[Mr. Speaker]

Clauses 2 and 3 were added to the Bill.

The Schedule was added to the Bill.

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

Shri Morarji Desai: Sir, I beg to move:

"That the Bill be passed".

Mr. Speaker: The question is:

"That the Bill be passed."

The motion was adopted.

INSURANCE (AMENDMENT) BILL

The Deputy Minister of Finance (Shrimati Tarkeshwari Sinha): Sir, I beg to move:

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

Insurance falls into two broad categories: life insurance and general insurance. By general insurance we mean all insurance which is not life insurance and it includes fire insurance, marine insurance, accident insurance, motor insurance, burglary insurance and so on.

An important aspect of general insurance business is what is known as re-insurance. I shall give a very simple example to explain what is meant by re-insurance. Suppose a mill worth Rs. 20 lakhs is insured with in insurance company to cover any loss of property caused by fire or some other calamity. If by some misfortune, fire destroyed the whole mill, then the insurance company is bound to pay the entire sum of Rs. 20 lakhs to that party. Now. Rs. 20 lakhs is a very large sum to pay at one stroke by any company and will break any small or medium-sized company and cause serious strain even to a very big company. So as to safeguard against such an eventuality, the insurance company shares the business with other insurance companies. The original insurance company and nine other companies, say, may take a tenth share each, every one contributing one-tenth of the loss. By this arrangement each company will have to pay only Rs. 2 lakhs, if there is a claim for Rs. 20 lakhs arising out of the destruction of the mill by fire. If the insurance companies concerned are all of some reasonable size, then they can all stand this loss of Rs. 2 lakhs each without any embarrassment. A smaller company will naturally take a much smaller share of this business. The arrangement by which the original insurance company shares its business with other companies is called 're-insurance arrangement'. That is to say, the original insurance company re-insures a part of the business with each of the other companies.

I shall now say a word or two about the financial aspect of the transaction between the original insurance company and the other insurance company with which it places its re-insurance, and which may be called the 're-insurer'. The original insurance company passes on to the re-insurer a proportionate part of the premium according to the share it re-insures, and recovers commission called 're-insurance commission', at a rate agreed to between the two companies. Of course. when any claim arises on the policy re-insured, the re-insurer has to pay its share of the claim. This process of re-insuring goes on all the time in the insurance business. I may mention one more point here, and that is that the re-insurer, the party, in its turn re-insures some of its own business with the original insurer by way of reciprocation. That is to say, there is some exchange of business between the two companies.

I am explaining this matter, Sir, in a little greater detail because I want to make this matter as simple as possible and I want to make this very clear to the House. As it is, re-insurance is a very very technical business, a very difficult business. Though there are variations in re-insurance arrangements, I need not go into those details at the present moment as my object is only to give a general idea to this House as to the re-insurance business with which this Bill is primarily concerned.

Next I will give some idea as to the patttern of operation of re-insurance business arising out of general insurance business transacted in India. Insurance companies operating in this country place their re-insurance only to a very limited extent within the country. The bulk of re-insurance is placed with companies in foreign countries. Generally speaking, the terms which the Indian companies are able to get abroad are poor. Then also, Indian business is highly profitable business. The Indian re-insurance business or Indian insurance business is highly profitable business, whereas, generally speaking, insurance business in foreign countries is not so profitable. Therefore, even if the Indian company gets some foreign business placed with it by way of re-insurance, it is only exchanging its highly profitable Indian business for foreign business yielding less profit. This re-insurance business being placed with the foreign companies is not profitable for the Indian companies; that is to say, it is not a very good business principle to get in exchange poor business in the place of good business. The main cause for these unsatisfactory features appears to be the lack of a strong market in India which can handle reinsurance business.

This operation also leads to a loss of foreign exchange every year. Further, there is a loss of income-tax, because of a large amount of Indian insurance business being placed with the foreign reinsurance companies. We lose by way of income-tax also, because those foreign reinsurance firms make profit on the Indian business but they do not pay taxes in India since their offices are located abroad in the respective countries. Therefore, in that way, we lose income-tax on the reinsurance business that is at present being done abroad by companies operating in India.

Mr. Speaker: How long will the hon. Minister take?

Shrimati Tarkeshwari Sinha: I shall take a little more time. If you so please, I can continue on Monday.

Mr. Speaker: Very well.

15.31 hrs.

COMMITTEE ON PRIVATE MEMBERS' BILLS AND RESOLUTIONS

SEVENTY-NINTH REPORT

Shri Jhulan Sinha (Siwan): I beg to move:

> "That this House agrees with the Seventy-ninth Report of the Committee on Private Members' Bills and Resolutions presented to the House on the 15th March, 1961."

Mr. Speaker: The question is:

> "That this House agrees with the Seventy-ninth Report of the Committee on Private Members' Bills and Resolutions presented to the House on the 15th March, 1961."

The motion was adopted.

RESOLUTION *RE*: TRADE UNION ACTIVITIES OF GOVERNMENT EMPLOYEES—*Contd.*

Mr. Speaker: The House will now resume further discussion of the following resolution moved by Shrimati Parvathi Krishnan on the 4th March, 1961:

> "This House is of opinion that no Government employee should be penalised for trade union activities and that whenever any disciplinary action against a trade union functionary is proposed to be taken, the case should be referred to the Public Service Commission for examination and advice