Then Mr. Tulsidas threw out a challenge to the Finance Minister. It looked as though he was challenging the Finance Minister for a personal duel. I am quite sure that....

Shri C. D. Deshmukh : Entertaining.

Shri Venkataraman : He said "I challenge". Half a dozen times he repeated that challenge. He threw out a challenge and the challenge is this: let the Government run the State Corporation; let the private individuals be allowed to run insurance companies and then let us see which succeeds. This line of argument was taken up even by Mr. Asoka Mehta very much to my surprise.

Now I do not know what the Finance Minister would say but I have to confess defeat at the hands of Mr. Tulsidas because you cannot expect the Government to resort to all the nefarious practices which the private enterprises resort to for procuring business. Rebating, for instance, can be done by the private insurer. But once Government takes up insurance, can it compete with the private insurer by offering rebate? Secondly, what is the sort of insurance campaign that is going on? It is maligning each other. An insurance agent goes and confidentially tells people that the Chettiars, who are in charge of this company are swindling the money and, therefore, you should not insure in that company. Then the other agent comes and tells people that the Marwadis are really the swindlers and, therefore, you should not insure in their company but insure with my company. What is really going on is a competition amongst the various insurance agents for procuring business. How can Government come and compete with the private insurance company when the private insurance company has been resorting to these nefarious practices of rebating and maligning each other and trying to procure business for themselves?

Shri S. V. Ramaswamy (Salem) : Do they expose the truth?

Shri Venkataraman : I do not know. My submission is that it is not possible for a State Corporation and private companies to function together because of this great weakness.

Mr. Deputy-Speaker : His time is up.

Shri Venkataraman : Yes, I will try to finish. There is one myth which I want to explode. The myth is that insurance is sold and not bought. It is only a

sedulous propaganda by the insurance companies that insurance is not a thing which people come and buy of their own accord and it is only through the efforts of the insurance agents that insurance is purchased. As I mentioned previously, there are 170 insurance companies in India with 2½ lakhs of insurance agents with unbridled freedom to malign anybody in the world and with unbridled freedom to rebate. They have procured about Rs. 40 crores of insurance premium of which over Rs. 23 crores has been paid by way of commission. Is that a matter about which the insurance industry really thinks it can be proud of? Certainly not. In fact the insurance companies do not sell insurance. On the contrary they compete and have cut-throat competition with each other. These 170 insurance companies with 2½ lakhs of insurance agents compete against each other, malign each other and create in the minds of the prospect a feeling that insurance itself is bogus because if a company maligns B company and B company maligns A company all the time the poor prospect will think that insurance seems to be a business in which there will be only fraud. X says Y company is bad and Y company says X company is bad. So everything must be bad. Therefore my submission is that this claim on the part of the insurance companies is unsustainable.

Shri S. S. More : Abolish insurance ; that is what they are doing.

Shri Venkataraman : We are certainly abolishing private insurance. Now I will conclude by saying that absolute security is provided to the policyholders by nationalisation. Elimination of wasteful competition, elimination of the profit motive and expansion of possible social services and social security measures are abundant justification for nationalisation of insurance.

Dr. Lanka Sundaram : I do not yield to my hon. friend Mr. Venkataraman in my desire that this country should have nationalisation, total nationalisation, in the earliest possible, what you call, reckonable time. As I listened to my friend Mr. Venkataraman, who apparently has made his decision to answer the points raised by Mr. Tulsidas, I was just wondering whether he ever realised that most of the points that he sought to make gave indirect support to what Mr. Tulsidas said to us yesterday evening, namely, that it was because of

the inefficiency of the Insurance Department of the Finance Ministry of the Government of India that all the malpractices in insurance of the preceding years have taken place. But I do not wish to, what you call just make a debating point, apart from saying that there is a lot of substance in what Mr. Tulsidas said yesterday, namely, bureaucratisation of a field like insurance has its own dangers. That is the only point I would like to mention. Just now Mr. Venkataraman said that "State enterprises and private concerns cannot run together." I have noted it down and I am not doing any violence. Straightway I would like to put my poser to the hon. Finance Minister and ask whether they realise that today we are completely dedicated to the principle of mixed economy. And if I had not misread the provisions of the Bill, the principle of mixed economy is still inherent in it.

The Chairman of the Scindia Company last week asked for repatriation of Rs. 247 lakhs of the shareholders money in the public or semi-public sector, namely, the Hindustan Ship Yard and the Eastern Shipping Corporation. I want my hon. friend the Finance Minister to remember the implication of the desire of the private sector to end its honeymoon with the public sector on the basis of, the principle of, shall we say, mixed economy. I consider that there is not any policy, shall I say, a policy of a type which will enthuse the people in this particular Ordinance and Bill.

As I was listening to the debate in the past few days I came upon a number of approaches to this question. I congratulate my hon. friend Mr. Feroze Gandhi for the great public service he has done not only on this occasion but also on the previous occasion in giving some of the facts. I congratulate him for his luck in being able to pluck the records of some companies and to tell us that this thing is going on. Yesterday when I was listening to an esteemed and senior Member of the House, Shri Kaka Gadgil, I was unable to see the philosophical and moral foundations for this Bill he mentioned. I am quoting his words yesterday on this particular Bill. I wish there were philosophical and moral foundations to this Bill. I straightway put the question to my hon. friend, the Finance Minister, why is it that life insurance alone has been taken up, and not the other classes of insurance. I read in the morning papers today that the Finance Minister is

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reported to have told his party last evening that there is no question of nationalising the general and other insurance sections.

Shri Venkataraman : Now.

Dr. Lanka Sundaram : I cannot vouchsafe for the accuracy of the press reports. It is for my friend Shri Venkataraman and certainly for my friend the Finance Minister to tell us what exactly he means by what was sought to be put in his mouth by the papers this morning.

However, the one question that I would like to put to the Finance Minister is this. Why was it that general insurance has been exempted? Is there any valid reason for exempting it? According to my analysis, 49 per cent. of the total general business is in foreign hands. The House is entitled to know whether that was one of the reasons, if not the principal reason, for exemption of general insurance from being nationalised. The country is entitled to an answer on this very important question.

Shri K. K. Basu (Diamond Harbour): Co-existence of exploitation.

Dr. Lanka Sundaram : My hon. friend Shri K. K. Basu can certainly say what he wants to say on this matter from his own angle. But the country is entitled to a straightforward answer to this question. Is it because of the predominance of the foreign elements in the general insurance that this particular ordinance was first promulgated and later on brought before this House in the form of a Bill, only nationalising life insurance? I think the Minister while replying to the debate will certainly make this point clear, because there cannot be any compromise on this issue.

If everything is wrong with the life insurance section of the business, surely the same thing applies to general insurance also. Quite a number of companies are composite companies, and there are opportunities for greater amounts of money disappearing in the general insurance business than in life insurance business, that is to say, in fire, marine, accident and so on and so forth. I think I would leave this point here.

I would straightway say that I could not see the moral or philosophical foundations behind this Bill, as my hon. friend Shri Gadgil claimed yesterday.

I would say this that despite the very strong claim made by my friend the Finance Minister—I am quoting his words from the record—of inescapable malpractices, the point really must face this House and the country immediately—in fact, we have been dallying with this point all along—whether by just passing this legislation, we shall be able to remove these inescapable malpractices. I am not trying to accuse the Finance Minister. But I would point that out that for the past two or three years, this House has been battling with the question of parliamentary control of the public sector, or, as it was called at that time, of public corporations.

Where is the control? What is happening to this control? Repeatedly, I have had the opportunity of raising this question that there is no effective control on the bureaucratised public sector. Today, when this Bill is passed, life insurance will become a public sector. Government or the nation will be the shareholders. What is going to happen to it? Where is the control? I have said it repeatedly, and I would crave the indulgence of the House for making that point again, that you are handing it over to untrained and ill-equipped officials. I would say straightway that it is like trying to jump from the frying pan into the fire. Are not malpractices appearing in the public sector?

The Bhakra-Nangal engineers alone are reported to have eaten up to the tune of Rs. 10 crores. In regard to the shipyard, the Central C.I.D. are investigating into the disappearance of lakhs of rupees worth of material stolen from our shipyard.

I am not trying to say that I am against nationalisation. I agree with the principle wholeheartedly. But what are the safeguards available for this, when there is a change-over from the private sector to the public sector, which will ensure that the citizen will get a square deal?

You, Sir, presided with great distinction over a series of sessions of the Estimates Committee; and two very important reports, namely the Eighth Report and the Sixteenth Report, were submitted by that Committee. What has happened to their recommendations? Is there any guarantee that (a) Parliament will have control over the public sector, and (b) the activities of the officers who are now entrusted with the charge of these insurance companies,

for example, will behave properly, apart from the departmental control of my hon. friend the Finance Minister?

Now, who are the people who have been selected as custodians? I had the occasion to examine the complete list. The former executives of the same life insurance companies have been reappointed as custodians, but with this difference namely that if the man belongs to the Andhra Insurance Company he is shifted to Ajmer, and if he belongs to the New India, then he is shifted to some other company, and so on. But I would say without any fear of contradiction from my hon. friend the Finance Minister that a large number of these executives who are only accountants—not the ICS or the IAS persons, for I find only a very few of them here; the vast majority are accountants—have been more or less completely involved in the transactions of the insurers so far. I want my hon. friend the Finance Minister to tell the House whether my statement is not correct. In other words, the same executive officers of the life insurance companies are now appointed as custodians under the charge of my hon. friend the Finance Minister, but only transferred from one place to another.

I do not wish to belabour the point beyond a certain limit. But I would say this again. Is this the way in which the policyholder will have his rights protected? I repeat that I am not at all satisfied with the manner in which Parliament is invested with powers sufficient to control these activities. And I am not satisfied that the public sector is running properly. By that, I repeat, I am not arguing against nationalisation.

Today, our Government are doing things step by step of course, in a predatory and punitive manner. I wish there is a philosophical and moral foundation to it. Of course, Shri Gadgil will tell me, and my hon. friend the Finance Minister will tell me, look here, the socialist structure of society, according to the resolution of the Congress in Amritsar, is the base. I am not disputing it. But what is the operation of this? What is the sort of control that we have? I think the House is entitled to some satisfaction on this matter, that the affairs of the companies now vested with the bureaucracy would be properly run.

Having said this I would make three points one after the other. I think there

are three aspects of this question, namely the management, the field staff and the administrative staff.

As regards management, most of the points that I wanted to make have broadly been made in the few words that I have spoken up to this moment. But I would say this now. Is there any possibility of a periodical review of the activities of the new custodians, (that is, the custodians now appointed to these companies), by this House? Of course, my hon. friend the Finance Minister will turn round and say, look here, there is the Controller of Insurance, there is the Ministry, and there is a regular round-the-clock control, so to speak, over the activities of these people.

Shri C. D. Deshmukh: We are discussing only the temporary arrangements now. Are we not?

Dr. Lanka Sundaram: But even temporary arrangements must have a base. For how long will they continue?

Shri C. D. Deshmukh: As long as the other Bill is not passed.

Dr. Lanka Sundaram: That means that these two Bills should be taken together. You, Sir, were right the other day when you said that the two Bills may be taken up together. But that could not be done because the other Bill is going before a Select Committee. But I am sure my hon. friend the Finance Minister will have patience with me, because this is a very important point, and the same point has to be raised also in connection with the other Bill.

Shri C. D. Deshmukh: I do not object to the hon. Member asking a question. But he must not expect an answer.

Dr. Lanka Sundaram: The Minister can reserve his answer for the other Bill. I have no objection at all. But I feel it is right and proper even in connection with this Bill that this aspect of the matter must be properly examined. For, once the custodians are appointed, control not only over the administration of the companies but also over the investment policy of the companies will be in the hands of Government.

I concede the point that under the Bill, insurance will become cheaper. But I warn Government, and I think that that is a point which my hon. friend Shri Venkataraman had not properly realised when he spoke a few

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minutes ago, that the total volume of business will contract; it has contracted already, and it is bound to contract for this reason, namely

Shri Venkataraman : I do not agree.

Dr. Lanka Sundaram : The results will show you. And I hope my hon. friend Shri Venkataraman and I will be for some time longer in this House to be able to review it very soon indeed.

The Minister of Revenue and Civil Expenditure (Shri M. C. Shah) : I know that up to February 24th of this year, the business that has been taken by these companies—I mean the big companies—is more than what it was during the corresponding period of last year.

Dr. Lanka Sundaram : My hon. friend has quoted the figures for fifteen days, that is from 20th January to 4th February—I hope I have got him correctly.

Shri M. C. Shah : From 1st January to 24th February.

Dr. Lanka Sundaram : But as you know, the policies are to be processed. Actually, these processes have been brought in by the old field staff. I shall come to that point presently.

The point I am trying to make is this. Let us be clear on this point namely that the total volume of business, or the total quantum of business is bound to be reduced. Whether it is good for the country or not, I do not know; I am not going to complain on that score at the moment. But I do want to ask Government whether they propose to get the revenues—or rather I should withdraw the word 'revenues' for that is not a proper word to use—or they propose to take advantage of the net profits of the business, estimated at Rs. 10 crores, that is to say, whether they still hope to get that money towards assistance for the Plan, as has been written down in the Statement of Objects and Reasons of this Bill and also of the other Bill because once the volume of business contracts, then naturally the net proceeds will also contract. I would say that instead of Rs. 10 crores

Shri C. D. Deshmukh : Did the hon. Member say, profits from the business?

Dr. Lanka Sundaram : I corrected myself, but the word slipped. I said, the earnings of these companies, that is to say, the money which is available for

investment in the manner in which Government want it to be invested in the public sector for enabling the Second Five Year Plan to go forward. I stood corrected thereafter: the word slipped. 12 NOON.

But the intention is clear. It is estimated that the amount available from insurance would be Rs. 10 crores. I hope it will be Rs. 30 crores, as all of us would like the Plan to go forward. Let there be no mistake about that matter.

As regards the foreign section of Indian business, it is a well-known fact that Indian insurers have recently entered foreign countries like East Africa, Burma, Malaya and Hongkong. I had an opportunity of visiting most of these countries. I agree with Shri Venkataraman that it is the Indians overseas who contribute mostly to their business. But I do say that we cannot avoid the point that non-Indian nationals are also customers of Indian insurance companies. I would like to ask the Finance Minister to come face to face with it now instead of day after tomorrow, that this business will also disappear to a great extent, if not totally.

As regards the field staff, I am entirely in agreement with the Finance Minister as regards the application of the principle that these malpractices must be completely wiped out.

[SHRI BARMAN *in the Chair*]

I am here with some knowledge of this sort of question because my friends and relatives happen to be chief agents of a number of companies; I have never been one, nor do I hope to be one, and even though Shri Venkataraman is trying to become a policyholders' director, I am surrendering my policy because I have no money. These malpractices must be completely stopped. I am not clear whether these nearly quarter million field workers of the present insurance companies will completely disappear. Even the Government must have their agents. Whether the existing field workers will be considered, of course on merits, for continuation as agents to the Government is a matter which cannot be settled immediately, but I hope the Finance Minister would devote time to an examination of this question, because you cannot throw out of work workers, especially good workers. I am not asking for automatic absorption of these nearly quarter million field workers into the category of Government

agents to run the show, but I think a proper inquiry and scrutiny must be made.

Now I would like to say something about the administrative staff. I strongly commend two or three points I am trying to make in this regard. This House has seen the enormous administrative and personnel problems which arose when nationalisation of the airlines took place. I feel very strongly that the administrative staff, especially those of the category drawing Rs. 500 and less per month, should be given a square deal. I want an assurance from the Finance Minister that this will be properly investigated, and that the emoluments of the existing employees of the companies on the administrative side will not be sought to be reduced.

Secondly—and this is a point which I very sincerely commend to the attention of the Finance Minister—there are a number of industrial disputes pending between the staffs of some of the insurance companies and the insurers that is, the companies themselves. I want an assurance that this question will not be disposed of in a routine manner, that it will be properly investigated and, if necessary some Tribunals or other mediation machinery will be appointed to deal with this question adequately and quickly, so that there will not be a sense of grievance on the part of the administrative personnel of the 150 odd Indian insurance companies which are now being taken over by Government. I feel that if not today, at least day after tomorrow something has got to be done. I very much wish that these administrative personnel, particularly the officers of insurance companies, will become a new category of servants of Government. It is a tremendous process—I am prepared to concede. But it must be done. I have come across a lot of heart-burning on the part of the staff in regard to the nationalised airlines. I am sure my hon. friend, the Finance Minister, will also come across numerous complaints, very genuine complaints, about the manner in which the integration of service takes place. I know there is no disposition on the part of Government to shift the body of staff from one company to another today, but all these things have to be planned in advance so that the staff is integrated into one service with adequate wage levels, adequate service conditions and pensionary conditions; I do not know whether they will have pensionary benefits, but

at least they should have the benefit of contributory provident fund conditions which will be uniform for the country as a whole. Here also, there is a risk, the risk of marginal cases of companies being unable to pay proper wages. But that problem can be solved once life insurance is nationalised and all the staff of the 150 odd companies are taken together as a unit. I commend this idea very sincerely to the Finance Minister so that insurance will become a very live affair in the sense that the workers are enthusiastic workers who do not become just something like bureaucrats at a lower level.

Shri H. N. Mukherjee (Calcutta North-East): I welcome the Bill, but I fear I do so with my inevitable grouse, that it is not as thorough-going as it could have been, and certainly should have been I say this in spite of what Shri Tulsidas said yesterday about us egging on the Finance Minister to the abyss of social decline. Today to the social conscience, socialism is a sort of categorical imperative and even the Finance Minister cannot avoid it, though he is trying whatever he can to evade its full implications.

We have been told that as a result of the Finance Minister's announcement, the stock market was in jitters. Luckily, the stock market is not the barometer of our social idealism. The stock market, which booms when there is a war scare and which sags when there is promise of peace, is not the barometer of our social conscience. Nationalisation of insurance has been a long-felt need in order that the interests of the insuring public, the insurance workers and the industry could be safeguarded, the country's economy promoted and more funds provided for economic development. We are happy that Government have taken a tangible step in this direction, but they might very well have taken a few more correlated steps.

We have heard also that Government behaved in this matter like a thief in the night issuing an Ordinance in order to nationalise life insurance. The answer to that has been given by the Finance Minister himself when in his very sedate way he catalogued instances of misbehaviour which we on our side would have characterised in a manner rather different, but his exposure was impressive enough.

Now, this talk about Government behaving like a thief in the night and also the talk about the worthy gentle-

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 men who run our industries who should have been given certificates of merit for the way in which they have conducted their operations, reminds me of what was sought to be done last year by one of the very best insurance institutions in this country, which I do not wish to name. Anticipating nationalisation in autumn last year, this company adopted a scheme of mutualisation and publicised to all the world that Government had informally approved of that scheme of mutualisation, and by that mutualisation they were going to add very much more than a pretty penny to the pile which they were making. I need not give the statistics which have already been mentioned, in regard to this particular company. But if this is the way in which the best of them behaves, if the generality of them behave in the manner which was revealed by the Finance Minister and which is more or less common knowledge, then surely if Government adopted certain steps, issued an Ordinance and so on and so forth, it was certainly the right thing in the circumstances.

But I do not see why Government do not go forward and take over general insurance business. I have seen in the papers this morning some indication that certain aspects of general insurance may be taken over, but I feel that general insurance should certainly be included all together. I had occasion to look a well-documented publication of the Congress itself on insurance business in India by Shri H. D. Malaviya, which is a very recent publication—it came out only last month. It gives very cogent arguments and a good deal of statistics to show how general insurance should also come within the ambit of nationalisation. We find, for example, that British mercantile firms almost completely control general insurance. Their profits are stupendous and we find they also behave in a manner which leads to our losing large sums of money on account of their scandalous operations. I am quoting from page 22 of this book, *Insurance Business in India* by H. D. Malaviya, a Congress publication.

