

LOK SABHA

**THE LIFE INSURANCE
CORPORATIONS BILL, 1983**

REPORT OF THE JOINT COMMITTEE

Presented on 14 August, 1984



**LOK SABHA SECRETARIAT
NEW DELHI**

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LOK SABHA SECRETARIAT

CORRIGENDA

to

Report of the Joint Committee on the Life Insurance Corporations Bill, 1933.

....

- Page (ix), line 2, for "ovem" read "over"
Page (xii), line 21, for "Natoinalisation" read "nationalisation"
Page (xiv), (i) line 5, for "independednt" read "independent"
(ii) line 11, for "writting" read "writing"
Page (xv), (i) line 5, for "Sezhian" read "Sezhiyan"
(ii) line 7, from bottom, for "subsantially" read "substantially"
Page (xxi), for line 2, read "its policy-holders for the development of areas in other regions, the State"
Page (xxii), (i) line 27, for "semifudal" read "semi-feudal"
(ii) Line 28, for "re-loans" read "relations"
(iii) line 31, for "that that" read "that the"

Page (xxiv), (i) line 26, for "is Delhi" read "in Delhi"
(ii) last line, for "reigns" read "reins"

Page (xxv), line 7, for "sale" read "scale"
Page (xxvi), (i) line 32, for "recommendiations" read "recommendations"
(ii) line 33, for "Refroms" read "Reforms" and for "Committee" read "Committee"
(iii) line 34, for "enquirt" read "enquire"
(iv) line 3 from bottom, for "so" read "to"
Page (xxvii), line 23, for "executivies" read "executives"
Page (xxviii), (i) line 17 from bottom, for "preant" read "present"
(ii) lines 11 and 12 from bottom, for "efficiency" read "efficiency"
(iii) last line, for "ar" read "far"
Page (xxix), line 11, for "acknowledge" read "acknowledged"
Page (xxx), line 7 from bottom for "asd" read "and"
Page (xxxii), (i) line 14 from bottom, for "opi" "p-oinion" read "opinion"
(ii) line 9 from bottom, for "Acturial" read "Actuarial"

P. T. O.

JOINT COMMITTEE ON THE LIFE INSURANCE CORPORATIONS
BILL, 1983

COMPOSITION OF THE COMMITTEE

Shri Mool Chand Daga—*Chairman*

MEMBERS

Rajya Sabha

2. Shri Satish Agarwal
3. Shri M. Arunachalam
4. Shri Dileep Singh Bhuria
5. Shri Nurul Islam
6. Shri Bhiku Ram Jain
7. Shri Kamal Nath Jha
8. Shri Ghayoor Ali Khan
9. Shri Sunil Maitra
10. Shri K. Mallanna
- *11. Shrimati Kailash Pati
12. Shri Braja Mohan Mohanty
13. Shri Kusuma Krishna Murthy
14. Shri Ram Pyare Panika
- @15. Shri Bapusaheb Parulekar
16. Shri Janardhana Poojary
17. Shri Ram Lal Rahi
18. Shri K. A. Rajan
19. Shri M. S. K. Sathiyendran
20. Shri Natvarsinh Solanki

Rajya Sabha

21. Shri Lal K. Advani
22. Shri Nand Kishore Bhatt
23. Shri Vithalrao Madhavrao Jadhav
24. Shri Akshay Panda
25. Shri Sudhakar Pandey
- %26. Dr. Shanti G. Patel
27. Shri R. Ramakrishnan
28. Shri Sukomal Sen
- £29. Shri Rameshwar Thakur
30. Shri Pranab Mukherjee

*Appointed w. e. f. 6-3-84 *vice* Shrimati Sukhbans Kaur resigned.

@Appointed w. e. f. 27-4-84 *vice* Shri Ratansinh Rajda resigned.

%Appointed w. e. f. 2-5-84 *vice* Shri Era Sezhiyan resigned.

£Appointed w. e. f. 2-5-84 *vice* Shri B. Ibrahim retired.