“In General Insurance business, large amounts are passed on to the insured as illegal rebates and then are accounted for by false entries in the Revenue accounts of insurance companies. The Managing Agents of many industrial concerns pocket such illegal rebates on the premium paid by the concerns under their control and such am-

ounts go unaccounted for and un-taxed. It is estimated that the consequent losses to the State amount to over a crore of rupees in taxes on such illegal payments.”

Apart from this is the fact that about Rs. 5 crores go abroad on account of the operations.

I wish also to refer to what the Controller of Insurance says on page 68 of the Insurance Year Book in regard to the Code of Conduct of these insurers.

“The Code has had a healthy effect on the insurance industry, though the evils of rebating and payment of excessive commission to principal agents, insurance agents, etc., may not have been checked to any considerable extent.”

This is a very clear understatement because, as a matter of fact, the illegal rebate has not been checked to any mentionable extent and at least Rs. 2 crores go into the pockets of industrialists and businessmen by means of illegal rebates in various ways. I do not want to go into the details of this matter because this question has been referred to by other speakers. But, I feel that general insurance should certainly be taken over.

Yesterday, Shri Tulsidas Kilachand offered a challenge to Government and there was, I felt, in his challenge, a certain cogency. He had said to Government: You cannot operate your laws properly and you are now coming forward to take over the entire industry. It is up to the Government to answer it.

Again, Shri Somani when he spoke asked for an enquiry. I think that it is right there is an enquiry because, quite apart from the nationalisation which is being proposed here and now which should be proceeded with straightaway there should be an enquiry into all these matters. We want to know, for example, what exactly the Controller of Insurance was doing. We have heard reports; they may be right or they may be wrong; we have had reports that he has been usually strong on the stronger side. It is very necessary that we find out what was what. I wish this also because I do not like the way in which the nationalisation is now going to be conducted. The appointment of custodians, for example, shows that a kind of people are now coming into the

picture in the most important positions who have no faith in nationalisation as far as we can make out, who have openly said over and over again that they do not believe that nationalisation can work properly, who are champions of the private sector; but they are now coming into the picture. I do not want them to be pushed out altogether but I want them to be controlled with a firm hand. The Commerce and Industry Minister said the other day that Government cannot evolve legislative hedges that cannot be jumped over, I want Government to come forward and say that they are taking steps in order to have legislative as well as executive hedges so that the hurdles cannot be jumped over by the ingenious brains of the private sector.

I wish to refer to the question of the association of workers with the management, but I think that we shall have a greater opportunity in regard to that subject later on. Meanwhile I want to mention something about the conditions of work of the employees because some disquieting statements are reported to have been made on behalf of Government. I am told that in Bombay there was a report of a statement made by the Minister for Revenue, Shri M. C. Shah, that the staff of the insurance companies will be taken over by the Corporation but their service conditions would be rationalised, and brought in conformity with the general pattern of Government service. This sounds quite unexceptionable. I do not object to it straightaway, but it is bound to create misgivings in the mind of the bulk of the insurance employees. Many of them have fought on the basis of their charter of demands and many of them have secured certain improvements in their wages and in their conditions of work. I know also that in many of the insurance institutions conditions of work are still very bad. So, what I suggest should be done is that for the time being there should be no retrenchment, for the time being there should be no such unwarrantable transfers as I have heard are being done from Calcutta, where seven people were asked to go to Ajmer and go there at very short notice, for the time being I wish....

Shri M. C. Shah : I may just intervene. As a matter of fact that point was brought to our notice by one Member of our party from Rajaya Sabha. I had enquired about that and there is already an amendment on the matter by Shri

K. K. Basu. As a matter of fact, the head office of the life insurance business was at Ajmer and the head office of the General Insurance business was at Calcutta. These people were clearly engaged for life insurance and some of them were at Calcutta sitting with the Chairman there. They had no business there when the life insurance was taken over and everybody has gone there without any compunction.

Shri H. N. Mukerjee : I am glad to hear that but my main proposition is that for the time being the *status quo* in regard to wages and conditions of work should remain, that there should be a review on the basis of the charter of demands which the all-India body of insurance employees had presented in 1953 and on the basis of which discussions had been conducted with the Chief Labour Commissioner of the Government of India and which is now being put into abeyance. If on that basis negotiations are resumed, then perhaps, a really rational scheme can be worked out.

I wish also to refer to another matter and that is the specification of the premium rate of the Oriental Insurance Company, for all practical purposes. I have been told—I speak subject to correction—that this has caused a great deal of disturbance and specially in relation to the provident societies. It seems there are about 79 provident societies. This was the position at the end of 1953 and naturally their total business is very low and they do not have policies for more than Rs. 1,000 or something like that, and for them this imposition of the Oriental rate is particularly rather difficult. In regard to this, I feel that the premium rate should have to be ascertained by a further discussion and pending that, may be the *status quo* can be retained.

I wish also to point out that some misgiving has been caused by the announcement that where companies have lesser assets than liabilities, the policyholders might be put to some inconvenience in regard to securing fulfilment of their policies. I feel that policyholders should not be penalised where these companies have lesser assets than liabilities because I feel it was due to the sins of the Controller, which should not be visited on the policyholder.

In regard to the question of agencies. I feel that there should be a complete

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overhaul of the present position. Actually, Mr. Malaviya, who writes this Congress brochure on *Insurance Business in India* gives the title, 'The Scandalous Story of Agents, Special Agents, Principal Agents, and Chief Agents' to one chapter. This story has already been told in some detail in this House but what I wish to emphasise now is that the *bona fide* agents should be assisted and that you should try to delimit the areas in which they work. You should have some kind of ascertainment regarding their conditions of work and bogus agencies should be terminated at once. I have noticed an amendment given by the Finance Minister to which reference was also made by Shri Tulsidas Kilachand, regarding a sort of indemnification to Members of Parliament who have been agents, or are continuing to be agents of insurance firms. As far as their having been agents before nationalisation is concerned, I feel that, perhaps, they might have some kind of indemnification but as far as *post facto* operations after nationalisation are concerned, I feel that Members of Parliament, people of their description who happen to be in presumably influential positions, should not have anything to do in regard to such jobs as agents of insurance companies. I feel in this regard Government should make up its mind.

In regard to compensation, the major discussion will ensue when we discuss the Bill on the Corporations, but the Bill at the moment offers compensation to the managements. About this rate we have a great deal of objection as was already pointed out by my friend, Shri Sadhan Gupta. In regard to compensation for managements mentioned in clause 6 of the Bill before us, I say that the management, as far as we can find out, does not deserve any compensation at all. You say that you are determined to pay compensation. Well, then, good. In that case, I suggest: Hold up the payment of compensation; keep it in abeyance and reduce the rate, and even if you do so, you deduct whatever you pay now from the total quantum of compensation which would be determined later on after we pass the Life Insurance Corporation Bill. So, I feel that after we have discovered on official authority what transpires in the insurance business, we should not agree to pay compensation for managements,

especially at the rate which is mentioned here. I find that the Oriental Insurance Company, for example, would get about one twelfth of its entire paid-up capital every month if the provisions of this clause come into operation.

I wish also to refer to another matter and that is the question of the nationalisation of banks. As far as this is concerned, at least there is one sector of the banking industry which can be and ought to be nationalised straightaway. Especially in regard to the operations involving foreign exchange, we suffer such a tremendous amount of loss. The co-relation of insurance to banking industry is very well known, and if we now go ahead with nationalisation of banks and make a beginning straightaway with foreign banks, if we try to make foreign exchange operations an entirely State operated affair, then surely that would be making a real and substantial contribution to the development of our economy.

I feel that there are many other matters which could be discussed in detail, but I have raised some points to which I hope the Finance Minister will give a reply which would not be disappointing.

The private sector has thrown a challenge not only to Government but also to the country, and I think that challenge has got to be answered. They are saying that the Government's project regarding the nationalisation of life insurance is a very serious injury to the private investment climate. Then they go on to say that this is a powerful deterrent to future private foreign investment. I feel this is the language of blackmail. I am quoting the *Eastern Economist* of the 3rd February 1956 where it is said editorially: "This (meaning life insurance nationalisation) is likely in practice to involve a loss of more than Rs. 5 to Rs. 10 crores per year, perhaps the full gain of the public sector from additional resources which it can operate of its own." That is to say that the private sector is going to behave in a manner which will teach the Government certain lessons. This is exactly what they say. The private sector feels damaged and therefore they say that the private investment climate is going to suffer and that the future private foreign investment is going to be deterred and, therefore, you keep off this kind of business like life insurance nationalisation. I repeat, this is the language of blackmail. So frequently we hear

representatives of the private sector prading their patriotism—I do not doubt their patriotism—but if these enterprising gentlemen, about whom the Finance Minister gave us such a very fine description, parade their patriotism, we can only say that they love their country, perhaps only in the rare intervals of making tons of money. But that is not good enough. It is about time that they realise that the country's conscience has been aroused. It is about time that they realise that all this talk about withholding private investment, this talk of deterrent effects on private foreign investment, is not going to intimidate the country. I feel that today we are in a position where we can certainly not truckle down to this kind of threat which is coming from the private sector. On the contrary, we can go ahead. That is why I said that there are many lacunae which have got to be repaired and that is why the Government has got to go further forward towards nationalisation, at least of foreign exchange banks, which would undoubtedly be a step in the direction which the people desire.

Shri Matthen (Thiruvellah): I do not think any more people ought to speak on the side of nationalisation, because enough has been said about it. But I am afraid one point has to be mentioned. It can be said very firmly and very pointedly that, unlike other industrial companies, for the insurance company capital is a very minor factor. The funds are raised from the public for a contingency which the people are afraid of. In the case of a textile mill or a steel mill, the capital is a major factor and that stands on a different footing from life insurance where the capital is a very minor factor. In fact, I know some companies with very small capital doing very large business. So, the capital does not come very much into the picture. I entirely agree with the Finance Minister that nationalisation is a most desirable step and I congratulate the Finance Minister more for the way he has brought in the ordinance. And my admiration for the Finance Minister grows day-by-day . . .

Shri B. S. Murthy (Eluru): Many are admiring him.

Shri Matthen: My admiration for the Finance Minister grows day-by-day for the way in which he has brought out the ordinance. Otherwise it is quite possible that several horses would have gone out of the stable.

One thing more. In the private sector it has now become a fashion or necessity for every big business house or even business man to have an insurance company, if possible, just like half a dozen motor cars to move about. But to these ordinary business houses, the insurance companies are a minor factor and not so much from the profit point of view that they do so for which they have got other industrial ventures. For example, my friend Shri Tulsidas said yesterday that he has got an insurance company, but I am sure that is one of his minor adjuncts. His major attention is not bestowed on the insurance business; it is bestowed on other business.

Shri K. K. Basu: He does not accept that position.

Shri Matthen: It is only advisable for Government to step in and pay their wholehearted attention to this very important industry. I do not think I need say anything more about this aspect, but one aspect that I wish to point out is this. Practically, I am not a capitalist like my friends nor have I any ambition to become a capitalist even though I was one some time ago.

Shri B. D. Pande (Almora Dist.—North-East): But everybody wants capital.

Shri Matthen: But I am not. I am a believer in the socialistic pattern of society.

Shri K. K. Basu: Socialistic or Socialist?

Shri Matthen: I want to tell my friends that I believe in this thing and I am not a capitalist. And if you remove competition, the business will suffer. India has not become sufficiently insurance-conscious as some of the western countries like U.K. and U.S.A. It has got to be made and, although I do not say everything in favour of them, the insurance agents in the private sector have been developing that consciousness in the minds of the people. If you remove that sector completely, my fear is about a monopolistic concern—as power corrupts, monopoly corrupts. Whatever be the dynamism of the Finance Ministry at this moment, after some years it gradually becomes static. That dynamism disappears. That is perhaps the reason why my friend, Shri Somani, put forward a suggestion. He asked whether, if the public sector did not work property, the Government would denationalise it. I am not a pessimist like

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Shri Somani in this matter. I believe the public is going to make good business. But I am fairly certain from the experience of other public sectors that the dynamism and the spirit of service slowly disappears. I, therefore, very earnestly appeal to the Finance Minister to consider the leaving of some companies in the private sector. I am entirely with him in the indictment he made the other day. I do not even need one hand to account the good ones among the whole lot. There I agree with him. But my point is this. I leave the number of companies to be left in the private sector to him. Let it be not large; let it be two or four or at any rate not more than ten. They may be under the financial control of the Government. But they may be there so that the spirit of competition may continue in the interest of insurance business.

I am not speaking for the private sector. I have said so on several occasions when the Companies Bill was discussed. I have not a very high opinion of the so-called capitalists or the big business houses. I am speaking in the interest of the nationalised industry. The private sector may be left in a small way. We can leave a few companies to function side by side with the Corporation. The Finance Minister would ask: how could we make an invidious distinction. The custodians are in charge of the companies and they will be able to evaluate the companies. On the top of it all, we are going to have a tribunal. Let the report of these custodians be placed before the tribunal and you can ask them to select ten or twelve companies. I want only this to be done. I do not agree with my friend, Shri Venkataraman for whose intelligence I have very great admiration. He said that it was not desirable to have a private sector however small it may be; it must be a monopoly. Monopoly, as I have already said, will make it inefficient in course of time.

My friend, Shri Asoka Mehta, advocated nationalisation of the general insurance as well. But he said he had no objection to the private sector continuing in the general insurance. He is an advocate of nationalisation not only in this respect but in other respects also. I do not know why he should tolerate private sector in this only. It is very reasonable and sensible to leave some private companies in the interest of the Government Corporation or you can make them mutual companies. I agree with him that general insurance also

must be nationalised. But here again it must not be made a monopoly. It is not because, as Dr. Lanka Sundaram said, foreign interests have got some hold in the general insurance that it has not been nationalised.

Shri Somani said yesterday that if the policy mentioned in the Finance Minister's speech was wholeheartedly pursued and carried on, the experience of the corporation here would be the same as that of some other countries which have nationalised this. Which is the country which has nationalised insurance and made it a complete success without competition? I would like to know.

In this connection, I would mention an American corporation. I have heard of a big American corporation who are manufacturing soap—Proctor and Gamble. They are manufacturing different kinds of soap—washing soap, etc. They allow each factory—mind you, they are under one corporation—to compete with the other; they allow even cut-throat competition between two factories of the same corporation.

Shri B. S. Murthy : Spartan system of competition.

Shri Matthen : It is competition among the two sectors of the same company. One kind of washing soap is called Tide and there is another called Kamet; both are manufactured by the same corporation but in two factories. One is allowed to compete and cut out the other soap from the market. That depends upon the particular executive who is responsible for this. They have different advertisement arrangements, different propaganda. Americans, as you know, are the best people in production in every industry and whether you like them or dislike them, you have to take your hats off for their productive capacity. So, they know the value of competition which is the basic factor which I am afraid the hon. Finance Minister had not sufficiently appreciated.

If he does not want to tolerate any private sector at all for whatever reasons it may be I would then suggest four autonomous corporations and not one so that the spirit of competition will be there, with independent actuarial valuations.

Shri K. C. Sodhia (Sagar): What is the necessity of having competition when you are going to nationalise insurance?

Shri Matthen : My humble suggestion is to have four distinct and different corporations with distinct boards. Supposing, Madras has a lower premium than the other corporations at Bombay or Delhi, that is a very strong point in their favour and they will go out and say that they are able to give better service at a lower premium. After all, Government is the same and the machinery is the same.

Shri M. C. Shah : May I know if the hon. Member suggests that there should be different rates of premium in different parts of the country?

Shri Matthen : I did not suggest that. If in the valuation, one corporation finds that it can afford to work efficiently even with a small reduction in the premium, it should not be prevented. That is my point.

In my State—Travancore-Cochin—there is this motor insurance—third party risk. The complaint there is that the Government do not settle the claims quickly. It has, therefore eventually become another motor tax. It is a monopoly there. I am only submitting that this monopoly, whether by the Government or by anybody did not work so well as with competition. Without competition there will be a set-back to the business, to its efficiency and its interests.

Shri S. V. Ramaswamy : It is too late in the day to question the wisdom of nationalisation.

Shri B. S. Murthy : It is never too late for any wisdom.

Shri S. V. Ramaswamy : I said : "to question the wisdom." It has been there since 1950 and it has taken nearly six years to be brought before this House. My friends on this side and that side of the House have given very many cases of malpractices and I do not think I need add to them. I have had several occasions, as a matter of fact, to write on behalf of persons who had insured with various companies, who had paid up the premium for 20 years and whose policies were ready for settlement. They wrote letters after letters to the companies but no replies were received. They were left with only their policies and, possibly, a litigation to start with. The reply which I received was uniformly same. The Controller of Insurance has said that he is powerless, that he can only persuade the companies to pay off the amounts and settle the accounts.

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But, by mere persuasion nothing happens. I know of several cases where people lost their monies. Therefore, it is not one day to soon to have this insurance nationalised.

The main objectives of this are stated to be three, namely, safeguarding of funds of policyholders, effective mobilisation of funds and efficient service.

With regard to safeguarding of funds of policyholders it stands to reason if insurance is nationalised the policyholders need not have any fear at all because they have got a claim over the Government and it is like investing or putting one's money in the State Bank of India. There is no fear about it. On that score not much argument is needed to speak in favour of the nationalisation of insurance.

But, the other question is of effective mobilisation. It is there that I wish to utter a word of caution. Mere nationalisation will not result in effective mobilisation unless you take necessary steps to mobilise funds. We must take a lesson from the Postal Insurance which has been there from 1914. In 1914 there was only a business of Rs. 3,38,00,000. In 1952, after nearly 40 years, it had come up only to Rs. 20 crores even though the premium rates were lower and even though they had other advantages of insuring and getting more custom than the private insurance companies.

Shri K. C. Sodhia : Can it not be compelled by means of law to just have policies in the nationalised insurance?

Shri S. V. Ramaswamy : I am coming to that, the State can force its own servants to insure with the nationalised insurance. As a matter of fact, in the Mysore State they are doing it. Officers above a certain grade are compelled to insure with the State Insurance in Mysore. The State Insurance in Mysore is working very well. As a matter of fact, I would submit that the way in which the Mysore State Insurance is working may be studied in detail.

Now, even though the Postal Insurance had such facilities they have not been able to mobilise funds. It has got its own inherent weakness. For instance, the postal authorities who are entrusted with this work have not got the necessary enthusiasm. They do not have the urge and drive to do the work and they do not take necessary steps to see that

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more people insure with them. There is that lassitude, that inertia on the part of the officers and we must take a lesson from them so that after nationalisation we do not lapse into idleness and lassitude. We are put on our trial when we have taken over the business. We must put in all our efforts to see that we do better than the private insurance companies.

The insurance premium was also lower in the case of the postal employees but, they suffered from two defects, namely, the private insurers were able to give stronger inducement and the salesmanship of the agents was very much better. It is no use merely saying: "We are the Government. We cannot take up the methods of private insurers. They may resort to all sorts of methods but we cannot resort to them." I do not think we should take that attitude and say that we are not going to adopt their methods. There are some good points with regard to private insurance also which we have to study; for instance, their enthusiasm. It is the profit motive that is driving them to go to the remotest village and see that more and more people are insured. That sort of enthusiasm must be found after the nationalisation of insurance.

My greatest fear is this bureaucratisation. Bureaucracy goes slow. It is not resilient. There is not much elasticity which the private sector has. All these must be incorporated in the insurance scheme, otherwise, I am afraid we will not be able to mobilise as much as we would like to. The nationalised insurance must adopt all these methods. Then again, there must be quick service. Why are the private insurers making so much headway? That is because they cater to the needs of the people. It may be that the people may want a loan for some marriage coming up or for some other ceremony. When they ask for a loan on such occasions within a few days it is arranged. There may be other exigencies and difficulties. The private agencies are able to accommodate them. Even in the matter of settlement of claims they quickly do it.

Mr. Chairman : I would like to point out to the hon. Member that here there are two Bills. His suggestions are very helpful but they would be more appropriate when we take up the other Bill. The time here is very short.

Shri S. V. Ramaswamy : Very well, Sir. Now I will complete my other point. In trying to mobilise more funds I

would urge that the Imperial Bank, the State Treasuries and the post offices are made better use of so that this message of insurance—I would call it 'message of insurance'—is carried to the remotest village on behalf of the State and more funds are obtained. In this connection I would also suggest another thing. They are setting up a propaganda machinery for the Second Five Year Plan. I would suggest that this may be made part of the propaganda plan so that the people are better informed of the fact that by insuring with the State their funds would be absolutely safe.

I want to mention one other point. I am not clear about it and the Finance Minister has also not spoken about it. It is this. In the private sector there are many people who could not find employment in other ways—they might have failed in their examinations and could not get employment elsewhere or actually failed in life as a matter of fact—but have resorted to insurance agency as a last resort. In this way they have been able to make both ends meet. They go about in the villages riding a bicycle or walking and earn their livelihood. I do not know, it is not clear from the speech of the hon. Minister, what will happen to them. That way many people will suffer. Then, it is not merely full-time persons who are affected, there are part-time earners also through this insurance business. The other day I met a person who recognised me as coming from a particular place at Vishakhapatnam. He came late at about eight o'clock. I asked him: "Where are you coming from? Where are you employed?" He said: "I am a clerk in the Defence Department at the Vishakhapatnam Port. I get Rs. 150 a month as stenotypist." I asked him: "Where are you coming from now?" He said: "In the spare time after my office hours I do insurance business. My insurance agency is in the name of my wife. I go about in the villages meeting people and collecting custom. That way I am able to supplement my income." This is not the only case. Hundreds of people with small incomes and who are not able to make both ends meet supplement their income by doing this honest labour. I do not know what their position would be after the nationalisation. I do not know whether they will be permitted to do their part-time work and supplement their income in this way. That is a matter for consideration. I also do not know whether they are going to have regular agencies and in having regular agents they are going

to prescribe any educational qualifications. The agents now in the private sector do not have any educational qualifications. They are actually persons who have failed elsewhere in life. Some consideration ought to be given for their service and capacity to get custom. You must take into consideration their ability to meet people and encouraging them to invest their money. All these factors must be the considerations while employing agents.

I have received a message from the All-India Insurance Employees' Association. I am glad to see that they have welcomed this measure and they also say that the general insurance should also be soon nationalised. They seem to express fear about the future. I am glad that the Finance Minister himself has given an assurance, and I hope that assurance will be carried through.

My only point is that steps should be taken not merely to mobilise but also to make this business a very efficient one and make this department a very efficient department. All the charges that were levelled against bureaucracy should not be allowed to be levelled against this department. I hope that this nationalisation would serve the great purpose that it is meant to serve, namely, the mobilisation of funds to finance the second Five Year Plan. I hope that these matters will be taken into consideration and I wholeheartedly support this Bill.

Shri Altekar (North Satara): When I consider this measure of Government for taking over the business of life insurance companies,—good, bad or not so either,—I am reminded of a beautiful Sanskrit verse which I would have quoted had the Finance Minister been here.

Some Hon. Members: Please say it.

Shri Altekar: I shall narrate it. A Sanskrit pandit was passing by a road and in the verandah of a house he saw a lady wreathing a necklace. He watched her action and said:

“काचं सर्पि काचलमेकसूत्रे मुग्धा निबध्नाति”

“This simple lady is wreathing or rather stringing in the same thread, beads of glass, of gold and even some precious jewels.” But, on second thought, he said:

“किमत्र चित्रम्”

“What wonder is there? Even the great Panini, the grammarian, brought in one aphorism, under one rule, namely,

“हव्युदमघोनाम् ।”

the dog, the youth and God Indra.

“विचारवान्पाणिनि रेकसूत्रे श्वानं चवानं मध्वानमाह ।”

So, the pandit said it was no wonder. What Panini did was to show some common form these words assume. Here there were similar types of organisations wherein many sorts of abuses had crept in some of them and it was necessary before nationalisation to take action to prevent mischief by any one of them. So, it was, as a matter of fact, incumbent to take the action and he had taken action in that way. However, those who are doing good business and who have done it in a very creditable manner need not feel offended, because when there is a surprise inspection or a visit, the black sheep of course will be exposed, but those who are behaving properly will not be tainted; their credit will be enhanced. I therefore think that there is no necessity to look upon this ordinance as a sort of indictment upon those who were carrying on good business in a very proper manner.

I want to say at this time, when we are writing on epitaph on the concluded regime of the private life insurance business, that we should not fail to give proper praise to those who have done very important and patriotic duty to improve the economic conditions of our country. There have been people who have done great and pioneering business and made the business popular. They have consolidated the business and had given a sort of lead and a substantial fund to the Nation. All honour to them. I know that there are some companies who have even welcomed this measure. In my part of the country, there is a company which was fathered by distinguished men belonging to the Gandhi, Tilak and Gokhale schools of service and they have brought it to a very high status. When their business was taken over by the custodian, they had a meeting of the board of directors and said that they were handing over the company to the Government just as a loving father hands over his well-qualified and well-brought up daughter to the bridegroom. They entertained the feeling:—

“जात मन्नायं विशदः प्रकामं

प्रत्यपितग्यासहवान्तरारमाः

That satisfaction was there which one felt at the time of returning a deposit long held in trust.

[Shri Altekar]

Of course, at the time of parting, there is some sort of pain no doubt. But the trust has been handed over to the Government and let the Government carry on that business in the best interests of the country. I think that should be the attitude, when the Government are taking over the concerns in the interests of the nation and for the good of the nation. That should be the approach. I am referring to the Western India Life Insurance Company of Satara. It was carried on by persons from the middle class. They were all going on foot. None had any sort of motor-car or anything like that. The great and pioneering personality in that company who was even called a *Vima-Maharashri*, that octogenarian, did not go in a car, from his modest house to the stately office of the company but on foot—it was just a distance of half a mile—and he was drawing not more than Rs. 350 when he was a managing director. The company has now more than Rs. 7 crores in the Life fund. There are such people who have done pioneering work in the cause of insurance and they do deserve a tribute from us.

The insurance business has recently come to such a pass that various sorts of malpractices have crept in it. There is scramble for procuring business; there is cut-throat competition and all such things. These methods even worried the policyholders. An agent of a company comes and harasses; and another company's agent gets in and annoys—they all malign each other and their rival companies and exasperate the poor customer. I know some of my friends have said that it is better that at this stage the Government should take over this business so that all these malpractices wasteful expenses and rebates on premium may be brought to an end. Now, what would be the result of taking over life insurance business from the hands of the private companies? All of us know that in big cities like Calcutta, Delhi, Bombay and Madras, there are the head offices and branch offices of various companies. More than 50 companies are functioning and their agents, sub-agents, chief-agents and all sorts of persons are functioning. There is a big hierarchy of agents going round and scrambling for the business by corrupt methods. Under those circumstances, it has lost all the grace of a good, and I must say, honest business. Therefore, it was but desirable that the Government should have nationalised this life insur-

ance business so that it could be placed on sound and good lines and worked in a very healthy condition to mobilise its resources for the Plan—I would like to add that this hierarchy of agents—special agents, sub-agents and chief agents and so on—is causing not only annoyance and trouble to all persons but they themselves are not benefited by such methods. They have to spend a lot of money, a large percentage of money, by way of rebate, etc. Thus, they themselves do not reap any benefit. If insurance agents are to gain their livelihood by following the profession of agency as such, it must be done in such a way that they really get the money which has been allowed by way of percentages on the premia, and the money should not be wasted.

1 P.M.

The area or the sphere of work of the agents should be defined and demarcated and the number of agents who should function in that area should be fixed. Genuine and *bona fide* agents stand nothing to lose by that; it will only effect those who are carrying on an unhealthy competition and the dummy agents, for whom no one can have any sympathy if they are weeded out. From this point of view nationalisation will be considered a boon by the nation and by the policyholders.

My hon. friend Shri Tulsidas Kila-chand said yesterday—I am sorry I do not find him in his seat today—that the number of income-tax payers in this country is very small and therefore the scope for insurance business is less. I would like to point out in this connection that though the number of persons paying income-tax in this country may be less, it is not only those who pay income-tax that want to be insured against risk but also those whose income is less than Rs. 4,200—even far less than that. Again, if we just compare the incomes in various countries and the average size of policy in the various countries, with the position obtaining in our country, we shall find a very revealing situation.

Take for instance the United States of America. The annual per head income there is just about Rs. 10,000.

Shri Algu Rai Shastri (Azamgarh Distt.—East cum Ballia Distt.—West): We are discussing this subject without quorum.

Mr. Chairman: According to the convention, we are adopting, there need not be quorum during lunch interval.

Shri Atekar : In the United States of America, the income per head is over Rs. 10,000 and the average size of the policy is Rs. 12,000, about 1½ times the average income. In the United Kingdom the income per head is Rs. 4,200 and the average size of the policy Rs. 8,250, that is, about two times. In India the per capita income is Rs. 284 and the average policy is Rs. 5,300 in the case of foreign companies and Rs. 2,165 in the case of Indian companies, and overall average policy comes to Rs. 3,000 which means ten times the average income. Though the per capita national income is small and many are not in a position to insure their lives, if proper arrangements are made, there is good scope for the expansion of insurance business, as would be evident from these figures. Furthermore, we can make insurance a compulsory one in the case of those who are in permanent service, be it in Government or any other institution.

An Hon. Member : It is so already.

Shri Atekar : It is not so in the case of every institution, but it can be made compulsory. If insurance is made more popular and well organised, there would be scope for reduction of expenditure.

I would in this connection like to point out that insurance business is a trust and it will have to be handled as a trust. From that point of view, I would like to strike a note of caution, that when we are mobilising our resources for the purpose of the Plan, and the execution of the schemes of the Plan, loans should be advanced from the insurance funds only to those projects which would yield a good return, as otherwise the persons who would suffer would be the policyholders. So far as I am given to understand, the bonus paid by postal insurance is not so high as it is in the case of good companies. The rate of bonus given by good companies should, under no circumstance, come down when under our management of the business. Then again the funds that these companies were making available for education and other nation-building programmes, should continue to be available. I know of some instances where insurance companies have advanced money to schools and colleges on easy terms to construct their buildings. The interest of the staff working in these insurance companies should be safeguarded. In many companies the question of giving gratuity or extension to persons who have put in long periods

of service was being considered. Their cases should not suffer in any way on account of nationalisation. The age of retirement should be fixed at 60 and should be made uniformly applicable to all immediately.

The axe of this ordinance, I understand, has fallen heavily on the managing directors who in many cases were whole-time employees of the companies. Some of them no doubt, were appointed custodians, but those who are not so appointed were discharged. These people have been whole-time officers of the companies, on fixed monthly salaries, eligible to certain benefits of service like gratuity, etc. But under provisions of the emergency ordinance, when the management was taken over, they were asked to go away. As a matter of fact, they are employees under paragraph 10 of the corporation Bill and they should be treated as whole-time employees and should not be made to suffer in any way. Some of the managing directors, who have brought their institutions up to such a level that they were able to declare bonus from the first valuation, are now thrown out of employment. Their cases should be considered sympathetically and they should not be made to suffer in any way.

Shri S. S. More : I wholeheartedly support the measure which has been placed before the House by the Finance Minister. Of course, this does not mean that I am satisfied with the quantum that is being brought into the ambit of nationalisation. Mr. Deshmukh in his broadcast talk said that there has been a very general demand for the nationalisation of the entire insurance industry, and yet he himself has not taken the step that is needed for satisfying this demand.

Now, I am reminded of a young girl, shy, beautiful, who has been married. After marriage she is required to leave the house of her parents to which she is attached and has to go to the village of her husband; but the steps are uncertain, rather hesitating. Mr. Deshmukh is one of the props of the capitalist economy; he is full to the overflowing with the canons of the capitalist principles of economy. All his attachment is to the capitalistic order of society and now under the slogan of socialistic pattern, he is forced to go towards a new objective. When he is going towards the new objective, I mean the socialistic pattern, which is to be

[Shri S. S. More]

the future pattern of our economy, he is looking longingly towards the capitalistic economy, and naturally his footsteps are hesitating, uncertain, not as firm as they ought to be.

I am quite sure as he progresses towards the new home which is going to be his permanent abode, the pull from that their direction will be sufficiently strong, with the result that his future steps are bound to be firmer than before. My submission is that though many Members sitting on this side and even some Members on the other side have expressed their dissatisfaction towards Government in not nationalising general insurance business, still, I am prepared to rest content with what has been done. The reasons are obvious. We are trying to nationalise industries; we are trying to implement Five-Year Plans. The first Plan is reaching its conclusion and we are on the eve of another Plan. When a country, particularly economically undeveloped and backward country, takes to planning also process of planning itself releases certain forces which will have to be taken into consideration if the plan is to be implemented. Under the new Plan, we are going to have a total budget of Rs. 4,800 crores. For securing this amount, we are looking to the foreign countries and we are resorting to deficit financing and such other measures. But, I am quite sure that we shall not be able to secure all the funds that are required for completely implementing the second Plan. Naturally, therefore, the necessity of finding all the funds required for the second Plan have forced the hand of the present Government, and particularly the Finance Minister, to nationalise this insurance business. Is this new knowledge conveyed to us that those who are in the insurance business are experts in corruption and in advertising their interests at the cost of the policyholders? Is it something new that has come to us? If we read the relevant literature, the debates in 1938 and 1952, we will find that speakers were particular to give a warning that the regulations and papers for maintaining law and order in business were not enough and that the Government would be forced eventually to take over all the business. But, somehow this is the occasion on which the Government found it necessary to come out with this present measures and, as far as it goes, we do support it.

I listened to the speech of the Finance Minister very carefully. All of us who

practised in courts will remember that he was speaking like a prosecutor and the insurance industry was in the prisoner's dock. He was speaking like a prosecutor laying charge after charge, trying to prove that the prisoner in the dock—insurance management—has committed so many series of crimes at the cost of the policyholders and at the cost of the interests of the country. In order to meet this prosecutor's charge, which was a sufficiently condemning indictment, Mr. Tulsidas and Mr. Somani, who are supposed to be the defence lawyers—I believe they are also in the prisoner's dock—were trying to reply; they were very profuse in giving some statistics. Statistics like lipsticks, if properly used heighten the beauty; but if improperly used, they add to the original deformity.

The Minister of Commerce (Shri Karmarkar) : Question.

Shri S. S. More : Mr. Karmarkar says, "Question" so far as the use of lipstick is concerned. I do not know what his experience is; as far as his experience goes, it may be a proper question. But, I rely on my experience. My submission is that the statistics which were being used by Shri Tulsidas and Mr. Somani did not prove anything. On the contrary, I do not think what they say is relevant. It is what the policyholders feel that is more relevant, as far as judging this particular industry is concerned. I am one of the unfortunate few who have purchased a policy and yet are paying premium. When so many agents canvassing for different companies came to us and offer tempting conditions, the tempting character of the conditions created a doubt in our minds whether our life policy would be a valid policy at the time when the question of payment would come in. Not only that I know of a man who came from the rural areas. Unfortunately, that man died and his widow submitted a claim for the sum assured. A number of forms were sent to that widow by the company asking her to fill them up. The medical certificate that the man was dead and cremated was not found to be enough; the widow was asked to describe the colour of the hair and so many other points in order to show that the man was properly identified. I am quite sure it was not a matter of abundant precaution on the part of the company, but it was all done with the design of finding out some loophole to say, "you do not satisfy the conditions;

therefore, we are not prepared to pay the amount." That is the situation, even with regard to big companies.

Mr. Tulsidas was very eloquent yesterday; he was very furious with the Finance Minister. I can very well understand the wrath of Mr. Tulsidas, because all these capitalists were looking to the Finance Minister as their last prop, as their last supporter. But, unfortunately, that very supporter has turned round and has taken the axe to split them. Therefore, naturally, having lost the last prop, they are feeling very furious and vituperative invectives were showered by a docile speaker as Mr. Tulsidas on the Finance Minister. My friend, Shri Asoka Mehta, found fault with the Finance Minister for coming out with an ordinance and presenting this nationalisation to the House as a *fait accompli*. I find it on many occasions extremely difficult to follow the ideological objectives and the basis of thinking of the Praja-Socialist Party. If a right thing is done by the Government, even if it is done by a wrong way, I am prepared to accept it. It is very difficult for us to expect the Government to go with longer strides on the road for socialism. Therefore, if an ordinance is issued, I would welcome it. Issuing an ordinance is a perfectly constitutional way. If the Finance Minister had not nationalised it in the way he did, if he had cared to bring the Bill here and discuss it in all its prospects threadbare, what would have happened? All the managers who are experts in corruption, falsifying documents and committing forgeries, would have presented the country with *fait accomplis* of many frauds. In order to prevent the perpetration of fraud, in order to prevent them from presenting this country with certain things which are not wanted when we are embarking on nationalisation, if an ordinance is issued, I do welcome it. I do not see anything there to blame the Government.

There is one more point. As far as nationalisation is concerned, it is good that the Government have taken this step. But I have got many doubts and I want to sound some notes of warning. The Government have nationalised this industry, but there are many advocates of private management who have also been voicing their fear that nationalisation has not succeeded in any country and that the Government have acted wrongly in nationalising. We should know how far the experience of those countries is relevant for us. At least we

must be very cautious; we must be on our guard. I can appreciate the confidence with which my friend, Mr. M. C. Shah, speaks here; but, unfounded confidence is not desirable. I will request the Finance Department and the Government to proceed very cautiously and carry on the administration and do this job in such a fine manner that all these forebodings about failure of this venture shall come to naught. In the initial stages, I expect that this nationalisation is likely to result in bureaucratisation and bureaucratisation means officialism and all the evils from which we suffer. If nationalisation really works out as mere officialisation or departmentalisation under the ruling party, the nationalisation is worth nothing. It will mean only that the powers, patronage and incidence of business enjoyed by the citizens in the private sector will move to the citizens employed or elected in the public sector. Then, all the talk of the Government spokesmen of greater service would be to the public and the policyholders will become a sham and shibboleth. This is what many people have been saying. It is for the Government to prove not only in the interests of immediate future, but in the interests of our distant objective also, to prove that, when the Government takes over any venture, or nationalise any venture, though bureaucratisation is the first result, it outgrows and develops such a system of management that public utility service is sold to the people much cheaper and in a more efficient form. When that confidence is created in the mind of the people, then only the people will welcome and enthuse on such measures. State capitalism or even state bureaucratisation is something better than private capitalism; but it is something less than real nationalisation or socialisation of industry. Therefore, I would plead with all the earnestness that, while I appreciate what the Government have done, they must take particular care, because the monopoly with them is likely to make them indifferent to public criticism, and indifferent to the criticism that we may have the misfortune to voice. They should not be impervious to criticism. They must be very sensitive to criticism, always quick to remedy any defect pointed out by friends who may be sailing even as opponents.

You were here, Sir, when Shri Tulsidas was throwing out so many challenges. He was in a fighting mood. I have never seen him in such a fighting mood. Why is he so fighting, in such a

[Shri S. S. More] threatening, thundering form? Because he is bit to the quick. His vital interests have been touched by this measure. Therefore he is throwing out challenges to the Government. It is for the Government to take up this challenge and turn the tables by showing that Government administration is more efficient and much better, devoid of any corruption, devoid of any defects which were so glaring in the administration of life insurance. I am sure a time will come when the Government, with confidence and with growing experience, will come to this House and say, we have qualified ourselves for a further accession to our power and we are prepared to take even general insurance under our wing of nationalisation to.