SECRETARIAT

1. Shri D. C. Pande—*Joint Secretary.*
2. Shri N. N. Mehra—*Joint Secretary.*
3. Shri S. P. Gupta—*Chief Personnel & Executive Officer.*
4. Shri S. D. Kaura—*Chief Legislative Committee Officer.*
5. Shri R. S. Mani—*Senior Legislative Committee Officer.*

LEGISLATIVE COUNSELS

1. Shri S. K. Maitra—*Consultant.*
2. Shri Jagdishwar Narain—*Deputy Legislative Counsel.*
3. Shri B. K. Sharma—*Joint Secretary and Legislative Counsel.*
4. Shri Prakash Chandra—*Deputy Legislative Counsel.*
5. Shri A. C. Mahapatra—*Attache from the Government of Orissa.*
6. Shri K. N. Gopinathan Nair—*Attache from the Government of Kerala.*

REPRESENTATIVES OF THE MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS) INSURANCE DIVISION

1. Shri H. M. S. Bhatnagar—*Additional Secretary.*
2. Shri A. S. Gupta—*Current-in-Charge and Managing Director, LIC.*
3. Shri R. K. Mahajan—*Controller of Insurance.*
4. Shri S. G. Subrahmanyam—*Managing Director, LIC.*
5. Shri S. K. Purkayastha—*Director (Insurance).*
6. Shri S. D. Raheja—*Under Secretary.*

REPORT OF THE JOINT COMMITTEE ON THE LIFE INSURANCE CORPORATIONS BILL, 1983

I, the Chairman of the Joint Committee to which, the Bill* to provide, with a view to the more effective realisation of the objectives of nationalisation of Life Insurance business, for the dissolution of the Life Insurance Corporation of India and for the establishment of a number of corporations for the more efficient carrying on of the said business and for matters connected therewith or incidental thereto, was referred, having been authorised to submit the Report on their behalf, present their Report with the Bill, as amended by the Committee, annexed thereto.

2. The Bill was introduced in the Lok Sabha on 19 December, 1983. The motion for reference of the Bill to a Joint Committee of the Houses was moved in Lok Sabha by Shri Janardhana Poojary, Deputy Minister in the Ministry of Finance on 21 December, 1983 and was adopted (*Appendix I*).

3. The Rajya Sabha concurred in the said motion on 22 December, 1983 (*Appendix II*).

4. The message from Rajya Sabha was published in Lok Sabha Bulletin—Part II on 26 December, 1983.

5. The Committee held 27 sittings in all.

6. The first sitting of the Committee was held on 24 January, 1984. The Committee considered their future programme of work and decided to issue a Press Communique inviting memoranda containing comments/suggestions on the provisions of the Bill by 14 February, 1984 from the State Governments, Union Territory Administrations, Bar Councils, Bar Associations, other Organisations, individuals, etc. interested in the subject matter of the Bill for their consideration.

The Committee further decided to hear oral evidence on the provisions of the Bill from the interested parties.

Accordingly, a Press Communique inviting memoranda and requests for oral evidence was issued on 24 January, 1984. The Director General, All India Radio and the Director General, *Doordarshan*, New Delhi were also requested to broadcast the contents of the Press Communique from all Stations of All India Radio and telecast it from all *Doordarshan Kendras* on three successive days in English, Hindi and regional languages.

As per decision taken by the Committee, a circular letter inviting memoranda containing comments/suggestions on the provisions of the Bill and requests for oral evidence was also addressed to the Chief Secretaries and Secretaries (Finance) of all State Governments/Union

*Published in the Gazette of India, Extraordinary, Part II, Section 2, dated 19 December 1983

Territory Administrations, Bar Councils, Bar Associations, Trade Unions, other Associations/Organisations and individuals, etc.

Simultaneously, as decided by the Committee an advertisement incorporating the contents of the Press Communique, in brief, was also issued on 25 January, 1984 for publication in English Newspapers having largest circulation (one each from Delhi, Calcutta, Bombay and Madras) and also in regional languages having largest circulation (one each from each State)..

7. At the sitting held on 8 February, 1984, the Committee felt that since they had yet to receive the memoranda on the Bill, hear oral evidence on the provisions of the Bill and had to complete other stages of the Bill, it would not be possible for them to present their report by the stipulated date, i.e. last day of the first week of the Budget Session, 1984, i.e. 24 February, 1984. The Committee, therefore, decided to seek an extension of time for presentation of the Report up to the last day of the first week of the Monsoon Session, 1984.

At this sitting, the Committee also considered several requests received from various parts of the country for extension of time for submission of memoranda containing comments/suggestions on the provisions of the Bill. The Committee felt that keeping in view the importance of the proposed legislative measure and the fact that there was practically no response from the public in general, it was necessary to extend the time-limit for submission of memoranda on the Bill by the interested parties. Accordingly, the Committee decided to extend the time, subject to extension being granted by the House, for receipt of memoranda up to 15 March, 1984.

8. On 24 February, 1984, after the House had granted an extension of time for presentation of the Report, the extension of time-limit for submission of memoranda up to 15 March, 1984 was notified through a Press Release. The contents of the Press Release were also given wide publicity through All India Radio and the *Doordarshan Kendras*.

9. 732 memoranda containing comments/suggestions on the provisions of the Bill were received by the Committee from various State Governments, Trade Unions, Public Bodies, other Associations/Organisations, individuals, etc.

10. At their sittings held on 21 and 22 March, 1984 and on 10 and 11 April, 1984 at New Delhi, the Committee heard the evidence of the representatives of various Associations/Organisations, individuals, etc.

At one of these sittings, the Committee, while considering their future programme of work and the requests for evidence received from various Associations/Organisations, individuals, etc. from different parts of the country and particularly from those who were not in a position to come to Delhi, decided to hold their formal sittings at some selected places outside Delhi, in two rounds for taking evidence.

Accordingly, the Committee held their formal sittings at Gandhinagar, Bombay, Trivandrum and Madras (from 16 to 25 May, 1984) and at Hyderabad and Calcutta (from 12 to 16 June, 1984) and heard evidence of the representatives of various State Governments, Associations/Organisations, individuals, etc.

11. At their sitting held at Calcutta on 16 June, 1984, the Committee decided that the witnesses invited at Kanpur and Shillong, the places which they could not visit, should be invited at New Delhi for tendering evidence.

Accordingly, the Committee held their sittings on 6 and 7 July, 1984 at New Delhi and heard the evidence of the representatives of various Associations|Organisations and a Member of Parliament.

12. The Committee, on conclusion of the evidence of the non-official witnesses, also heard the evidence of the representatives of the Life Insurance Corporation of India at their sitting held on 16 July, 1984.

13. 59 witnesses representing both officials and non-officials, viz. State Governments, Life Insurance Corporation of India, Associations/Organisations, Trade Unions, Chambers of Commerce and Industry, Educational Institutions and Research Centre, experts, viz. Ex-Chairmen of Life Insurance Corporation of India, Direct Agents of LIC and individuals, etc. from various parts of the country appeared before the Committee for expressing their views on the provisions on the Bill.

14. The Report of the Committee was to be presented to the House by the last day of the first week of the Budget Session, 1984, i.e. 24 February, 1984. The Committee were granted two extensions for presentation of the Report—first on 24 February, 1984 upto the last day of the first week of the Monsoon Session, 1984, i.e. 27 July, 1984 and second on 25 July, 1984 upto 14 August, 1984 of the Monsoon Session, 1984.

15. At their sitting held on 18 July 1984, the Committee decided that the record of evidence tendered before them might be printed and laid on the Tables of both Houses of Parliament.

The Committee also decided that two sets of memoranda containing comments|suggestions on the provisions of the Bill, received by the Committee, might be placed in the Parliament Library, after the Report had been presented, for reference by the Members of Parliament.

16. The Committee considered the Bill clause-by-clause at their sitting held on 19 July, 1984.

17. The Committee considered and adopted the Report at their sitting held on 2 August, 1984.

18. Before making their recommendations on the amendments to various clauses of the Bill, the Committee would like to highlight a few salient features which have emerged arising out of the views expressed before it both in written memoranda and oral evidence.

19. The Committee have found that the views expressed in the memoranda as well as the oral evidence tendered before it have unequivocally supported the objectives of the Bill as embodied in the STATEMENT OF OBJECTS AND REASONS which are to ensure more effective spread of insurance, particularly in rural areas, to impart greater degree of dynamism into the working of the industry, to improve the quality of service rendered to the policy-holders and to achieve better operational efficiency in the working of the industry so that it is able to meet the challenges of the future.

20. By and large, after giving support to the objectives of the Bill, the written memoranda and oral evidence have been generally either in favour of the Bill or totally opposed all the clauses of the Bill. Few suggestions have been received proposing amendment to various clauses of the Bill and there was adequate discussion on them during the course of oral evidence taken by the Committee.