Life insurance for the present is mainly confined to the middle classes and those coming from the urban areas. I shall not be wrong when I say that our life insurance is an entirely urban product. Now, Shri M. C. Shah will give me his ears and attend to what I say that it is not only enough to nationalise insurance, it is further necessary that insurance should be ruralised, and other forms of insurance ought to be developed. I will make my suggestions in greater detail when we come to the other Bill. By way of a brief indication I would say that crop insurance, cattle insurance, insurance against famine and insurance to the rural people in as cheap and simple a form as possible, should be the immediate objectives of the Government. Insurance should be taken to the houses of the rural people. The Co-operative Planning Committee which was appointed in 1946 said;—I am quoting,—

“Almost the entire population in the rural areas and the low income groups like factory workers and labourers in urban areas do not receive the benefits of insurance.”

This defect pointed out by the Committee will have to be cured by the present Government. Nationalisation of insurance has to be welcomed by everybody who has the interests of the country at heart. At the same time, the friends of nationalisation may voice certain grievances and may point out certain defects. The Government should always be willing to hear these complaints in a sympathetic manner and try to cure these defects as expeditiously as possible. That way lies the complete unfolding of a socialistic pattern of society in this country.

Shri B. S. Murthy : By the chorus of praise given to the measure under discussion, it is proved that it is a welcome measure. The insurance magnates have come with a certain complaint that no certificate of good behaviour has been given to them, and some other persons have said that, if instead of an Ordinance, a regular Bill had been introduced, the democratic set up would have been fulfilled. I am not able to understand why these objections have been raised. First of all, why should the business magnates require a certificate from the Ministry? Or a patting on their back by the Government? If their conscience tells them that they have done well, it is the best certificate to them. If they have misbehaved, if they have defrauded, if they have played ducks and drakes with public moneys, they have to pay for it. Therefore, the question of praising or deprecating does not arise as far as nationalisation of insurance business is concerned. Again, as long as a measure is accepted to be in the interests of the country and also it behoves well for the inauguration of the Second Five Year Plan, a plan which is very ambitious, a plan which is trying to give more employment and also a plan which is having an industrial bias, why should there be any objection whether it is done by means of an Ordinance or by means of a Bill.

As some of my friends have already stated, there is a lot of fraud, accepted even by the insurance business magnates. If a Bill had been introduced, I think much of the money would have gone under the drains, perhaps a number of excuses would have been given and perhaps some of the business magnates may have flown to other countries and sought refuge. I think, in the ultimate analysis, the measure and the method adopted is the best suited to the circumstances.

It is a curious thing that the one industry in India which does not require any capital is the insurance industry. A man with a little guts and gumption, a man with a little ingenuity, a man with a little influence, could take a room, have a table and a chair and a paid or unpaid clerk and then begin his business. An industry which does not require any initial capital is giving crores of rupees of profit every year to these persons who are able to do business. How does this money come? It is coming from the insured, the policyholders. The policyholders depend upon the goodwill of these business magnates. And how much

money has been spent so far? We do not know the real amount that has gone down the drain. If an investigation is made and it reveals that a lot of money has gone, I am sure the Government will take steps to recover all the money that has been misappropriated by the over-avaricious business magnates in insurance business.

I do not want to cover the ground already covered by other speakers. But I have to make one or two points. Everyone has expressed his doubt as to the proper working of the insurance business after it has been nationalised. No doubt there are certain instances like the jeep scandal and the pre-fabricated housing factory scandal to chill the enthusiasm of even the best exponents as to the true functioning of industries or business when they are nationalised. Therefore Government must take all courage and all precautions to see that an important industry like this, concerning crores of people and involving crores of rupees and giving a net income to the Government in the form of profits earned, which money is essential for the working of the Second Five Year Plan, works well. I think the Government will take all necessary precautions to see that the business increase by leaps and bounds and there are no leakages.

Many people have expressed their doubts that the business may shrink after nationalisation. I am sure the Government will take necessary steps to show them that the business has increased. Any amount of voluntary propaganda can be had today through the help of the voluntary workers we are having in the Community Projects and National Extension Services. They can also carry the message and the blessings of insurance to every house so that in course of time all the people, both rural as well as urban, will become insurance minded. There may not be any compulsory element in insurance but a sort of moral compulsion may be brought about by organised propaganda which will bring home to every individual in the country that by insuring himself he will be doing a real patriotic deal by the country.

Another point I want to deal with is about agents. My hon. friend, Professor Mukherjee, read out from Shri Malaviya's brochure about the number of categories of agents, sub-agents, real agents and unreal agents, if I can use that word. Therefore, there are lots of categories as far as insurance agents

are concerned. But the real business is done by the agent, whoever he might be. Therefore, Government should take immediate steps to see that all supernumerary agents are removed and real agents are given benefits, as far as possible, to compensate for their work. Regions may be allotted and all facilities may be provided for a more brisk canvassing and brisk management of the business.

As far as the other employees are concerned, I have my own doubts whether the present employees of insurance companies are enjoying any benefits and whether they are compensated for their services. As a matter of fact, I know the employees are suffering from a number of limitations in the matter of scales of pay, security of service, hours of work, other benefits etc. In many of the insurance companies the employees are not being treated properly by the business management. Therefore, the Government should see that all employees, including the field worker, that is, the agent, are provided with good scales of pay and they should also see that no resentment is expressed by them.

Once having nationalised, it is for the Government to see that the insurance business works well because as a Socialist State we have to proceed gradually and slowly in nationalising a number of industries. Unless the nationalisation of a major item of industry like insurance is made a success, there will be doubts in the minds of the people whether it is worthwhile experimenting it in other spheres. Therefore I want the Government to see that the industry is taken care of and the persons concerned are looking after it well.

One more point I want to mention. Mr. Somani stated that an enquiry commission should be appointed to go into the working of existing companies. I do not have any objection to have a commission to go into the matter because I am sure the people who are still having doubts that there are some people who are not blameworthy may have satisfaction that they are not free from blame. Mr. Somani also asked: if this will not work well, then will the Government be prepared to denationalise? I say, yes. If it does not work then let us consider the question of denationalisation. But suppose it works well. Then what is the assurance that Mr. Somani and other business magnates will give to the Government? Will they be prepared to have

[Shri B. S. Murthy]

nationalisation of other concerns for which they are responsible? Therefore, if you give a challenge, you must also be prepared to take a counter challenge. I have every hope that this will be a success because the people will support it.

Shri K. K. Basu : Nobody is there in the Treasury Bench to throw a challenge.

Shri B. S. Murthy : Because the Government knows that there are communist friends who can take and give challenge. Therefore I am suggesting to my friend Mr. Basu to have this challenge thrown to Mr. Tulsidas and Mr. Somani, who are sitting along with him.

I conclude with the words that having taken the bold step for which they deserve congratulations, Government should work hard and see that it is a big success.

Shri Gidwani (Thana) : I rise to support the Bill. I am also in favour of the Ordinance which has been issued. I do not want to advance any further arguments. It is enough that we get the news from the press this morning that some of the merchants, Ahmedabad mill-owners, had secretly removed the stocks of cloth to evade excise duty. The same thing would have repeated if this Ordinance had not been issued and lakhs and crores of rupees would have gone to the pockets of some undesirable persons. I go further and say that even if there are not malpractices on the scale mentioned, I am in favour of nationalisation on principle. Therefore, it is a right step in the right direction as we have now declared a socialist pattern of society or socialist society as our objective.

Having said that I do not want to repeat what others have stated and cover the same ground. But I want to say one or two things.

Mr. Chairman : I request the hon. Member to kindly finish his speech within ten minutes as there are so many other Members who want to speak.

Shri Gidwani : It is being said that we will not be able to run this Department more efficiently, that we will also suffer losses and that there will be malpractices in the running of this Department by the Government. There is some weight in that argument. I have been a member of the Public Accounts Committee for one year and during my term many things were brought to our notice

which have been commented upon by the Public Accounts Committee. Only a few days back, I read in the papers about the affairs of the Durgapur Steel Works. This is what has been stated in the press report :

"The Durgapur Steel Works has got into an inauspicious start with the suspension of a top official, who, it is alleged, has kept to himself Rs. 27 lakhs collected on tenders issued without authorisation.

This officer who has been in charge of preliminary works at Durgapur for the proposed British Steel Mill was suspended a fortnight ago pending a Special Branch inquiry. . . . He is alleged to have issued tenders on his own for construction works and other material required for Durgapur. In this way, he collected Rs. 15 lakhs in cheques, Rs. 7 lakhs in Treasury chalangans and Rs. 5 lakhs in cash."

This is not the only instance.

As regards the Sodepur Glass Works, the less said, the better it would be. But I would like to read out to you an extract from the Fifteenth Report of the Public Accounts Committee to show how an officer had behaved. We examined that officer in the Public Accounts Committee, and this is what we have stated in that report :

"A staff car which was sanctioned by the Executive Committee was purchased at a cost of about Rs. 20,000. This was being used by the Managing Director exclusively. The maintenance of the staff car by the Corporation for the exclusive use of the Managing Director amounted to a concession which apparently was not included in the terms and conditions of his appointment."

Apart from the car, even the patrol for the car was being supplied by the Industrial Finance Corporation.

I am connected with the Rehabilitation Finance Corporation which is being run for the last eight years. There also, a similar thing has happened. Both the administrators who have so far acted as chairmen were retired officials of the Finance Ministry. And this is what the Public Accounts Committee have got to say about their administration in their Fifteenth Report :

"The Committee observe that the Administration are very much overstaffed especially in the higher

ranks... During the course of their examination of the Accounts of the RFA, a number of cases were brought to the notice of the Committee where recruitment was reported to have been made without adequate assessment and verification of the experience and antecedents while the amount of salary fixed in individual cases was out of proportion to what was drawn by them in their last appointments before joining the RFA... The Committee are extremely dissatisfied with the manner in which the appointments of these officers were made and their salaries fixed as also with the working of the Administration in general."

Similarly, in the Bhakra-Nangal project, a sum of Rs. 10 crores has been lost. I do not know what has happened in that case.

These are a few instances which prove that there is something wrong with our method of working these undertakings. I would therefore request the Minister to be very vigilant and very careful in regard to the appointments as also the working of the administration. Crores of rupees have been lost so far in these undertakings. In my opinion, if all the resources that we had, had we utilised properly and honestly, then we would have been able to achieve double the results that we have achieved so far.

In this respect, one has to be very careful. There should be no nepotism and no favouritism in regard to appointments. Some hon. Members have expressed their apprehensions that the present staff may suffer in the matter of appointments. I would suggest that we must lay down certain principles in this regard and be guided by them, for that will help us a great deal in maintaining the morale of the staff.

Yesterday, Shri Tulsidas referred to an amendment moved by Government in regard to the prevention of disqualification for membership of Parliament, which reads as follows :

"It is hereby declared that no person who holds any office of profit under an insurer the management of whose controlled business has vested in the Central Government under this Act shall be disqualified, or ever to have been disqualified, for being chosen as, or for being, a member of either House of Parliament."

When I enquired from the Minister, he told me yesterday that this was only a temporary measure. Because the ordinance was issued without the knowledge of those who were working as insurance agents, and in the absence of a provision of this nature, they may be affected adversely and may be disqualified as well. I have no objection to a provision of this nature for the temporary period.

But I would say that we should be very careful not to do anything which may make us targets of attack by the other parties, and which may also be wrong by itself. Caesar's wife must be above suspicion. I would therefore say that none of the Members of Parliament or the Members of the State Legislatures should be permitted to be an agent and at the same time be a Member of Parliament or of a State Legislature. This should be made perfectly clear.

I was told that there is no provision to that effect in the Life Insurance Corporation Bill that is coming before us. But I would suggest that this should be expressly laid down in that Bill so that there may not be any trouble later on, and no pressures may be brought to bear upon Government to make any changes. After all, we are living in the days of democracy, and sometimes, if the Members of Parliament put some kind of a pressure, we are likely to yield, or modify our decision; and the officers also may not make this suggestion, and the Law Ministry also may not give their frank opinion. I would therefore suggest that we should lay this down very clearly now.

I am sure every hon. Member of this House will agree with me that if any Member of Parliament or of a State Legislature wishes to become an insurance agent or wishes to continue as an insurance agent hereafter, he should resign either his membership of Parliament or of the State Legislature as the case may be, or his agentship. The two things cannot go together. If we adopt this standard then we shall certainly be able to achieve some results. Otherwise, I am afraid we shall be doing something which will harm our cause.

I would request the Minister to make a categorical statement as to what the policy of Government in regard to the future is. That is very essential. Regarding the future employees also, I would very much wish that Government should arrive at definite decisions, so that there

[Shri Gidwani]

will be no nepotism or favouritism, and we shall proceed on an absolutely fair basis, and achieve progress in our work satisfactorily, efficiently and honestly.

We must try to be economical. At the same time, we must try to run our machinery smoothly.

Finally, I agree with Shri S. S. More and others who said that we must extend our activities to the rural areas. Our insurance should not only be urbanised, but it should also be ruralised.

Shri Veeraswamy (Mayuram—Reserved—Sch. Castes): The Life Insurance (Emergency Provisions) Bill is one of the few most excellent and progressive measures that the Government of India have sponsored so far. This measure shows that on the whole we are definitely moving towards the long-cherished goal of socialism in our country. I would therefore declare that there cannot be any permanent place in our country in the future for the *laissez-faire* system. I may also assert that there cannot be any respect for those who are capitalist-minded, who have not got the interests of the people at heart, and who want to exploit the people and live on them perpetually.

I have no doubt that the entire country would congratulate our Finance Minister on having brought this measure to this House. The Government have done a very good thing by issuing the Ordinance, and that has been done very cleverly. The Finance Ministry has made very excellent arrangements very secretly to take over the management of the companies without being known to anybody till the moment when the people appointed by Government to take over the management reached the spot. Some people criticise the Government for having issued the Ordinance to nationalise the insurance business in our country. I want to say that those people who say that it was not democratic on the part of Government to have issued this Ordinance for nationalising life insurance business in our country do not know what democracy is. Democracy is a type of Government which is against the dictatorial type of Government. But an Ordinance issued in the interest of the large masses of the people is, in my opinion, in a sense a democratic method, and therefore, to argue that it is undemocratic is rather....

Shri B. S. Murthy: Undemocratic.

Shri Veeraswamy: ... undemocratic, and that shows their dictatorial attitude. Why should Government resort to the issue of an Ordinance when Parliament was not in session? Because, as the Finance Minister has clearly pointed out on the floor of the House, the question was being studied for a very long time and a stage had been reached when Government were compelled to take over the management of life insurance business. If the Government had come to Parliament with a measure for approval of the nationalisation policy, I am sure that everybody will agree that the insurance companies would have manoeuvred to swindle away the money and other assets in their possession and at the time of taking over of the management by Government, the companies would have been left in a state of complete insolvency. So the Government have done a very good thing in having issued this Ordinance.

The Finance Minister has substantiated his arguments by citing some instances of misappropriation of Government securities. I may point out some instances. In the case of one bank in Bombay, Rs. 30 lakh worth of securities were found missing. In another case, Rs. 15 lakh worth of securities were found missing. In a third case, Rs. 12,000 worth of securities were found missing. Then in another case, Rs. 20,000 worth of Government securities were purported to have been kept in deposit with a bank and later on when the liquidator took over of the management of the bank, he found not the Government securities but some shares the title to which was far from clear.

The management of the companies has been very inefficient. They have not gone to the rural areas. This is the complaint. I come from a rural area. I have not seen any agent coming to any village for registering life insurance policies. The rural areas should have been covered by these companies, but they have completely failed and that has motivated Government to take this action. I may also state that only a fraction of the people living in town areas are being benefited by insurance companies. Hereafter I am sure the villages would be explored and the village people will be enthused and Government would do everything possible in their power to infuse into them confidence as to the safety of their money which Government would persuade them to put in insurance policies. There has

always been a complaint against the companies, that they do not make prompt payment of claims; only when legal pressure is brought to bear upon the companies make payments.

As regards the utilisation of the funds available with the life insurance companies, the Finance Minister has said that they will be utilised for implementing the Second Five Year Plan. But I want to suggest that the funds of the companies should be utilised for the welfare of the poor masses in our country. Even though we have made a socialistic pattern of society our goal, our people are very very backward. They have no food to eat, no cloth to wear and no shelter to live in. If we go to the rural areas, we know what conditions are prevailing there. Therefore, I would humbly appeal to the Government to utilise the funds of the companies that are being nationalised for the welfare of the people living in the rural areas especially. I also suggest that low income groups should be approached and persuaded to take policies. As regards the motto of Government with regard to this nationalisation, I may quote the Finance Minister :

"...business in which there ought never to be a failure and not a single policyholder should ever find his life's savings in danger. With the profit motive eliminated and the efficiency of service made the sole criterion under nationalisation, it will be possible to spread the message of insurance far and wide as far as possible reaching beyond the more advanced urban areas and to the hitherto neglected rural areas."

Commerce has written :

"If nationalisation can at best encourage honesty without improving efficiency, then the second criticism that it will not increase savings and would therefore be of no help to the Plan also stands."

It is the duty of Government to reply to this challenge and show that they will be able to approach the masses and persuade them to save money and take policies and strengthen the hands of the Government with crores and crores of rupees for the implementation of the Second Plan.

There is another charge being levelled by the capitalist-minded people and also those people who have been running these insurance companies. They

say that Government-controlled insurance will be a failure because the officers will not be able to manage the affairs and the agents will not work with so much enthusiasm as they have been showing so far. In this connection, I appeal to the officers who will be placed in charge of these companies to work with great interest, to put their heart into this work. They must show these people that the officers are more efficient, more honest and have got more interest in the welfare of the people than these insurers who say that they have been running these institutions for the welfare of the people. If the officers co-operate with the Government in working efficiently, honestly and with the interest of the people at heart, we will be able to nationalise almost all industries and in the course of a very short time we will be able to establish in our country a real socialist State where every man that is born and every woman that is born in this country will be happy and prosperous.

2 P.M.

Shri Joachim Alva (Kanara) : Sir, My Lord and Master Jesus Christ had 12 disciples and one was a rotten egg and only 11 remained to spread the message of life immortal. But, my land, that is Bharat has 11 families to consider the lift that is mortal and these 11 families want to rule the roost. They are :

The Tatas who control the New India and the Central Bank of India, the Singhanias who control the National Insurance, National Fire & General and the Hindustan Commercial Bank, the Birlas who control the Ruby General, New Asiatic, Bombay Life and the United Commercial Bank, the Jalans, who have the General Insurance Co. and the Hindustan Mercantile Bank, the Goenkas, who have the Herculea and Standard General and the Hind Bank, the Chettiyars who own the United India Life, United India Fire & General and New Guardian and the Indian Overseas Bank, B. N. Chaturvedi—the Brahmins have also come in, the Brahmins who had only to depend upon the charity of their fellowmen—Calcutta Insurance and the United Bank of India, the Kilachands—my hon. friend Shri Tulsidas Kilachand is not here and my friend Shri Somani is just walking in—the New Great and the Bank of Baroda, the Mafatlals, Jaya Bharat, the Poddars. All India General and the Bank of Jaipur and the Dalmias, the

[Shri Joachim Alva]

Bharat Insurance and the Punjab National Bank—and Shri Somani has got nothing or otherwise he would have completed the list. Why I am saying all this is that 11 families—all these 11—want to control the life that is mortal.

It is just possible that I am only repeating what was said yesterday but I was not here for two days. I came only last night and I missed the very outstanding performance of my hon. friend, Shri Feroze Gandhi, who sits in front of me. Why I am saying this is that these 11 families are trying to control the destinies of 4 million people who have insured their lives—instead of 4 million we can really have 40 millions who will insure their lives. In this connection, what is going to happen to us and what has happened has been seen so quickly. I, who have been sitting on the back benches, have been an unrelenting critic of the hon. Finance Minister in some of his policies and objectives; but I would be insincere if I do not say that this is the finest thing he has done in his Ministerial career, that is the nationalisation of insurance companies. It is a step that is the best rose in his Ministerial garden and, whatever critics may say, it will stand out as one great measure of our social welfare State.