21. The Bill mainly seeks a reorganisation of the Life Insurance Industry. This is intended to be achieved by a change in the work culture and due emphasis on the primary responsibility of each of the five proposed Corporations for intensive development of the life insurance business in the assigned Zone. The concept of re-organisation, however, appears to have been mis-construed as mere decentralisation of functions which, though laudable and already in the process of implementation, is not the only objective of the Bill.

22. The Life Insurance industry is essentially a service organisation and satisfactory service to the policy-holders during the entire period of the policy contract is, therefore, essential for building up the confidence of the community in the industry. However, the Committee noted during the oral evidence which was tendered by various witnesses before it that the present Corporation has not been able to achieve this goal and its actual performance in this regard has not been up to the expectation. The Committee, therefore, feel that when the five Corporations as proposed in the Bill are set up, one of their primary concerns should be to look after the interests of existing and potential policy-holders and rendering satisfactory service to them.

23. In any organisation, efficiency of operations and successful functioning largely depend on the arrangement that is made for effective and quick decision making, supervision of the working of the lower formations and the lines of communication. At the same time there should be a mechanism for co-ordination in policy matters. The Committee feel that the Bill makes a very harmonious compromise between the implementation of the life insurance programmes through the proposed five Corporations and the coordination required in specified matters for which the Life Insurance Board is envisaged. Restructuring of Life Insurance Corporation of India into more manageable units will thus strengthen the industry's ability to meet the future challenges and also provide the thrust required for spreading the message of insurance into the rural and backward areas and to less privileged sections of the community.

24. The main objective of the life insurance industry, i.e. to spread life insurance much more widely and particularly in the rural area and to the socially and economically backward masses, has not been adequately achieved so far, as would be evident from the following extracts from the study conducted by the National Council of Applied Economic Research in December, 1979 in their Report entitled "Attitudes Towards Life Insurance Cover":—

"Over 75 per cent of the earners were not aware of the Life insurance cover. The ignorance was relatively less in urban areas, with over 50 per cent having knowledge of it.

Awareness of insurance varied with the income level of the households. At the lowest level only 8.3 per cent of the earners had

knowledge while over 80 per cent in households with income overn Rs. 30,000 were aware of it.

Only 6.2 per cent of the earners were contacted during the last two years by LIC agents. Here again variations did exist with the agents concentrating more on the affluent where every third earner was contacted. On the other hand, hardly 1 per cent of the earners among the poor were contacted."

It is evident from above that there has been no serious awareness in the Corporation of its social responsibilities to the rural and under-developed areas and adequate efforts have not been made to survey the market strategy and schemes needed to provide insurance protection to the millions of small farmers, agricultural labour, artisans etc. who need insurance more. The Committee feel that in a democratic set-up, the Life Insurance Corporation of India which has the monopoly in the field should be able to give insurance cover to a far larger number of households. Insurance cover is not only meant for the affluent class but also the poorer section of the community.

25. The Committee have carefully examined the implications of the main objectives of the Bill, namely, splitting the Life Insurance Corporation into five independent Corporations with reference to the views expressed by members and opinions received from the public in general and have had considerable deliberations on all aspects of the subject. The Committee note that the idea of spreading insurance to the rural masses and restructuring of the Corporation, as envisaged in the present Bill, is not a new one but has a historical background. There has been a consistent thinking in this direction right from 1956 when the insurance industry was nationalised, as would be evident from the observations|recommendations made by various authorities, eminent persons, Committees, etc. mentioned hereunder:—

On 19 March, 1956, while initiating the motion for reference of the LIC Bill to a Select Committee, the then Finance Minister had *inter alia* stated "So far as day to day business is concerned, it is our intention.....that insurance becomes more widely known, more popular and thereby to mobilise even larger volumes of savings from all sections of the people in order to attain the principal objective of the measure of nationalisation."

While speaking on the floor of the House on the LIC Bill, 1956, the then Finance Minister (Shri C. D. Deshmukh) had, *inter alia*, observed "... In any case, we feel that to start with we should have only one autonomous Corporation with Zonal organisations and if we find that it does not work satisfactorily, then it would be open to us to change over from it to a number of autonomous Corporations. This process would be easier than the reverse process, that is to say, to proceed from several autonomous Corporations to one monopoly corporation."

On 20 February, 1958, the then Prime Minister (late Pandit Jawahar Lal Nehru), while speaking on the Chagla Commission Report, had put it more categorically and stated "some Members have suggested that it might have been desirable or it might be desirable in the future for this huge organisation to

be split up into three or four. It is a matter which may be considered. If that is more advantageous, it should be done. We should not hesitate to do it."

The Chairman of the Life Insurance Corporation of India stated before the Estimates Committee (Second Lok Sabha) (1960-61) which had examined the LIC during that year "that if the new business of the Corporation in a year exceeded Rs. 1,000 crores, it might become necessary to split it up into one or more separate bodies."

The Committee on Public Undertakings (Third Lok Sabha) (1965), in their Fourth Report, on the LIC, had specifically recommended in very clear terms to the effect that "if the standard of efficiency in the Corporation is to be improved, with better service to policy-holders and the corporation is to expand its business in a massive scale, its present Zone must be constituted into completely independent corporations."

During the course of evidence before the above Committee, the representative of the Ministry of Finance stated before the Committee that he was inclined to agree with the former Chairman of the Corporation that after the Corporation had written business up to a certain limit, it would be advantageous to split up the Corporation.

The Krishna Menon Committee of the Congress Party in Parliament recommended the splitting up of the corporation and said "The LIC would in our view function more gainfully and efficiently if it were not all one unit but consisted of several which would develop their own character, create healthy competition in performance and results."

The Era Sezhayan Committee (1980), in their Report, observed/recommended that—".....in spite of much growth in its business, the LIC has not been able to fulfil some of its primary objectives satisfactorily. It seems that this is at least partly due to its present organisational structure."

"The Committee recommends that the existing Zonal Offices should be set up as independent, non-competing corporations with their jurisdiction restricted to their present area."

26. The Committee, therefore, feel that in the light of the historical background, the stage has come when this idea of setting up manageable units has to be implemented and given practical shape. Decision to restructure the Life Insurance Corporation into five independent units with a co-ordinating body to provide supervision and guidance is a step in the right direction and timely. The Committee are of the view that the national issues, particularly the developmental issues like the one under their consideration, must be viewed and considered without any bias. The Committee feel very strongly that in a democratic set up the insurance cover of all the people, particularly for those who are less fortunate and have insufficient means to fall, back, whenever the necessity arises, is necessary as a measure of social security.

27. The observations of the Committee with regard to the principal changes proposed in the Bill are detailed in the succeeding paragraphs.

28. *Clause 6.*—The Committee note that under the provisions of this clause, only certain conditions have been laid down for appointment of the members of the Corporation and no qualifications have been specified. The Committee feel that in order to ensure that members are appointed from proper categories of persons, it is desirable to prescribe the qualifications which persons should possess in order to be eligible for appointment as members.

Sub-clause (1) of this clause has been amended accordingly.

29. *Clause 7.*—The Committee note that according to the provisions of this clause, the term of office of the members and the Chairman of the proposed corporations is not to be less than three years. The Committee were informed that a statutory minimum term of service may sometimes create practical difficulties. In the circumstances, the Committee feel that the term of office of the Chairman of a corporation and members thereof and the terms and conditions of their service should be regulated by rules to be made under the proposed legislation. Since the rules so made would be required to be laid before both Houses of Parliament, the Committee feel that the Parliament would have adequate opportunities to exercise their regulatory control with regard to the matter.

It was also brought to the notice of the Committee that the Committee on Public Undertakings had observed that one of the deficiencies in the system of the public undertakings was to have a Chief Executive on a much shorter term and the Conference of Public Sector Enterprises had recommended that the term of appointment of such persons should be between four to five years. This concept, the Committee were further informed, has been introduced in the entire banking industry. The Committee are of the view that under the circumstances, the term of office for appointment of a member or the Chairman of a corporation need not be specified in the Act and the matter may be regulated by the rules to be made thereunder.

Sub-clause (1) of this clause has been amended accordingly.

30. *Clause 8.*—The Committee note that under the provisions contained in sub-clause (3) (a) of this clause there is a provision for termination of the appointment of the Chairman after giving him three months' notice in writing but there is no such provision for the termination of the services of members appointed by the Central Government. The Committee are of the opinion that the Central Government should have the same powers to terminate the services of members appointed by them as they have, under the Bill, in relation to the termination of the services of the Chairman of a Corporation.

Sub-clause (3) (a) of this clause has been amended accordingly.