Let us go back to Mahatma Gandhi. In times of distress, in times of uncertainty and confusion, we always go back to the Master for inspiration and guidance. Whether it be political or social work, whether it be Pakistan or anything, we always go back to the Master. The Master has spoken with great authority on every subject under the Sun. What did he say about life insurance and banking? All the tests laid down by Mahatma Gandhi are good enough for me and good enough for my land and good enough for all people in the world. He was asked in 1928 :

“What in your opinion ought to be the basis of India's future economic constitution? What place will such institutions as savings banks, insurance companies etc., have in it?”

He answered :

“According to me the economic constitution of India and for the matter of that the world should be such that no one under it should suffer from want of food and clothing. In other words, everybody should be able to get sufficient work

to enable him to make the tow ends meet. And this ideal can be universally realised only if the means of production of elementary necessities of life remain in the control of the masses. These should be freely available to all as God's air and water are or ought to be; they should not be made a vehicle of traffic for the exploitation of others. Their monopolization by any country, nation or group of persons would be unjust. The neglect of this simple principle is the cause of the destitution that we witness today not only in this unhappy land but other parts of the world too.”

Then he says :

“As for our insurance companies, they are of no use whatever to the poor. What part they can play in an ideal scheme of reconstruction such as I have postulated is more than I can say.”

This is where Mahatma Gandhi comes and this is where we should go and not to the opinion of the magnates who have controlled destinies of the 4 millions of this land who have insured. Insurance companies have made a racket in regard to the settlement of claims. I do hope that the new nationalisation department that takes over will not copy any one of the methods of the insurance companies. I hope the new nationalisation department of the Government of India will not ape the manner, will not imitate some of the measures whereby the claims of poor widows and orphans and other people, maimed and wounded are settled, not within 3 months, but within 3 years or may be in 5 years. These lessons ought to be well learnt and it is a great pity that they have by the ordinance that has been passed only shifted the caps. The Manager of the Oriental becomes the Administrator of New India. The Manager of New India becomes the executive head of another insurance company next door. I have no animosity against anybody. You simply transfer it from here to there, the manager of one becoming the manager of another. I had a cursory glance at the list of Administrators. Lower down in the list. . . .

Shri M. C. Shah : They are custodians for the time being. They have taken over the management with a view to nationalise the life insurance business and as soon as we have finalised the provisions

of the Bill and got it through Parliament it will not be so. This is a temporary aspect of taking over and these are the custodians.

Shri Joachim Alva : The first step was wrong in the sense that the animosities, prejudices and hatred of the executive of one company are transferred to the other. I had a cursory glance.... (Interruption). Government has to look through the X-ray into the minds of most of these executives and other officers whom they are going to appoint.

An Hon. Member : Brain-washing.

Shri Joachim Alva : I find from the list that the youngest fellow who was chosen to be the boss of an insurance company which was started with the efforts of another man. Why I say it is because we are all human—even Government officers or even Ministers have plenty of prejudices and these prejudices may go to the ruin of another company. That is why I say that you are transferring the caps from one to another.

Sir, I hope you will give me some 5 or 10 minutes more, because I have stood up 10 times.

Mr. Chairman : Rising 10 times is no reason for giving more time to the hon. Member. I have already requested hon. Members that henceforth they may take only 5 minutes so that I can give a chance to some others also.

Shri Joachim Alva : May I come to the point? I was speaking of the way in which they are working out in the Insurance Act. I shall give a most scandalous instance in which I had appealed the big employer and Chairman of the Oriental, Shri Purushottamdas Thakurdas, where I have appealed to Shri Vaidyanathan and where they have rejected my appeal, for they have no human sympathies. What kind of sympathy can they bring to bear? My friend, the late Shri R. S. Nimbkar, one of the greatest leaders of Bombay with whom I have taken bread and drunk milk in jail—he was the Chief Welfare Officer of the Government of India—while he was on duty had to enter the operation theatre at Lucknow and he died on the operation table. A small sum of Rs. 7,000 was not paid to his three little daughters. I wrote an appeal and begged of them but what was it they said? They said: The claim did not show or disclose the disease from

which he suffered. I say: Does that preclude the children of that poor man from getting the amount. He might have died of any disease under the Sun. He was a great labour leader, a great patriot and he died in the operation theatre on the operation table and he was at that time an executive boss of the Government of India. I want to know what compensation the Government of India paid to his wife and children. I am giving this most glaring instance that under the name of technicality you refuse to give a sum of Rs. 7,000 to a patriot's family and allow his wife and children to suffer. I do not know how many more glaring instances of this nature there must have been. It is all right for you if you command lakhs and lakhs of rupees from your bank and therefore you do not understand the other man's difficulties. I think this type of cases must be hundredfold in all these companies. When even, I with the little influence that I command of talking to persons like the Chairman and Manager, cannot get things done for my friend, Shri Nimbkar, what is the position about other widows and daughters and sons that are stranded? I want the hon. Minister to take this particular case in hand, and also cases of this type in hand, and see that a cheque goes immediately to Shri Nimbkar's wife and children, and also to others concerned. Why I say so is because if the Government's own machinery is not dominated by human interests, the whole of the insurance business will go to wreck and ruin.

The life insurance business in the post office is supposed to have failed. The Government of Great Britain has found it to be so. I expect that we must profit from the experience in other countries. Government must see that they take such officers in their machinery who shall be dominated by human sympathy, who will not be carried away by legalities and technicalities to the extent of overriding human considerations. If I suffer from any illness under the Sun—it may be physical or other infirmity—I ought to be entitled to get something for my wife and children. Why should I not get it? Why should these technicalities be allowed to stand in the way? The new code of the nationalised insurance department should be a human code. For one little disease that a person suffered from, the doctor writes a report and the Company does not accept it. These are the things that I want to bring to the notice of this House.

[Shri Joachim Alva]

One more thing. No high interest should be charged on the loans that the insured take from the companies. A man insures his life for, say Rs. 5,000 or Rs. 10,000. He goes and takes a loan from the company at the rate of 4 to 9 per cent. and all this amount goes up. So, the Government must come and lower the rate of interest.

There must be compulsory insurance for every man in the urban area. In the villages one may have a little piece of land and be able to earn his bread. But the position is very difficult in the case of a man in the urban area. So there must be a compulsory insurance for every man in the urban area with a population of over 15,000 or 20,000. Unless Government has these aims before them, the nationalised life insurance business will be a failure.

We must enlist the services of the women workers. Life insurance will be a great thing for the widows and orphaned children, for those that are left behind when the husband is dead or the main partner is gone. The women, therefore, can be enlisted in the nationalised undertaking in larger numbers by paying them reasonable salaries and making them go out and do work so that it may be a real incentive for the widows and children and other members of the insured to see that these insurance schemes fructify and succeed. They had their first year sharks. The first year sharks are those people who take their first year's income and after that they cannot find the money. I can give you another example. I insured my life for Rs. 1,00,000 some ten years ago. The first year's income was Rs. 4,000; the second year's income was Rs. 4,000. I could not find the money in the third year.

Mr. Chairman : These details may be given on another occasion. There is no time now.

Shri Joachim Alva : I want the Government to humanise the system in such a way that you do not take away 50 or 70 per cent. and give me only 30 per cent. because I could not find the money after two years. I suggest that Government should look into whole list of people whose life policies have lapsed in this way and allow them a chance for re-insurance. Now, the position is that about Rs. 8,000 are paid and out of that Rs. 5,000 are almost taken away by the company. This is something scandalous and I hope the

House will forgive me for saying this, because from personal experience people learn many bitter lessons.

The last point that I should like to bring forward is this. Although I have many points to make, you are asking me to sit down. My point is this. We must not neglect the condition of the employees. The new nationalised undertaking must take care of the company employees; they must not be sent away. I asked two or three employees as to what they thought about nationalisation. There was a cold tremor on their face. They were very cold about it. The employees must be having their fears about their jobs. Government must take all their interests into account including housing. There should be no racketing or dismissals; no short service for the old employees should be given. In fact, their interests should be as paramount as the life of the people insured. Unless you take care of the company employees, this whole scheme will be a failure. I earnestly request the hon. Finance Minister to see that the interests of the lakhs of employees who are in the life insurance companies are protected and no harm is done to them either by peremptory dismissals or gross termination of their services or by less payment of gratuities and pension funds or by the cancellation of the leave due to them. This is very important. If we sit in Parliament and not worry about these employees, it is useless.

Shri Mohanlal Saksena (Lucknow Dist. cum Bara Banki Dist.) : I welcome this belated measure as far as it goes and I hope it will be followed by other measures. I also congratulate the Finance Minister for the way he has gone about this job.

The other day I listened to the speeches of two industrial magnates in this House, to their challenges and their assertions, and I wondered as to what had irritated them most. Was it the mention of a few cases that the Finance Minister had thought fit to refer to justify the taking over of insurance business by means of an ordinance? If that was so, may I tell them that we have been receiving reports of the Income-tax Investigation Commission where a large number of cases are given in which businessmen have evaded the payment of taxes to Government? And their names have not been given. Have they ever cared to ask for the names so that the reputation of others may not be involved? They did not do

that. Because it was not a case of their reputation but something else. In Insurance Companies they have had an opportunity of playing with other people's money in any way they chose. It has been shown that their investment is very small as compared to the large amounts of money that they are about to handle. Both of them argued that it is not for the purposes of the Five Year Plan because the Finance Minister has assured that whatever percentage was being given to the private sector will still be forthcoming. They ask, therefore what is the advantage of taking it over as it would not help the Government? I might reply to them. They think that this private sector is limited—the small coterie of industrialists and businessmen who have been getting benefit from these investments. There is a vast section of people who do not get any help and they are in need of assistance. But all the monies of the insurance companies go to help a few industrialists, their relations, in-laws and nephews.

Shri Feroze Gandhi: Why bring in in-laws?

Shri Mohanlal Saksena: Because it is a fact. Again, they threw a challenge that there is so much of corruption in Government-managed and Government-owned institutions. I am one of those who have criticised these institutions and I know where the defect lies. I will not hesitate to criticise the Government institutions again and again for corruption and malpractices. But I may tell the House that the one institution whose affairs have come up before the House more than once is the Industrial Finance Corporation. Who was at the head of that institution? Was he not a big businessman? They say: if you are going to take insurance, leave at least some in the private sector so that there may be competition. I believe one cannot ride on two boats. Either it is necessary in the interest of the country to nationalise it or it is not necessary; there is not third course.

If you refer to the proceedings of the House, you will find that in 1946 some of us tabled a resolution for the nationalisation of insurance and banking. It was not because of the mismanagement that has been going on in these companies nor because of the way in which the moneys were being invested. The one consideration was that it was after all trust money. Crores and crores of rupees come to them and they have no right to spend it

in the way you have been doing. You come forward and say that a law can be passed and it could be controlled better. Laws were passed and the Insurance Act was amended so many times. We have found all that did not produce the desired effect. They say that they were slack in regulating and enforcing the provisions of the Act. If there are one or two bad companies, why should you give a bad name to all the companies they ask. May I remind them of the Hindi proverb:

एक मछली सारे तालाबको गंदा करती है ।

It is one fish which makes the whole pool dirty. One drop of poison is enough to make a whole bucket of milk poisonous and unfit for consumption. The Finance Minister pointed out why he had to bring an ordinance; it was necessary to proceed in the way in which he had done in order to see that public money was not lost. They say that it is not democratic. Why now? It is according to the Constitution. This is my challenge: are there even ten persons in this House who would support you if your contention that the enactment of an ordinance of this nature was not justified?

Shri G. D. Somani (Nagaur-Pali): Ask Shri Asoka Mehta.

Shri Mohanlal Saksena: Leave him and one or two other persons, because there are persons who may be able to support you. But I want a reply. This ordinance was placed before the House and we are just now discussing it. Could you tell me ten persons—leave Shri Asoka Mehta—who supported your contention? If that is not so, if it cannot be done, you cannot take shelter under that plea. The public sector works for service whereas the private sector works for profit. I know that they will devise all sorts of ways and means to see that the articles that are produced in the public sector become costly. If they are not more costly, people in the private sector will not be able to sell their products at unreasonable prices.

Therefore, I ask the Government again. They are just now putting up a number of iron and steel factories. Government must see that they employ such persons as are not liable to be influenced by the interests in the private sector. They have got long hands and big resources and they can influence people. They are talking of corruption among the officers. I do not defend

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them. They are themselves to blame. If you go to the root of the matter, who are the persons who corrupt them? After officers retire from Government service, they are engaged in big concerns. They are all retired officers who were heads of certain departments. That is one form of inducement and there are others. In no circumstances we should leave even one insurance company in private sector; all should be nationalised.

They say that Government will not be able to get business; it will not be able to popularise insurance and they say so many other things. I admit that we will not be able to follow methods used by them. They exploited the influence of political leaders; they utilised their relations and sons to get business. We will not do all that. Their agents were remitting the first premium and they were doing all these things which were illegal. I would ask the Government to devise straightforward means. We must have some concession for self-insurers. If they are going to insure by themselves, let them have some rebate in the first and subsequent premia. If we are not able to get so many agents to go to the villages, we must utilise the service of the village panchayats and co-operatives. But we must reduce the premium amount and make it as cheap as possible.

I am very glad that the Finance Minister gave us an idea as to what he thought of the proper functioning of a good company. I would judge the working of the companies under Government by that very standard. He has given us a standard to measure the working of these companies. As Shri More pointed out, Shri Tulsidas worked himself into a fit of injured innocence and righteous anger. Shri Tulsidas had said that the Finance Minister had gone down in his estimation. I am not surprised that such people were disappointed at his performance. I am sure, if he has gone down in the estimation of Shri Tulsidas and other industrialists, he has risen in the estimation of others. (Interruptions). I am one of those who believe that a Minister must not concern himself whether he rises or falls in the estimation of this group or that section; he must be concerned only with the welfare of the people and he must work in the public interest. I am glad that the Finance Minister has done so. Nationalisation of insurance should have

come in fact in 1946 when many of us pleaded for the nationalisation of insurance and banking. Banks also provide opportunity of playing with the money of other people; they have not got so much money of their own. I felt that these things should have gone together. But, better late than never.

I can give another reason why our industrial concerns are very much annoyed. There was a death in a family. An old person died and people in the family began to weep and they were weeping. Some stranger came and he said: "After all, he is an old man and he has died. So, nothing unusual has happened." Someone from that family replied: "Death has seen our house and we do not know whose turn may come next". The Finance Minister has started with life insurance. Last year he came with the proposals for the nationalisation of the Imperial Bank of India; this year he has come forward with a Bill for nationalisation of life insurance. Whose will be the next turn? That is what they are annoyed very much about. I can understand their suspense, anger and annoyance.

In the end, I would request the Finance Minister and his other officers to be very careful, imaginative, cautious and above all, sympathetic. Insurance business, more than any other, requires human sympathy and imagination in a large measure. Unless they are actuated by these, I am sure they will not be able to make insurance the success that is expected of them. Even if they fail I do not wish that—I shall never like it to go back to the private sector. I would like to change the officers and have new men to make a success of it.

I can give another tip to the Finance Minister. He may have a capitalist in order to find out the doings of other capitalists. I hope the labour of many of the officers will be saved and he will be able to get much more information about the manner in which the affairs of these companies have been managed.

Sardar Hukam Singh (Kapurthala---Bhatinda): I welcome this measure. I am one of those who advocate nationalisation of banking and insurance. I feel that this is a step in the right direction.

The previous Speaker might have likened our Finance Minister to an angel of death and he might have fears

as to whom he visits next but such nervousness might have been caused in the minds of a few. At least, I can assure the Finance Minister that he will bring hope to many if he proceeds in that way and in that sense he should not be afraid if really he can do service like that.

But one or two things that have already been said I have to repeat. There are fears that the Government departments do not discharge these duties so efficiently. This is rather a challenge that has been thrown, and so far, we agree with them that the departments have not acquitted themselves in the businesses that they have undertaken so efficiently with the result that there have been complaints. Just now, a few minutes ago, there was a reference by my friend Dr. Lanka Sundaram to the Bhakra Dam and in that alone the engineers have swallowed several crores of rupees—he said Rs. 10 crores but I had mentioned that there were even more crores of rupees that have been grabbed away. I brought it to the notice of the Planning Commission last time—though the Minister felt a bit offended; he was very sensitive at that time—that an engineer had been proposed to be awarded a medal. . . .

Dr. Lanka Sundaram : For his defalcations ?

Sardar Hukam Singh : At that time there was a case pending against him. The police were investigating the case about corruption that he had committed but here on the other side a medal was proposed and the President had to award that medal in a few days. I brought the matter to the notice of the authorities and the award was withheld. Soon after, he was arrested and he is being prosecuted there. What I say is, they should not be so sensitive when we bring to the notice of our Ministers that there are such cases. They should certainly see that such things are removed. I join my friends in urging upon the Finance Minister that when he has taken over this business he should see that the persons who are entrusted with this job really do the thing quite efficiently.

So far, this business has been confined to urban areas. The agents that have been employed have thought it easy to go to these people who can be found there, spend some time and get some insurance business. But, what is needed is that it should be taken to the rural

areas. They require it more and if this nationalisation has to create an impression and do some benefit to our masses certainly two or three things must be done. Firstly, as I have said, this business should be taken more to the rural areas because they require it more. Secondly it should be cheaper business. The Government should see that they can provide this business, they can sell this commodity to the ordinary man at a cheaper rate. If they cannot do it certainly they would not be able to enthrust the public so much as they expect to do. If they really intend to provide it at a cheaper rate they shall have to reduce the expense ratio.

I wonder what the Controller had been doing for these last few years, when we find that the companies had enhanced their expense ratio very much during the last few years. If we take the instance of only two companies—New India and Oriental—the figures are like these. The expense ratio of New India was : 9 in 1945, 9 in 1946, 14 in 1947, 13 in 1948, 12 in 1949, 13 in 1950, 14.7 in 1952, 14.1 in 1953, and it went down to 9.1 in 1954. Similar is the case with regard to Oriental. It was 7 in 1945, 7 in 1946, 12 in 1947, 14 in 1948, then it continued to be 14 and came down to 11.7 in 1954. This sudden rise in 1948 from 7 to 12 in 1947 and 14 in 1948 and a similar rise from 9 to 14 in the case of New India shows how the expenses had increased. It should have been the job of the Controller to see why such additional expenses had been incurred. The profits had been limited no doubt but the expenses had been increased. They thought this to be another method of taking over most of the money that was there. Now, what I want to point out is that when in 1954 the New India has done its business with an expense ratio of 9.1 and the expense ratio of Oriental is 11.7 it should not be difficult for the Government to have an expense ratio or to work at an expense ratio of about 12. My fears are that what the Government proposes is much more than that. When these two companies were able to do their business in 1954 at that ratio I should think that the Government should be able to do it at a cheaper rate. But, what I learn from some sources or what is given in the next Bill is that the expense ratio, is expected to be much higher than this. Therefore, my first request is that it should be seen that the expense ratio is reduced. It would not be difficult for the Government to work at that ratio because we find that other companies

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had been doing it and by reducing the expense ratio they will be saving some money for the policyholders and for themselves as well.

There is one other thing that I want to point out and that is with regard to the delay in payments on matured policies. That was rather the chief fear in the minds of the insured. Now that the Government is taking over the business, arrangements should be made to see that these people get their money on matured policies. It must see that the payments are made as soon as possible after the maturity takes place. In this connection I have to suggest one thing. When the Government is taking over the business it should see that there are offices at the District levels with the authority to deal with cases as they mature and make payments immediately they take a decision. Some responsible officers should be there who should be authorised to deal with the cases in a short time. If the insured person gets his payment or his family which is entitled to get the payment under the policy receives it very soon then it would create confidence in the minds of the public with the result that this business would expand enormously.

Now I come to the next point. The Finance Minister has mentioned that there were several companies that were being mismanaged and several had to be taken over because it was thought fit to do so. The money was being utilised by those capitalists or insurance companies in other business and it was thought fair and proper that the business should be taken over from those companies. I agree with him there, but there were other reasons also, perhaps, that must have been taken into consideration. So far as these companies are concerned if we look into the lapse ratio one is horrified to find that such large number of cases were there, such a large percentage is there, of life policies that got lapsed very soon after the policies were taken, that one feels that there was a large waste going on in respect of public money and that was being utilised by these insurers. What we find when we look into the figures of those companies is that the lapse amounted to about 33 per cent. of policies within the first one and a half years, and about 50 per cent. within two and a half years of their issue and about 60 per cent. within the next three and a half years of their issue. Even big companies showed a lapse of about 35 per

cent. of the new business. When we consider that and find out what money would have gone to those companies in the form of lapsed policies, certainly a strong case is and could be made out that this business must be taken over by the Government. If we take those two companies that I mentioned before, the New India and the Oriental, let us see what the position is. So far as Oriental, is concerned, we find that from 1947 to 1954 the total business done was of the order of Rs. 171 crores. The business in force in 1947 was about Rs. 164 crores. So, the total business at the end of that period, by the end of 1954, ought to have been about Rs. 335 crores, but the total at that period was only Rs. 210 crores.

[MR. DEPUTY-SPEAKER in the Chair]

That meant that about Rs. 125 crores had lapsed; giving credit for those policies that have matured, we come to a figure of about Rs. 100 crores in one company alone. That much business had lapsed. Similarly, giving credit for those policies that had matured, whether by deaths or by survivorship, they had taken good money themselves. In the other company, the New India Company, about Rs. 50 crores have gone like that. If we total up, we can see the colossal waste, so far as the insurers were concerned, that was going on. But perhaps that was an advantage to the companies. If all that money, instead of going into the pockets of a few, goes to the people who insure themselves, or, if the lapse goes on like that and if the money comes to the Government treasuries, then too, it will be a step towards socialisation and the Finance Minister will be able to utilise the amount for the constructive purposes that he has underlined for the progress of the country. So, my request is that, firstly, it should be a cheaper business. Secondly, it should be taken to the village areas. Thirdly, payments should be made expeditiously to inspire confidence in the people who insure themselves. So far as this policy is concerned, if this is worked out with a missionary spirit and the people who have some desire to serve the country pay to this business—then certainly we will find that the step taken would be a boon for our country. At present, what it means to the worker is rather awful to describe. At this moment, an insurance agent is hated and despised everywhere. He is not tolerated by the people and he has to run away in that keen competition which is of course very unhealthy. He has to give rebates and in

several cases he is not able to meet his own expenses. Now, the business will give him good status. He will be a man who would be heard and listened to. He would have some dignity and status because he would be doing a job that is guaranteed by policyholders. Otherwise, money is lost. Several companies, after 1947, more than 50, I suppose, have failed already. If this had gone on perhaps many more companies will have fallen and so much money would be wasted. All that money could be saved. So, in all respects, as I said, this move is a wholesome one and I welcome the Bill wholeheartedly.

Shri C. D. Deshmukh : I feel greatly heartened by the general support that my motion has evoked, including the support of those who are somewhat critical of Government. I have duly noted the sentiments of Shri Tulsidas and a few others who feel that by this measure Government, and particularly myself, are falling in their estimation. I should only like to assure them that this process is mutual. I expect that by the time we have finished, they will also find that they have fallen in their own estimation. In any case, I quite agree with Shri Mohanlal Saksena that popularity is a thing not to be sought by those who do their duty and this is certainly, especially, true of the Finance Minister.

Reference was made to the course of thinking on this matter of nationalisation of insurance. From the side of those who have opposed this idea, it is sought to make out that this is a kind of judicial case where we have to prove guilt by giving a verdict. As a matter of fact, it is something different that we have to determine. For decades now, I should say, there have been different ways of thinking—arguments for and against nationalisation. Whether one is inclined towards nationalisation of some of these money institutions or not, depends on the complexion of one's ideologies—whether one is inclined to be progressive or not. There are pros and cons which are set out in the books of those who can write authoritatively on the subject. Therefore, one should not confine one's reasons only to those of fact-finding as to the record of the private sector in this particular matter although that is relevant enough.

There was a reference made to the Committee that was set up by the Government of India—the Cowasji

Jehangir Committee, as it was called. I have been able to get hold of a copy of its report from my files.

Shri Asoka Mehta (Bhandara) : I could have given it to you.

Shri C. D. Deshmukh : I was quite sure that we had it; and we studied it in order to find out how many of the recommendations had been embodied in the Act that is current now and how many had not been. I learn that copies of it were circulated to the then members of the legislature when the Bill was passed. There they have mentioned the following points: Acquisition of interest in insurance companies by payment of exorbitant prices for the shares; manipulation of life funds of insurance companies; payment of large emoluments to the financiers themselves or officers of the company appointed by them; payment of compensation to existing management for relinquishing their rights; inter-locking between banks and insurance companies, which was referred to by Mr. Asoka Mehta; classes of shares; voting rights and separation of insurance funds belonging to different classes of insurance. In conclusion, they said:

“Conditions similar to those prevailing in some companies doing life insurance business in India existed in America also in the earlier years of the present Century. We are about 50 years behind the world. Drastic steps had to be taken there after an investigation in the year 1905. There the remedial legislation of 1906 as established a standard code which was widely copied in other States.”

Their conclusion was that even in the U.S.A where there is a strong public opinion, legislative measures were adopted as far back as 1906. Then they go on to say:

“It is more necessary in this country, where public opinion is neither so strongly developed nor so well organised as it is in U.S.A.”

and so on and so forth. Then, they went on to make their recommendations. There are quite a large number of them and I find only two minor ones were not embodied in the Act. This was in 1949-50. Then, came the Planning Commission. This is what the Planning Commission says: In the course of their observations on the organisation of the credit system of the country in connection with the first Five Year Plan, they

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drew attention to the necessity of fitting increasingly into the scheme of development visualised in the economy as a whole, the banking system and in fact the whole mechanism of finance, including insurance, stock exchanges and other institutions connected with investment. It is only then, they said, that the process of authorising savings and utilising them to the best advantage becomes socially purposive. I pointed out in the course of my broadcast on the evening of the day the ordinance was issued that,

"principally with a view to ensuring separate banking and credit facilities to the rural areas, the Imperial Bank of India was nationalised last year. The nationalisation of life insurance is a further step in the direction of more effective mobilisation of the peoples' savings."

So far as banks are concerned, I would like to say that this is as far as we have decided to go, subject to the question of taking over some of the ex-State Banks, banks which owe their development to the encouragement or participation of the old Indian States. There are about 9 of them; may be one or two will not satisfy the conditions which we intend to put down. But, our proposals in connection with that subject will be coming before the House in due course. In any case, this is not the place for entering into a discussion whether banks should be nationalised or not. I thought it desirable, nevertheless, to state what our present thinking on the subject was.

Coming back to insurance, the question has been raised even by those who favour nationalisation that Government must confess that they failed in regulating the activities of life insurance by means of the Act. In a sense, we have conceded that. We have conceded that it is not possible to achieve everything that one wishes to achieve by means of merely of regulatory measures. I hesitate to use the word "negative", because it seems to have displeased Shri Asoka Mehta. All I meant was this. "You shall not do this thing" is one thing and "you shall do this thing" is another thing. What we are now trying to do is this; we hope to be able to do what positively the life insurers have not been able to do in the past like extension into the rural areas, lowering premium rates and half a dozen other very beneficial

things that the last speaker has mentioned.

Take the case of the 1950 amendment Act. Section 6-A of the Act limits the maximum holding of any one person in the shares of an insurance company and this was enacted in an effort to prevent acquiring of control over insurance companies, that is to say domination by individuals. But we find that this section has not loosened the hold on insurance companies of even a single financier. They continue their hold with the help of benamis and blank transfers—a problem we are still grappling with separately. The stranglehold continues unchecked. Then comes the question of interlocking. Section 27-A limits the maximum investment in the shares of a joint stock company. What is the answer of the same financiers? It meant for them only a little more effort of the intellect with which they are so plentifully endowed. Instead of investing in one company, the investments are spread over large number of companies, all under the same group. So, the violation of one of our canons of investment, namely, diversification of investments, is no less flagrant, although it is not so apparent. Then, there is this question of payment of excessive remuneration to those in charge of management. That evil also still continues. If the persons controlling the company is prevented from being a managing director himself, he is always able to find dummies; in many cases employees are given increased salaries, but are required to hand back a part of their salaries.

I stated in my speech that we started reviewing the problem soon after the last piece of legislation was enacted, namely, in 1951. I set the ball rolling by asking my Minister to examine the situation in the light of just one year's experience of the working of the Act. The preliminary examination by the Department of Insurance showed that nationalisation was a feasible proposition; so far as life insurance was concerned, it would be put into practicable effect. But at that time we thought that instead of embarking on wholesale nationalisation it would be advantageous if we made a beginning with a Government Corporation working in competition with private enterprise. These ideas have been put forward by hon. Members now; but we thought of them in 1951. Such a Corporation, we thought could be formed out of some of the big companies for which administrators had been appointed under Section 52-A of

the Insurance Act. The House will recall that in the last few years, quite a number of companies have come under our administration. So, we prepared a detailed scheme on that basis; but, we had to put this proposal into cold storage because of the pending litigation before the Supreme Court regarding the validity of Section 52-A of the Insurance Act itself, which entitles the Government to take over the management of insurance companies.

3 P.M.

You may recall, Sir, the litigation in regard to the Sholapur mills, management of companies, payment of compensation even for what was not acquired for public purposes in this sense in which that term is understood and was probably intended by the constitution-makers. So, later on, when we got entangled in these constitutional difficulties, I suggested that the idea of starting with a small nucleus State corporation formed out of the companies under administrators should be given up and we might revert to the idea of wholesale nationalisation. This decision was made easier by the Constitution Amendment which was made in article 31, I think, in regard to compensation. So, we considered again the pros and cons of this course and then decided to take a plunge. Having taken a plunge, as I said the other day, we thought that it would be in the interests of the policyholders and would not hurt anybody if we issued an Ordinance. Because, even if we had come with a Bill, so far as final approval was concerned, the House remained uncommitted. A Bill is no further guarantee than an Ordinance that the House will approve of it. In the meanwhile, many things damaging to the interests of the policyholders might have happened.

I have been asked why we have not included general insurance within the ambit of this measure and also the main measure that is to come. What was reported in the press yesterday was what I had stated in my radio talk on the day of the issue of the Ordinance. Therefore it was nothing new or nothing said for the first time only in the Party. What I read out there is something I would like to read out here again.

"I would also like briefly to explain why we have decided not to bring the general insurance business into the public sector. The consideration which influenced us most is the basic fact that general

insurance is part and parcel of the private sector of trade and industry and functions on a year to year basis. Errors of commission and omission in the conduct of this business do not directly affect the individual citizen. Life insurance business, by contrast, directly concerns the individual citizen, whose life savings, so vitally needed for economic development, may be affected by any acts of folly or misfeasance on the part of those in control or be retarded by the lack of imaginative policy."

I should like to develop these points a little further.

Even now, when life insurance is confined to the urban population, and even there only to a section of it, the total life funds are in the neighbourhood of Rs. 350 crores, Rs. 378 crores or something. With the rapid expansion of business that we are confident of achieving, the funds available should be far greater. On the other hand, the funds available in general insurance are small. On the 31st of December, 1954, the total funds were less than Rs. 50 crores. Thus, we did not consider that from the point of view of assistance to our Plan, general insurance was going to offer any significant help. Then, of course, accumulation of vast funds, such as in life insurance, in private hands carries with it the danger that the funds may not always be used in the interests of the country as a whole. This factor is not present in any great degree in the case of general insurance business. Moreover, the persons who take out life insurance policies are mostly men of small means or men of moderate means. Moreover, the policy contracts are for long periods. Therefore, it is not possible for a policyholder to change over to another insurer without loss to himself. He cannot change his mind even if it appears to him that it would no longer be safe for him to continue his policy. On the other hand, the policyholders in general insurance are persons in commerce and industry who have given good evidence of being able to look after themselves. Also they have this advantage that since their policies are usually short-term, not exceeding one year, they could change over from one insurer to another without any loss to themselves. So, it will be clear that there is no particular vital purpose that nationalisation of general insurance would have served. It should also be clear that, in the main,

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in general insurance, the policyholders belong to a class which is not in need of protection or assistance from the Government.

At the same time, I must say that we are aware of the malpractices in general insurance business also, and if there is no significant improvement in that respect, although we shall try to follow the advice of Shri Asoka Mehta and see how effectively we can exercise our controls, we may then have to re-examine the question. For the present, we have come to the conclusion, as I have said, that no vital purpose would be served by the nationalisation of general insurance. I might add paranthetically that unwittingly we have become the owners of 3 general insurance companies which are subsidiaries to life insurance companies. We shall be getting a little experience in the way of managing general insurance business also. In other words, we do not intend to give them up.

Lastly, with his usual suspicious nature, Shri H. N. Mukherjee suggested that possibly the fact that foreign insurance companies do a substantial part of general insurance business is the reason why we are not nationalising that. All I can assure him and the House is that such a suspicion is entirely unwarranted. The decision, I need hardly say, and as I hope to have proved, has been taken entirely on the merits of the issue.

There are so many points raised in regard to the general issue, in regard to the safeguarding of the interests of the policyholders, in regard to management, that it may not be possible for me to deal with all of them adequately. Fortunately, some of these points are bound to arise again when we deal with the main question of nationalisation, both when we make a motion for reference to a Select Committee in the Select Committee and in the later stages. There is one matter which we claim has, at the moment, relevance only to the present measure, and that is the immunity which we want to confer on Members of Parliament. The reason is that this has come like a bolt from the blue, without giving them any chance even to consider what course of action they should take. It is to regularise that position that we have brought forward this amendment which we shall be discussing on the merits a little later. What the position should be or would be finally in regard to the general Bill, it will

be for the House to decide. At one time we were advised that since our intention is to form a Corporation—may be it will not be regarded as an office of profit, but the later view has been from the same authoritative source—that perhaps the opposite view might be taken by courts. So this matter will come before Parliament and since it concerns the Members of Parliament themselves they will be the best judges of the situation. We have no particular view to urge strongly in this matter. It is a matter primarily for themselves to decide.

Then there are questions about compensation being heavy and so on. That is particularly a matter which should be considered in connection with the main Bill. Similarly, whether there should be one Corporation or for Corporations, to what extent competition should be reserved as between the Corporations, they also are matters which, I think, we had better deal with when we come to the main Bill.

In connection with the Ordinance there was an allegation that a director of a leading insurance company went to the Government a few days before the issue of the Ordinance, enquired as to whether an Ordinance was to be issued, got an affirmative reply, and went back and made some dubious transactions in the accounts of the company. That allegation was made by Shri Gurupadaswamy, who is not here.

Shri M. S. Gurupadaswamy (Mysore): I am here.

Shri C. D. Deshmukh: I am sorry. I did not see him so quietly sitting there.

I found this an astounding statement and, to my knowledge, it is not correct. If he will give me details of the company and the director and so on we might be able to make some more enquiries.

Shri M. S. Gurupadaswamy: New India?

Shri Deshmukh: A director of New India?

Shri M. S. Gurupadaswamy: Yes.

Shri C. D. Deshmukh: I shall find out whether he approached anyone and got an answer. But considering that we have no special reason to favour New India and since I did not even announce the subject of my broadcast that day, which was a subject of some specula-

tion, I doubt if anyone in the Finance Ministry gave him this answer that an Ordinance was being issued.

There was a statement made that other countries, which contemplated nationalisation, ultimately decided against such a step, like Norway, Denmark and then Mexico after actually embarking on it. I find that Mr. Asoka Mehta has given instances and has chided me for not giving them myself that in all the countries nationalised insurance has worked well. Well, I agree with him and I said so much in my broadcast that wherever nationalisation was taken up seriously, it had succeeded.

In the U.K. it happens that life insurance even in the private sector, as in many other things, is running exceedingly well. What is more important, it is an important source of foreign exchange to the country. That leads me to the point of foreign business. What are our intentions in regard to foreign business? I may say at once this is not a great source of foreign exchange so far as we are concerned, although we are aware that not only Indians but some of the others insure with our Indian insurers in some of the countries, especially Africa and, perhaps, parts of South East Asia. But we have already come across difficulties in running our branches of the State Bank in some of our neighbouring countries. The fact that the name of the Bank has been changed has been made the reason for requiring us to take out a fresh licence and when we apply for a fresh license we are asked to close down a large number of branches. A Government or a State running commercial, industrial or financial business in another country always exposes itself to running into embarrassing situations if there is some conflict with the law and regulations of that other country and we are convinced that it would be a wise step to make arrangements to transfer our foreign business in life insurance to some Indian company which deals in general insurance business by arrangement. There was a commission which examined the question of nationalisation in Sweden.

Shri K. K. Basu : What would they be ?

Shri C. D. Deshmukh : They would be owners.

Shri K. K. Basu : Would that be an Indian company ?

Shri C. D. Deshmukh : That will be an Indian company.

Shri K. K. Basu : How ?

Shri C. D. Deshmukh : Usually there will be an Indian company working there. Most of it is run by a company which is a composite company. They must be allowed to take it. After the assets and liabilities have been properly valued the transfer can be made. We have not yet examined the situation and we have not taken over any business.

There was a Commission which examined the question nationalisation in Sweden and it commented that :

"insurers of that country have been able to give to the policyholders a well-designed, solid and inexpensive form of cover, maintained by a management which is business-like in its organisation and public-spirited in its character."

Similarly, the Norwegian Committee observed that :

"Norwegian life insurance, as it is carried on, is fundamentally sound and on a very high level both internationally and in comparison with other forms of business life. Its rapid expansion has not led to abuses of competition. Its investment also is beyond reproach."

In Denmark Government life insurance business, which is one-third of the total business done by all private insurers put together, is expanding rapidly. In England the Government life insurance, in competition with private insurers both indigenous and foreign, has already come to occupy the second place. In Japan the industrial assurance business is transacted by the Government and it has been a success in catering to the needs of the working classes.

That leads me to the next point which is somewhat important and that is the question of monopoly and competition. It is argued, I think by Shri Tulsidas, that Government can function only on a basis of monopoly and he has challenged us to introduce a Corporation in competition with private industry. I think Shri Venkataraman has already pointed out why in the circumstances of this country this should not be attempted and such a challenge would be meaningless. The reason is simple—that would not be a fair competition, so far as Government is concerned.

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The other party would break the rules at will, as at present, while Government would be bound to adhere not merely to all the legal provisions in their letter but also in the spirit. To take an illustration, the private insurance companies would have no hesitation in giving cash rebate which could not fail but succeed in getting business in most cases as the rebate would also be free of income-tax. Therefore, a competition such as this would mean that all the evils of the private insurance industry will continue unabated and Government would be exposed to ridicule and you will recall that is the reason why we gave up our original idea of starting a State insurance company ourselves. We found during the course of administering some of our general insurance companies, which we are managing now, that we cannot freely compete with the private insurers because of these very reasons.

Then much has been made of the so-called laxity of the Controller. Somebody went to the length of referring to the sins of the Controller of Insurance. I have made it clear that unless the industry itself strives to attain better standards, no amount of Government control would be of any avail. We do not believe that mere legislation will make angels out of men. We can claim with pride that if one went into the matter, one would find that the administration of the Act has been marked with both zeal and devotion to the policyholders.