31. *Clause 13.*—During the course of their deliberations, the Committee were informed that the policy-holders who are the main beneficiaries of the corporation, feel completely neglected. Once a policy is taken, the policy-holders do not get satisfactory service from the corporation and practically no service from its agents. The Committee feel that since the policy-holders are the persons for whose benefit the corporation has been

constituted, and since one of the objectives of the proposed Bill is to 'improve the quality of service to the policy-holders', the policy-holders should have some organisation through which their grievances and suggestions may be brought to the notice of the corporation. The Committee are, therefore, of the opinion that it should be made obligatory on the part of each Corporation to constitute in its jurisdiction such number of Policy-holders Advisory Committees as it might consider necessary.

Accordingly, a new sub-clause, namely, sub-clause (4), has been added to this clause.

32. *Clause 16.*—The amendment made in sub-clause (1) of this clause relating to the terms and conditions of service of members of the Board is similar to the amendment made in sub-clause (1) of clause 7.

33. *Clause 61.*—Sub-clause (2) of clause 10 empowers a Corporation to appoint, in pursuance of an arrangement entered into by it with any concern, directors of that concern, and provides for the validity of such appointment.

The Committee were informed that directors of concerns, nominated by public sector undertakings in pursuance of similar arrangements, have often been harassed by prosecutions etc. by reason of the non-observance, by such concerns, of their statutory obligations, such as, payment of provident fund dues and contributions required to be made under the Employees' State Insurance Act, 1948, etc.

The Committee feel that since the nominee directors of any concern are not responsible for the day to day administration of such concerns, they should not be held responsible for the non-observance, by such concerns of their statutory obligations. Accordingly, such nominee directors should be granted protection from harassment. The Committee note that provisions granting protection to nominee directors exist in section 38A of the Industrial Finance Corporation Act, 1948. Accordingly, the Committee feel that similar provisions may also be incorporated in the Bill.

Accordingly, a new sub-clause, namely, sub-clause (2), has been added to this clause.

34. *Clause 1.*—The amendment made in this clause is of a formal nature.

35. *Enacting Formula.*—The amendment made in the Enacting Formula is of a formal nature.

36. The Joint Committee recommend that the Bill, as amended, be passed.

NEW DELHI;
July 13, 1984
Sravana 22, 1906 (Saka)

MOOL CHAND DAGA,
Chairman,
Joint Committee.

MINUTES OF DISSENT

I

I regret to state that I am wholly in disagreement with the majority recommendations of the Joint Committee. Before stating the exact grounds on which I am opposing the Bill, I wish to make some preliminary observations. Thus in my firm opinion the whole Joint Committee is obliged to answer the foremost question as to why the objectives of the Bill cannot be achieved without splitting the Corporation. After all, what is contemplated is not merely a change in the administrative set up of the Corporation. It is not as if the Bill is in the form of an amendment of Life Insurance Corporation of India Act, 1956, considered necessary for achieving the specified objectives. It brings about wholesale replacement of the existing Act with an altogether new Act for complete dissolution of the LIC of India and creating in its place five independent corporations, each corporation competing with the other corporations with its own life fund, its own investment priorities (subject to the broad guidelines which the Government may issue from time to time) and its own actuarial evaluation. The Government has not placed before the Committee any evidence to show what steps, including administrative measures or legislative modifications of the existing Act, it has taken so far to achieve the objectives of the nationalisation of Life Insurance in a better way and how such steps have been proved to be thoroughly inadequate leaving the Government no other option than taking such an extra-ordinary step. The onus of proving that the LIC's split up into five region-based independent competing corporations is the only unavoidable step for achieving the desired objectives is on those who are piloting the Bill. It is entirely wrong to put the onus on the people to show as to why the split is not beneficial since the case has been built for the unitary structure and this case has been established for over 28 years. It is nobody's contention that LIC is incurring heavy losses or that the policy holders' interests are in serious jeopardy or that some unexpected crisis has developed. The statement of Objects and Reasons of the Bill, in fact, speaks of the LIC's 'impressive record' of extending insurance services to the community. In view of this reality, I repeat that the onus of proving the unavoidableness of the LIC's split-up lies on those who have brought forward this Bill.