The winding-up actions which we have instituted, and the transfers which the Department of Insurance had prevailed upon the managements to make, bear ample testimony to this. In extreme cases, we have not even hesitated to take more drastic action. We have appointed administrators—which power was given to us only in 1950. We have exercised that power freely, and during the short period that has elapsed, over eleven companies have been taken over. In many cases, the appointment of administrators was made solely with a view to facilitating criminal prosecutions against managements which in their greed had stooped to defalcations.

But the good actions of the Controller of Insurance are soon forgotten. They made a little stir two or three months ago. I need not mention names here and give examples of the vigilance and the speedy action taken by the

Controller. The trouble is that the law is such that no action can be taken until after damage has been done to the policyholders' interests. No court of law will entertain a petition for winding up, unless the company is insolvent beyond doubt; and the onus of proof lies heavily on Government.

In one case, a court of law dismissed the petition of the Controller of Insurance, holding that even the uncalled capital should be taken as an asset. The Act gives nine months' time for submission of accounts. Insolvent companies are not too anxious either to submit their returns in time or to give a true picture. They operate on the principle that one might as well hang for a sheep as for a lamb. It takes some time before Government get evidence that a company is insolvent. After that, the well-known delays are there; and by the time the company is run to earth, some two years have elapsed, and many policyholders have already lost their money.

It has been suggested that the defalcations could have been prevented by insisting that the insurers should keep securities with banks. As the Act stands at present, the managements are entitled to keep the securities in their own custody. In any case, they must have the right to withdraw them from time to time to enable them to make changes in their investment portfolio. In one case, the Department did insist on the securities being lodged with a Scheduled bank. I have referred to that case in my speech, but it turned out that the bank certificates were forged. This only shows, as Shri Feroze Gandhi has pointed out, that no amount of control can prevent frauds. And the number of ways in which fraud can be practised, which was 42 in Kautilya's days, has risen to astronomical figures these days.

Shri T. N. Singh (Banaras Dist.—East): It has become 420 now.

Shri C. D. Deshmukh: All that can be done is to detect fraud and to punish the guilty. But of course that is a poor consolation to the policyholder.

Unless bad management or what one might call lack of standard codes or standards is confined to a small minority, it is not possible to control companies effectively without posting an officer in each company. If we do that, the critics would turn round and say that control is crippling and preventing

the operation of initiative. Initiative is a very favourite word with some of these managements.

Therefore, I think that the failure of the industry must be laid squarely at the doors of the industry itself, and not at the doors of the Controller of Insurance.

Then, there was a reference to the failure of the postal life insurance business. It was stated that the postal life insurance in India increased its business only by 16 per cent, whereas private insurance in India increased its business by 300 per cent during 1937-1953. Our reply is that no comparison is possible. The private insurance was, of course, all out to increase its business. The postal scheme has so far operated, so that business comes to it. It is in the nature of an amenity provided by Government for the benefit of its employees, leaving it to the employees to avail themselves of it or not. And it must be remembered that they also had protection in other ways, such as in provident funds, gratuities, pension funds, and so on and so forth. Until recently no special effort used to be made to urge those entitled to insure themselves under this scheme; and even now, no drive as such is undertaken. You will recall that there is a provision by which any payment of premia on life insurance policies is treated as equal to contribution to provident funds to the extent to which the sums are equal.

I have dealt with most of the important points in regard to the principle of the matter. I shall now come to the next question, namely the question of the safeguarding of the interests of policyholders. Many of the suggestions made are those which we shall have to examine, such as that there should be no reduction of policy contracts. If at all possible, we shall try to see that they do not suffer, although we cannot give any promise, assurance or guarantee at this stage.

It was also suggested that there should be a severe probe into past transactions. That, of course, would be carried out very much as a matter of course, because we must find what kind of assets we are getting into our hands.

Then, there was some reference to the unscientific nature of the recent reduction of rates. Well, as a snap decision we thought that we had best reduce the rates to the most favourable of the

rates which are prevalent in the life insurance world. I have no doubt that when a corporation is formed, much more thought will have to be given to this matter of the question of rates as well as the far more important question of the continuance of bonuses, because bonuses are given at all levels; and it will be a matter of some complexity, how to divide the policyholders in classes in order to ensure that no policyholder is put in a worse position than he has been in, as a result of the nationalisation.

Some reference is necessary to the question of investment of funds in the private sector. A complaint was made that although an assurance was given to the private sector that moneys will continue to be invested in that sector, only 16 per cent is being allowed to be invested in the private sector. It happens that on the 31st of December 1954, the proportion of life insurance funds invested in shares and debentures of joint-stock companies was less than 16 per cent; and the custodians have been advised to invest up to 16 per cent in such investments. Therefore, there is no reduction.

But my main point is that if our hopes are fulfilled, we shall find such a rapid expansion in the total volume of business that they will be more available both for the public sector *via* Government securities as well as for the private sector, not in percentages perhaps but in absolute figures. Therefore, I repeat the assurance that there is no intention to divert any investment from the private sector as such to the public sector. But it is our firm intention to ensure that the disposal of the funds in the private sector is in accordance with our plan and in accordance with the real interests of the country and not the interests of any particular industrial or financial group.

Then there was a matter of a number of complaints and so on—it is a small point. It has been answered by Shri Venkataraman. The figures are figures of legal actions. But the number of complaints that I mentioned was the number of complaints that we received without their being acted upon in the manner indicated by the section quoted.

I shall now come to the question about the Custodians, employees and agents. There was some reference made to a Custodian having opposed nationalisation. I have conducted some research

[Shri C. D. Deshmukh]

into the matter and find that one had said something in 1946. I have no doubt that he changed his mind after the Cowasjee Jehangir Committee's Report came out and the law was enacted, and certainly in the light of the experience that has been gained.

Dr. Lanka Sundaram : Not after he became a custodian. I hope not.

Shri B. S. Murthy : Even then, it is not wrong.

Shri C. D. Deshmukh : He has been applauding this even before he became a Custodian. So there is evidence that there was already a change of heart and mind.

So far as agents are concerned, we have said that we will try and see that sinecures are not maintained. As for the rest, there is no question of our depriving ourselves of the service of men who had shown enthusiasm and success in the pursuit of their somewhat difficult calling.

Lastly, in regard to employees, that is a matter the Corporation will have to take up when one is formed. At the moment, all I would say is that we will keep the employees as they are. I would like to add that the first telegram that I received of congratulations on the measure was from the employees, and it is our firm intention to be on very good terms with them. So we shall try and see that they are satisfied and they treated fairly and squarely and that they just do not become part of a lifeless bureaucracy.

Shri Joachim Alva : I mentioned housing for them. I hope the hon. Minister will consider it as a basic need.

Shri C. D. Deshmukh : I have not delved into that so deeply at the moment.

With these words, I commend the motion.

Mr. Deputy-Speaker : The question is:

"That the Bill to provide for the taking over, in the public interest, of the management of life insurance business pending nationalisation thereof, be taken into consideration."

The motion was adopted.

Clause 2—(Definitions)

ठाकुर युगल किशोर सिंह (मुबल्लूकपुर—उत्तर पश्चिम) : इस विधेयक के क्लॉज नंबर २ पर में अपना ५ नंबर का संशोधन पेश करता हूं। मेरा संशोधन इस प्रकार है।

Page 2—

after line 15, add :

"Provided that this will not include Co-operative Insurance Societies."

मैंने इस बिल की सामान्य बहस के समय भी हाउस में यह निवेदन किया था कि राष्ट्रीयकरण से कोऑपरेटिव इश्योरेंस सोसाइटीज को अलग कर देना चाहिए और उनके ऊपर इस विधेयक को लागू नहीं करना चाहिए। वित्त मंत्री महोदय ने उसके सम्बन्ध में अभी तक कुछ नहीं कहा है। मैंने उनको उस समय यह भी बतलाया था कि प्राइवेट सेक्टर के लोगों में जो अधिक से अधिक मुनाफा कमाने और इस कारोबार को योग्यता के साथ न चलाने सम्बन्धी जो बुराइयां होती हैं और जिस कारण सरकार इस बीमा व्यवसाय का राष्ट्रीयकरण कर रही है, वे सब बुराइयां हमें इन कोऑपरेटिव इश्योरेंस सोसाइटीज में नहीं मिलतीं।

जहां तक कम्पटीशन, प्रतियोगिता का सवाल है, यह बात सही है कि यह कोऑपरेटिव इश्योरेंस सोसाइटीज बहुत छोटे दायरे में काम करती रहीं हैं लेकिन उसका कारण भी हमारे अर्थ मंत्री महोदय जानते हैं। राज्य सरकारों को भय हो रहा था कि यह स्टेट इश्योरेंस कम्पनी प्राइवेट सेक्टर के साथ प्रतियोगिता में नहीं ठहर सकेंगी। यह गलत नहीं है क्योंकि हमारे अर्थ मंत्री इस बात को बहुत अच्छी तरह जानते हैं कि जहां प्राइवेट सेक्टर के लोग कानूनों को तोड़ते हैं और उनको तोड़ भरोड़ कर अपना काम निकाल सकते हैं, वहां यह कोऑपरेटिव इश्योरेंस सोसाइटीज इस तरह की गड़बड़ी नहीं कर सकतीं और इसलिए साफ जाहिर है कि वे प्राइवेट सेक्टर वाली कम्पनियों का मुक़ाबला नहीं कर सकतीं। इस बात को मानते हुए कि यद्यपि इन कोऑपरेटिव इश्योरेंस सोसाइटीज ने बहुत सीमित क्षेत्र में काम किया है, ताहम उन्होंने जिस योग्यता से यहां पर अपना काम चलाया है, उसके लिए हम उनकी सराहना करते हैं। प्लानिंग कमिशन ने इस तथ्य को मान लिया है कि कोऑपरेटिव सेक्टर के आधारे

पर चल कर देश की भाय में वृद्धि होगी और देश समृद्धिशाली बनेगा। मैं यह भी बतलाना चाहता हूँ कि जो भी भ्रष्टाचारियाँ वे इस राष्ट्रीयकरण में देख रहे हैं, वे सब भ्रष्टाचारियों को अपरेटिव सेक्टर में रहेंगी। इसके साथ ही साथ कोअपरेटिव इश्योरेंस सोसाइटीज में एक और भ्रष्टाचार है जो कि राष्ट्रीयकरण में सुलभ नहीं होगी और वह भ्रष्टाचार यह है कि यह कोअपरेटिव इश्योरेंस कम्पनियों आपस में सद्भावना का स्रोत पैदा करती हैं और वे एक दूसरे के सहयोग पर चलाई जाती हैं। देश में जिस समाजवादी समाज की स्थापना करने का हमारा लक्ष्य है या उसका और कुछ नाम आप रखें, वह ध्येय और लक्ष्य अगर हम इस कोअपरेटिव्स के आधार पर काम करेंगे तो हम भ्रष्टव्य उसको प्राप्त कर सकेंगे और इससे हमारे समाज की जड़ मजबूत होगी और हम एक सुन्दर समाजवादी समाज की देश में स्थापना कर सकेंगे।

जहाँ तक कि उन पर नियंत्रण का सम्बन्ध है, मैं हाउस को बतलाना चाहता हूँ और अर्थ मंत्री भी जानते होंगे कि इन कोअपरेटिव इश्योरेंस कम्पनियों के काम की देखभाल के लिए सरकारी अफसर मुक़र्रर होते हैं। सरकारी आडिटर्स उनके हिसाब किताब की जांच करते रहते हैं। सरकारी अफसर उनके कामकाज को देखते रहते हैं इसके कारण उन सोसाइटियों को कमी गलत काम करने का मौका नहीं मिलता और प्राइवेट सेक्टर में जो गड़बड़ी होने की आशंका रहती है, वह यहाँ नहीं रहती। इसलिए मैं वित्त मंत्री महोदय से निवेदन करना चाहता हूँ कि वे मेरे इस संशोधन को स्वीकार करने की कृपा करें और कोअपरेटिव इश्योरेंस कम्पनियों को अपने रास्ते पर चलने दें और उनकी जहाँ तक हो सके सहायता करें और उनके सम्बन्ध में प्रचार करें। देहातों में यह कम्पनियाँ काम करने वाली हैं और देहात के लोगों का इन के ऊपर विश्वास होता है। इनके जरिए काम करने से जनता की प्रेरणा शक्ति बढ़ेगी और जनता में परस्पर सहयोग भावना दृढ़वती होगी और उससे हमारा देश और समाज मजबूत होगा और तरक्की करेगा। मैं चाहता हूँ कि जो वर्तमान कोअपरेटिव इश्योरेंस सोसाइटीज हैं, उनको ख़तम न करें बल्कि अग्रे को एक ऐसी योजना बनायें जिससे उनका और विकास ही और अग्रे चल कर सिर्फ कोअपरेटिव्स ही कोअपरेटिव्स रह जायँ और राष्ट्रीयकरण

की उनको आवश्यकता भी न पड़े।

Mr. Deputy-Speaker : Amendment moved :

Page 2—

after line 15, add :

“Provided that this will not include Co-operative Insurance Societies.”

Shri S. S. More : May I seek a clarification? I support the point of view which has been pressed by my hon. friend who has just spoken after moving his amendment. I should like to know from the Finance Minister in a very clear manner whether this measure intends to cover the business which is under co-operative societies.

The Deputy Minister of Finance (Shri B. R. Bhagat) : Yes.

Shri S. S. More : If so, I would like to know the reasons, because as far as other insurance business managed by private persons who had unlimited opportunity to indulge in all sorts of nefarious activities is concerned, I can understand the logic of nationalising all those concerns, but as far as co-operative societies are concerned, they are subject to certain rules and regulations and are controlled to some extent or rather a larger extent by Government agencies. If their administration is pure and devoid of any faults which are laid at the doorsteps of private management, I do not see any reason why these agencies should also be roped in. I submit that to that extent Government should be in a position to revise. Of course, we are prepared to support the nationalisation measure but along with it the good aspect, the co-operative aspect, should not be affected by this measure. Only those bad elements which are there should be sought to be eliminated by this nationalisation process which is a sort of purifying process. That is my submission.

Shri M. C. Shah : We cannot accept this amendment. Really speaking, this amendment had no place in this Bill. But, at the same time, the hon. Member must know that, after all, all life insurance business is a co-operative effort among the policyholders.

Shri S. S. More : Then the whole Government is a co-operative effort.

Shri M. C. Shah : It is a co-operative effort of all the policyholders and when we want to have a monopolistic basis for life insurance business, we cannot allow other companies to operate in life business.

As a matter of fact, there are only 14 such companies as defined in Chapter IV of the Insurance Act and they are very small companies. We have already taken over the business of all these co-operative life insurance societies. Therefore, when we want to have a monopolistic basis for all life insurance business, we cannot allow any discrimination between one type of company and another. There will be only type of insurer and that will be the Government corporation. In the main Bill also, in clause 25 we have provided that no certificate will be given to any other insurer to carry on life insurance business. In order to have a successful working of this life insurance business, we cannot allow any other insurer, co-operative society or otherwise to carry on this business. I am sure that the hon. Member will appreciate that by joining this corporation that business will be run more in the best interests of the country. Therefore, I am sorry I cannot accept the amendment.

Mr. Deputy-Speaker : The question is :

Page 2—

after line 15, add :

“Provided that this will not include Co-operative Insurance Societies.”

The motion was negatived.

Mr. Deputy-Speaker : The question is :

“That clause 2 stand part of the Bill.”

The motion was adopted.

Clause 2 was added to the Bill.

Clauses 3 and 4 were added to the Bill.

New clause 4A

Shri M. C. Shah : Sir, we propose to add a new clause 4A.

I beg to move :

Page 5—

after line 40, insert :

“4A. *Refund of deposits made under Insurance Act.*—The Central Government may, by order, direct that the whole or any part of the deposit appertaining to his controlled business made by an insurer under section 7, section 73 or section 98 of the Insurance Act, as the case may be, shall be returned to the Custodian who has been appointed to take over the management of the controlled business of the insurer, and every such order shall have effect notwithstanding anything contained in the Insurance Act.”

This new clause has been proposed by the Government in order to enable certain small companies to meet their claims. There are certain insurance companies which have no surplus or liquid assets with them, and there are still claims pending. If the claims are to be met, they have just to draw upon the funds that are deposited there, under section 7 of the Insurance Act. Under section 7 of the Insurance Act no insurer can commence his business as long as a deposit of Rs. 2 lakhs has not been made as provided for under the Act. Therefore, in order to meet the claims that are pending with these small insurers we take the power to allow the Custodians to take the deposit or part of that as may be necessary. In case there are more claims than the deposit, then they have to be given on the *pro rata* basis. Therefore, we have inserted this in order to safeguard the claims of the policyholders which have matured already.

Mr. Deputy-Speaker : The question is :

Page 5—

after line 40, insert :

“4A. *Refund of deposits made under Insurance Act.*—The Central Government may, by order, direct that the whole or any part of the deposit appertaining to his controlled business, made by an insurer under section 7, section 73 or section 98 of the Insurance Act, as the case may be, shall be returned to the Custodian who has been appointed to take over the management of the controlled business of the insurer, and every such order

shall have effect notwithstanding anything contained in the Insurance Act."

The motion was adopted.

Mr. Deputy-Speaker : The question is :

"That new clause 4A be added to the Bill."

The motion was adopted.

New clause 4A was added to the Bill

Clause 5—(Powers of Custodian etc.)

Shri M. C. Shah : Sir, I beg to move :

Page 6, line 5—

after "may exercise under" insert "section 52BB".

The House may be aware that we had brought in an amendment to the Insurance Act in order to enable the administrators to attach the properties of those who had defalcated the moneys of the insurer. Therefore, we had inserted 52BB, to enable the Administrator to attach the properties and to go to court and have decrees under 106 against the defaulter. Here it is not there. Therefore we want to give these powers to the Custodians also. They can follow the properties of these defalcators—those that we have already found and that we may find later on. These powers are given to the Custodians. We had discussed this matter at great length when we introduced that amendment in the Insurance Act in November or so. I hope the House will agree to this in order to safeguard the interests of the policyholders.

Mr. Deputy-Speaker : Am I to understand that the amendment is going to be made in future ?

Shri M. C. Shah : In the main Insurance Act we have that ; thereby we give to the Administrator the power. We give that power also to the Custodians the power to act under 52 BB.

Mr. Deputy-Speaker : The question is :

Page 6, line 5—

after "may exercise under" insert "section 52 BB".

The motion was adopted.

Shri S. S. More : Sir, there is no quorum ; there are hardly 25 persons.

Mr. Deputy-Speaker : The question is :

"That clause 5, as amended, stand part to the Bill."

The motion was adopted.

Clause 5, as amended, was added to the Bill.

Mr. Deputy-Speaker : Now, there is an amendment to add new clause 5A.

New Clause 5A

Shri Sadhan Gupta (Calcutta South-East) : I beg to move :

Page 6—

after line 5, insert :

"5A. During the period when the management of the controlled business of the insurer remains vested in Central Government, no alteration shall be made in the service conditions of any salaried employee of the insurer except in accordance with any agreement made before the appointed day or any adjudication by a Labour Tribunal or directions from a conciliation officer, and no dismissal shall be made by way of retrenchment or otherwise, nor shall any such employee be transferred from one place to another or from one office to another except with his consent in writing."

This measure would be temporary measure and my object is to provide a safeguard for the employees lest the custodians should act in a manner which is arbitrary. Therefore, what I seek to provide is a safeguard for the service conditions as regards salaries and wages, as regards security of service and also as regards arbitrary transfers. I might say that in the insurance business, transfers have always been a rarity and transfers have practically never been made without the consent of the employees or without giving them suitable compensation for going over to some other place since transfer always means dislocation. Pending the nationalisation of the concerns, pending the establishment of the corporations, it is very necessary that no serious dislocation either from the employees' side or from the side of the concerns should take place. Therefore I have suggested the inclusion of this new clause.

Shri M. C. Shah : I cannot accept the amendment proposed by the hon. Member. I do not know whether the hon. Member was present when the hon. Finance Minister replied to the debate on the general discussion. He has already stated that we do not propose to make any change in the conditions of service of the employees, but at the same time we must make it clear that the sinecures will have to go. There is another class of inspectors who are paid certain remuneration on condition that a certain amount of business should be put through by them. If that business is not put through accordingly, then the emoluments will decrease. There is always a condition about the emoluments according to the value of the business done.

Regarding transfers, I have already mentioned that there was only one case and that case was justified. There was a life insurance company having its headquarters in Ajmer and the general insurance business at Calcutta. Those people who belonged to the life insurance company at Ajmer had to be transferred and they have already accepted the position and have gone over to Ajmer. Our intention is clear. But suppose there is some disciplinary action to be taken or something of that sort, then certainly the custodians will have to take action as required. We do not, however, propose to retrench or change the conditions of service of the employees. We do not also propose to transfer them. Therefore, I think this assurance will satisfy the hon. Member and I hope he will not press his amendment.

Mr. Deputy-Speaker : The question is :

Page 6—

after line 5, insert :

"5A. During the period when the management of the controlled business of the insurer remains vested in Central Government, no alteration shall be made in the service conditions of any salaried employee of the insurer except in accordance with any agreement made before the appointed day or any adjudication by a Labour Tribunal or directions from a conciliation officer, and no dismissal shall be made by way of retrenchment or otherwise, nor shall any such employee be transferred from one

place to another or from one office to another except with his consent in writing."

The motion was negatived.

Clause 6.—(Compensation for management etc.)

Shri Sadhan Gupta : I beg to move :

(1) Page 6, line 10—

for "one-twelfth" substitute "one hundred and ninety-second part".

(2) Page 6, line 20—

for "one rupee" substitute "one anna".

These amendments deal with a rather vital matter. It is the question of compensation. I think the rate of compensation proposed is extremely excessive. I find that two criteria have been adopted. In one case where a share of the surplus has been allocated to shareholders, it is provided that one-twelfth of the surplus is to be paid every month pending the taking over of the management by the proposed Corporation Act. That is, while the management vests in the Government, one-twelfth of all the surplus or the annual average of the last two actuarial evaluations is to be paid to the company by way of compensation. Where such a share of the surplus has not been allocated, what has been provided is that the compensation shall be payable at the rate of Re 1. per month for every Rs. 2,000 or part thereof of the premium income of the insurer relating to his controlled business during the year 1954. In a case like the Oriental, for instance, the share of the surplus allocated amounts to 87½ per cent of the paid-up capital. We are all agreed that there is no case for granting such excessive dividends. And if there is no case for granting such excessive dividends, there is no case why we should pay as compensation an amount equal to about 7½ per cent of the paid-up capital every month. If you divide 87½ by 12, it will be just a little less than 7½ per cent. Similarly if you pay Re. 1 per month for every Rs. 2,000 of the sum assured, then also it is a very excessive figure. In other words, it comes to Rs. 12 a year for every Rs. 2,000 or Rs. 6 for every Rs. 1,000 of the sum assured. That is also extremely excessive, and the concerns before nationalisation should not be made to bear such a heavy burden. After all, the authorities

in control of those concerns, it is admitted, have made quite a lot of profit, legal and illicit, and there is no ground for paying them such huge compensations merely for the retention of management. Therefore, just a small compensation to satisfy the requirements of the Constitution is enough and such a liberal compensation they do not deserve either morally or from any other point of view.

Mr. Deputy-Speaker : Amendments moved :

(1) Page 6, line 10—

for "one-twelfth" substitute "one hundred and ninety-second part".

(2) Page 6, line 20—

for "one rupee" substitute "one anna".

Shri M. C. Shah : I cannot accept the amendment. The compensation is not liberal at all. There are two kinds of companies—one having surplus and another having no surpluses. In the case of surpluses, there is always a provision under section 7 (1) of the Insurance Act that out of the surplus, up to the extent of 7½ per cent can go to the shareholders. And in the main Bill we have provided only 5 per cent. Where companies have distributed less than 3 per cent in surplus, we have taken it up to 3 per cent. Here also we must provide for some compensation. The shareholders must get whatever they would have got if the management of the companies was not taken over by Government. It will not be a very big sum and it is not for a long period because we propose in the near future to have the Bill for establishing the corporation take over the entire business. It will be done by about June or so.

4 P.M.

If we do not pay just compensation then we may be accused that we were not fair to them. We have simply provided in order to give them compensation at one rupee per month for Rs. 2,000 premium, not Rs. 2,000 insured amount. Therefore, I hope the hon. Member will not press his amendment. This is not considerable nor liberal. It may be said that we have been rather conservative. We will have to give some compensation and according to the calculations, this is not at all liberal. Therefore, I hope the House would agree to the proposal contained therein.

Shri Sadhan Gupta : May I have one clarification? Government intends to

start the corporation by June or so. I heard him say so. The Budget discussions are going to intervene from the 5th March to 18th April and the Select Committee has to report by the 16th April. Do I take it that the reference motion is going to be passed before the Budget discussions are completed? Or, is it going to be postponed in view of the Budget discussions.

Shri M. C. Shah : The Minister of Parliamentary Affairs has assured us that 19th and 20th of this month will be allotted for this Bill and that will materialise. It is not going to be a Joint Committee because the President has certified this Bill to be under article 117. Therefore, it becomes a financial Bill and under the Rules, it will have to be sent to a Select Committee of this House and we propose that the motion for reference to the Select Committee should be over by the 20th of March. I have also requested the Minister of Parliamentary Affairs to select all those Members who are willing to sit long hours during the session. We hope that their report will be submitted by the 16th of April or by the third week of April and before the end of this session, it will be passed into an Act. We propose to have the corporation, latest by the 15th June if this Bill is taken up according to the schedule. I have no doubt that it will be taken up according to the schedule. I know that the House is very anxious to have that Bill passed in this session and that it will not mind sitting longer hours, if necessary.

Mr. Deputy-Speaker : The question is :

Page 6, line 10—

for "one-twelfth" substitute "one hundred and ninety-second part".

The motion was negatived.

Mr. Deputy-Speaker : The question is :

Page 6, line 20—

for "one rupee" substitute "one anna".

The motion was negatived.

Mr. Deputy-Speaker : The question is :

"That clause 6 stand part of the Bill."

The motion was adopted.

Clause 6 was added to the bill.

Mr. Deputy-Speaker : There are no amendments to clauses 7, 8, and 9.

There is an amendment No. 11 to insert a new clause 9A.

Shri Sadhan Gupta : I am not moving my amendments Nos. 11 and 12.

Mr. Deputy-Speaker : Then I will put all the clauses up to clause 13.

The question is :

“That clauses 7 to 13 stand part of the Bill.”

The motion was adopted.

Clauses 7 to 13 were added to the Bill.

New Clause 13A

Shri M. C. Shah : I beg to move :

Page 7—

after line 35, insert :

“13A. *Prevention of disqualification for membership of Parliament.*

—It is hereby declared that no person who holds any office of profit under an insurer the management of whose controlled business has vested in the Central Government under this Act shall be disqualified, or ever to have been disqualified, for being chosen as, or for being, a member of either House of Parliament.”

The reason for this amendment has already been explained. As the Finance Minister had already said, the broadcast was made at 8.30 p.m. on the 19th and the ordinance was issued. Nobody might have known about this. I am absolutely certain about that. There was, therefore, no time for any Member of Parliament to consider this and to resign. Therefore, this enabling clause has been proposed to be inserted. Regarding the insertion of such a clause in the main Bill, it will have to be considered at that time and as the Finance Minister has already assured the House, the wishes of the House will be respected.

Mr. Deputy-Speaker : Amendment moved :

Page 7—

after line 35, insert :

“13A. *Prevention of disqualification for membership of Parliament.*—It is hereby declared that no person who holds any office of profit

under an insurer the management of whose controlled business has vested in the Central Government under this Act shall be disqualified, or ever to have been disqualified, for being chosen as, or for being, a member of either House of Parliament.”

Shri Venkataraman : This clause has been explained by the hon. Minister. On grounds of urgency, they did not have much time and Members may have been disqualified on account of this ordinance and the Act. To clear themselves of any such disqualification, the amendment has been put in. I want to make it clear that so far as the main Bill is concerned this House does not stand committed to that clause.

Shri M. C. Shah : There is no such clause there.

Shri Venkataraman : I know that. But I do not want to be told later that we have already accepted the principle that persons who hold such offices in those State-owned corporations are exempt from incurring disqualifications and we may be persuaded by our own previous decision to vote in the same manner.

I want to draw the attention of the Government to another matter also. It is true that this clause will exempt the Members of Parliament from incurring any disqualification. What happens to the members of the State Legislatures. Their disqualification also has to be removed. It cannot be added in this new clause because it is the State Legislature which has to remove such disqualification. I will read out the provision from the Constitution—article 191 (1) :

“A person shall be disqualified for being chosen as, and for being, a member of the Legislative Assembly or Legislative Council of a State—

(a) if he holds any office of profit under Government of India or the Government of any State specified in the First Schedule other than an office declared by the Legislature of the State by law not to disqualify its holder ;”

Therefore I only wish to draw the attention of the Government to this position. It is anomalous that a person can be a Member of Parliament but he cannot be a Member of a State Legislature. If any such difficulty arises it is

up to the Government to advise the State Government to take immediate steps in this behalf.

Mr. Deputy-Speaker: To issue an Ordinance likewise.

Shri Venkataraman: I do not know. But the Budget Session is on.

Mr. Deputy-Speaker: Or retrospectively.

Shri Venkataraman: Yes, retrospectively. My only desire is to emphasise that with this legislation it should not be said that the House is committed to this principle when the Corporation Bill comes up.

Shri S. S. More: Mr. Deputy-Speaker, I was a Member of the Offices of Profit Committee which was appointed by the Speaker to go exhaustively into this matter and that Committee has submitted its report.

Shri K. K. Basu: Still under consideration.

Shri S. S. More: You will please allow me to complete.

Mr. Deputy-Speaker: Order, order.

Shri S. S. More: My submission is that till the final decision is made by the Government regarding all the proposals and recommendations made by the Offices of Profit Committee no final decision should be taken by Government in such a statute. I can understand the position. The Finance Minister was pleased to say that we are coming up suddenly with this measure and it is likely to affect the present capacity of the Members to continue as Members of this House. In order to meet this sort of emergency some short-term provision may be made in the present measure. Because another Bill of a more permanent nature is coming up I would further request that before we commit ourselves to any enduring provision on this matter the Government should come out with their own reaction to the different proposals made by the Committee on Offices of Profit and then after giving an opportunity to this House to express their views both on the recommendations of the Committee and the acceptance of the Government or the reaction of the Government to the proposals some final provision may be made. Otherwise it is no use appointing a Committee which has taken pains to go into all the details in the light of the precedents in other countries and then

brushing aside those recommendations proceed with the proposals in an empirical manner. I would request the Government and the Finance Minister to have this in view. As far as this provision is concerned it is an entirely different thing, but we shall also be faced with the same problem when we come up to the other measure. Therefore, I would rather request the hon. Minister for Legal Affairs, who is fortunately here, to apply his department's mind to the recommendations made by the Committee on Offices of Profit and come out with their own decisions regarding the several recommendations to give an opportunity to this House for their say and then come out with a final proposal.

The Minister of Legal Affairs (Shri Pataskar): With respect to the point raised by my hon. friend Shri More, it was only in the last Session that we extended the life of that Act intended for removal of disqualification. In the meantime the Report of the Committee on Offices of Profit which was appointed by this House was received. We are examining the recommendations and the State Governments are being consulted. I think soon, before the year is out, probably we will be in a position to bring forward a Bill before this House. So far as this matter is concerned it has already been explained by the Finance Minister.

Shri S. S. More: My submission is that the Offices of Profit is a matter concerned with the constitutional provisions. They are also concerned under Section 7 of the Representation of the People Act. If a man is supposed to hold an Office of Profit unless it is exempted by the Parliament or the Legislature he is incapable of being a candidate or being elected to be a Member. If elections are to be held in 1957 then all these problems ought to be finally solved by Government so that the candidates and their supporters may be in a more precise position to know the actual position.

Shri Asoka Mehta: Elections are not to be held.

Shri S. S. More: My friend Shri Asoka Mehta says that elections are not to be held. I accept this statement as coming authoritatively from the Treasury Benches for the time being. But my submission is, let the Government decide the matter with the approval of the House finally so that before we

[Shri S. S. More]

reach the stage of elections or filing nomination papers we shall know definitely where we stand regarding the offices of profit because the Constitution says that they must be exempted by the House or defined by the House. Therefore, it is no use saying that by the end of this year they will come with their decision. They should expedite, accelerate the process of working and come out with their decision earlier.

Shri Pataskar : As I said already the recommendations of the Committee are under examination. Naturally, in such matters the State Governments have got to be consulted and I would say—without prophesying about the future elections because that is no concern of mine—this much that before the year is out, because the period of the Act has been extended only for one year, we will be able to bring forward a Bill.

Mr. Deputy-Speaker : The question is: Page 7—

after line 35, insert :

“13A. *Prevention of disqualification for membership of Parliament.*—It is hereby declared that no person who holds any office of profit under an insurer the management of whose controlled business has vested in the Central Government under this Act shall be disqualified, or ever to have been disqualified, for being chosen as, or for being a member of either House of Parliament.”

The motion was adopted.

Mr. Deputy-Speaker : The question is :

“That new clause 13 A be added to the Bill.”

The motion was adopted.

New Clause 13A, was added to the Bill. Clauses 14 to 16, Clause 1, the Enacting Formula and other Title were added to the Bill.

Shri M. C. Shah : I beg to move :

“That the Bill, as amended, be passed.”

Mr. Deputy-Speaker : Motion moved:

“That the Bill, as amended, be passed.”

Now, those hon. Members who may not have had an opportunity earlier may speak.

Shri Achuthan (Crangannur) : Mr. Deputy-Speaker, since nobody has stood up to speak I will repeat something that has already been stated here. In fact, the Finance Minister has explained almost all the points that have been raised here in a very satisfactory way. He has explained about the urgency of this Bill, about the policy that was carried on by the Government for the last 4 or 5 years, about his own personal opinion in 1951 and the difficulties that were there in law with regard to the introduction of such a Bill. Therefore, the House is fully aware of the necessity of such a step. He has also explained why it is not necessary or urgent for the time being to nationalise general insurance. He has explained that the percentage of business is less. He has said that the amount of money now in the general insurance is less than Rs. 50 crores and so there is not much seriousness with regard to that matter.

My only wish is that insurance business must be spread throughout the country. That is the only way by which we can satisfy the nation. Because of nationalisation of life insurance the Government security is there, the Government is there without any profit motive, and the facilities must be available throughout the length and breadth of the country so that a labourer or middle-class man can have his life insured for the risk that he may have in his future life to himself and his family. Therefore, we welcome this measure wholeheartedly.

One point that Shri Asoka Mehta raised was that constitutionally the Government ought not to have issued an Ordinance at this time. Because it has come from Shri Asoka Mehta I do not know why he has raised that point. He said that we should give some time for business people to look after themselves. The Finance Minister has explained that point. He has admitted that there might be so many wrong things and we may not be able to check them. So, I have got a feeling that Shri Asoka Mehta wanted to cajole some big people—because the elections are coming—and they might not have got an opportunity of adjusting their business in the insurance company. Otherwise there is no grace in giving it, because he accepted the principle of nationalisation of life insurance.

Sardar Hukam Singh has categorically stated that there are many advantages that can be derived when life insurance is nationalised, and he said that

it should be spread throughout the length and breadth of the country. In my own case,—and it is also a fact—a number of friends, some of them being M.L.As., approached me and had me insured for about Rs. 10,000 in four or five companies, involving a premium of about Rs. 500 a year. They have all lapsed. That is a botheration and a nuisance. We have treated the insurance agents and their business in this light. When Government takes up this matter, that aspect of nuisance will not be there. The people must be asked to join the scheme just like the small savings scheme and other schemes which are being popularised throughout the length and breadth of the country, and the scheme should be popularised by the organisers. It is the duty of Members of Parliament as well as the local legislators in the States to popularise it. It is high time the local people got themselves insured for small sums of money. There is now security so that the good effects will be there. Because of the good features, the salient features, instead of the insurance agents going on influencing and persuading and doing other things by the back-door methods for getting the persons insured, people themselves will come and say, "I want insurance for a thousand or three thousand or five thousand rupees". The so-called unfair methods could be eliminated and fairness and fairplay will be adopted in the matter of insurance programme of the country. So, I wish this Bill all prosperity and I hope that in the near future, by the end of the Second Five Year Plan at least, Government will be able to say that, instead of the Rs. 350 crores that is now lying in all the insurance companies, they have got thousands of crores, so that the former will have some help by way of insurance when he dies or when there is a mishap or when his family and children are in distress.

Shri T. Subrahmanyam (Bellary): I would welcome this measure as well as the manner in which the whole thing has been brought about,—without fuss and with remarkable efficiency. I feel it augurs well for the Second Five Year Plan, and particularly for implementing the Plan. It has got a positive and also a negative aspect. From the negative point of view, all the flaws that have been exposed would be avoided and the people will be protected from the very bad type of people who have been extremely unscrupulous. The positive aspect is, Government will find extra

money in their hands to implement the Second Five Year Plan. It is a great thing, and without resorting to other inconvenient measures Government will now get their needs met in a handy way and I am sure that the insurance business will spread to the rural areas particularly. Hitherto, all this business has been confined mostly to the towns and even there they had a very bad record. They have not set up high standards of business and it is something of which instead of being proud, as one hon. Member said, we should be ashamed. They have set up such bad standards in this business. That can be eliminated now, and when the Government takes up this business, it should spread it to rural areas and also spread out institutional credit facilities.

I am glad that the Finance Minister has said that he will particularly remember the employment aspect of the business. It is a great thing, because many employees in the insurance companies have had apprehensions and fears that this will deprive them of their employment and that they will be thrown out in the streets. It is only in the case of sinecures and other disabled people who work as we see in pinjrapoles that economy could be effected. Efficiency must be there, but at the same time, the employment aspect of the people, wherever they have served hitherto, will have to be remembered. I am sure that aspect will be kept in view, and I welcome that particular assurance given by the Finance Minister.

I congratulate the Finance Minister again on the manner in which he has brought this about—without fuss. This is a matter which has heartened us particularly at the time when we are about to launch the Second Five Year Plan.

Shri S. C. Samanta (Tamlul): An emergency arose and the Government took proper steps. We are thankful to the hon. Finance Minister for having selecting and training some persons to act in the emergency period. He is successful. So, we are very much thankful to him. Within a few minutes we are going to legalise the emergency measure, and within a few days a very comprehensive Bill is coming before the Lok Sabha.

The Finance Minister is lording over the business that is done by the other Ministries. Now, an experiment has come for the Finance Ministry. It

[Shri S. C. Samanta]

is taking up the business in its hands. Just as the Finance Minister has taken steps for the training of men for temporary handling of the business, we would similarly expect that for the proper handling of the business in future and for the measures that we are going to take, such training and arrangements should be made so that it will be an example for the country and so that the other businesses in the country could run in that way.

Shri C. D. Deshmukh : We feel greatly encouraged and to be on our mettle. We have never tried to lord over anybody. We do not want to be

a *sarvabhauma* but only a *samanta*. When in due course we nationalise this business we shall make it a point to sell to Shri Achuthan a policy which will not lapse.

Mr. Deputy-Speaker : The question is :

“That the Bill, as amended, be passed.”

The motion was adopted.

4.28 P.M.

The Lok Sabha then adjourned till Half Past Ten of the Clock on Monday, the 5th March, 1956.