Let me refer in this connection to the provisions of the LIC Act. Section 21 of the LIC Act states "in the discharge of its functions under this Act, the Corporation shall be guided by such directions in the matter of policy involving public interest as the Central Government may give to it in writing—and if any question arises whether a direction relates to matter of policy involving public interest, the decision of the Central Government thereon shall be final."

The statement of Objects and Reasons of the present Bill conveys "the Corporation over the years has grown considerably in size and it has, therefore, been decided in the interest of operational efficiency and in

order to strengthen the industry's ability to meet the challenges of the future, to restructure the LIC into more manageable units, it is expected that this will result in more effective spread of insurance into the rural areas where only limited headway has been made so far. The Bill provides for the restructuring of the corporation into five independent units with a co-ordinating body to provide supervision and guidance on matters of common interest. This reorganisation is also expected to impart a greater degree of dynamism into the working of the industry and improve the quality of service to the policy-holders."

There is no evidence to show that the Government had issued directions to the Corporation in writing in any of these matters. It was open to the Government to take such steps as suitably changing the LIC's investment pattern for better yield on investments and higher bonus to the policy-holders in consequence or giving back to the LIC the huge amounts it collected by way of its share in valuation surplus specifically for subsidising the rural business. Nothing, however, has been done in this direction.

Section 29 of the LIC Act, 1956 states "the Central Government shall cause the report of the auditors under Section 25, the report of the actuaries under Section 26 and the report giving an account of the activities of the corporation under section 27 to be laid before both Houses of Parliament as soon as may be possible after each such report is received by the Central Government." Section 48(I) and 48(II) (i) of the same Act give powers to the Central Government to make rules regarding the form in which the report giving the account of the activities of the corporation shall be prepared. It was open to the Government to change the form of the report of the activities of the Corporation so that its performance could have been reviewed by the Parliament not in terms of total sum assured every year, but by applying new standards such as growth in rural business, cover provided to economically backward sections through subsidised schemes or opening branches in backward districts. The truth of the matter is that the Government prevented the Parliament from reviewing the LIC's performance on such basis.

Section 18(iv) of the Act under reference conveys that the Zonal Manager can establish as many Divisional Offices and Branch Offices in his zone as he thinks fit. Section 22(i) of the Act further suggests that a zonal manager shall perform all such functions of the corporation as may be delegated to him with respect to the area within the jurisdiction of the zonal office.

In practice, however, the Zonal managers and for that purpose even the corporation were never allowed to exercise the powers conferred upon them under the Act. Although LIC has been described as an "autonomous" body, expected to run on business principles, keeping in view at the same time its social objectives, it has always been directly under the control of the Finance Ministry. It is an indelible fact that the Finance Ministry never allowed the corporation to expand the branches more rapidly because they brought in the cost aspect. They wanted the branches to function on cost basis, i.e., revenue-expenditure ratio, not going beyond specified proportion. On the contrary in Banks they did not bother about the cost in the initial three years. The Zonal Offices were to function as "executive arms" of the corporation. That was the emphatic policy statement of the late Mr. C. D. Deshmukh, who as Finance Minister moved the Bill for the nationalisation of the LIC business in 1956. How tragic it is

that these executive arms of the corporation were amputated by the Government and particularly its Finance Ministry that always wanted to centralise all powers in its hands.

It is the Government's contention that it has brought forward this Bill on the basis of the recommendations of the Era Sezhiyan Committee. In the first instance, the Era Sezhiyan Committee's report is not a gospel truth and the weighty submissions made by the various committees appointed earlier have also to be weighed simultaneously. The specific warnings against the disastrous consequences of the LIC's split up given by these committees cannot be ignored.

However, since the Government has adopted the Era Sezhiyan Committee report as the basis for this Bill, I must point out that what the Era Sezhiyan Committee suggested was the establishment of *non-competing Corporations* with their jurisdiction restricted to the present zones working on the basis of *common premium rates, common policy conditions, common actuarial valuations, uniform bonus rates and uniform salary scales and service conditions applicable to staff*. The Committee very specifically opposed the concept of competition, explaining how the competing corporations setting up offices throughout the country might add to the cost. It explained how different zonal corporations would start with inherent disparities, and how for improving premium rates and bonus, the competing corporations would neglect extension of business to the rural areas and to the weaker sections of the community. The committee also emphasised that the competition by itself does not help improving performance of customer services. The Bill is gross distortion of the Era Sezhiyan Committee's recommendations. Nay, it completely destroys its entire edifice.

The Era Sezhiyan Committee was appointed, not exclusively for considering the organisational structures of the corporation. There were various other aspects of the LIC's working which it was expected to examine, so that the LIC's working could be geared to meet the changing requirements of the insuring public and the national economy. The committee has made its recommendations in all such connected matters, one of which relates to LIC's investment policy. The essence of these recommendations of the Committee is the need for improvements in the returns on the LIC's investments and one of the measures suggested is that it should not be required to invest more than 40 per cent of its investible funds in Government and Government approved securities which yield very low returns and materially affect the overall yield on investments.

The committee has also made various suggestions for the growth of rural business and group insurance schemes for the economically weaker sections of the society which do not warrant any changes in the organisational structure of the corporation. The Committee has further suggested a new life insurance policy for lower income groups which will have substantially reduced premium rates but will not offer income-tax relief. It seems that the Government is wholly unconcerned about providing higher bonus to the policy-holders for which the overall yield on the LIC's investments must go up or evolving plans for the economically weaker sections of the society through separate arrangements and subsidies from Central fund. While a parrot like statement is being repeated that LIC must reach all economically weaker sections of the society, the crucial

question for providing subsidies in order to bring down the premium rates under specially drawn schemes for them is being carefully avoided.

On the important question of Industrial Relations, the Committee has expressed the view that the present system under which responsibility for negotiations with its staff unions is vested in the LIC while all decisions making authority involving even minor changes in any of the terms and conditions of service is vested in the Government is inherently unsound. The Committee has suggested that the Government should formulate some broad guidelines for wage negotiations and the management of the institution should be left free to evolve their own personnel policies and also to conduct negotiations with their staff unions and arrive at specific decisions within the confines of the guidelines. The committee has thus sought to suggest in its own way something for strengthening the process of negotiations between the management and the employees' unions on all matters. The Bill seeks to destroy the whole process.

The Era Sezhiyan Committee had also recommended some intermediate steps such as decentralisation of Internal Audit and Inspection Department, Building Department, Mortgage Department and Policy-Holders Services Department at the central office to the Zonal Offices. Alongwith it, it suggested that the functions of the Development and Accounts Department at the central office should be reduced by transferring supervisory and control functions of these departments to the Zonal Offices. The committee is not informed whether these interim steps were taken and in any case it has not been provided with the working results of such an arrangement.

With these preliminary observations, I now proceed to deal with various specific objectives of the Bill which in my opinion can be achieved without splitting the corporation and I have to state further that the split up will be counterproductive to all these laudable objectives. As about the LIC's overall performance we must acknowledge that the LIC has firmly settled on the path of continuous progress in all spheres of its activities, falsifying the predictions which the monopoly press made in 1956 that the nationalisation of life insurance would involve huge losses. The LIC's progress measured in terms of spread of life insurance business, assistance to socially purposive projects, bonus to policy-holders, renewal expense ratio and settlement of claims has been very encouraging, more so during the last three years. Much is sought to be made out of the fact that the LIC has not been able to open its branches in 47 districts so far. As per the information supplied by the Finance Ministry, the LIC has branches in 373 out of 420 districts covering in all population of 67.99 crores out of the total population of 68.52 crores. This means that the LIC has covered districts which together have population which is 99 per cent of the total population. The thirty-seven districts where the LIC has no branch but has development organisation are situated in Manipur, Meghalaya, Nagaland, Arunachal Pradesh, Mizoram, Lakshadweep and a few thinly populated backward districts in Himachal Pradesh, Jammu & Kashmir, Assam and some Union Territories. The ten districts where the LIC has no organisation are Lahul & Spiti, (Himachal Pradesh), Kargil (J & K), Mon, Wokha (Nagaland), Sikkim South, Sikkim West (Sikkim), Nicobar (Andaman & Nicobar) and West Kameng, East Kameng, East Siang (Arunachal Pradesh). Most of these are in very remote areas occupied by the Army or the Border Security Force and the

local tribes. There is no district in Punjab, Haryana, U.P., M.P., Bihar, West Bengal, Orissa, Maharashtra, Gujarat, Karnataka, Andhra Pradesh; Tamilnadu, Kerala and Rajasthan where LIC has no branch. The economically backward districts of all these States have also been covered. This very positive achievement of the corporation is sought to be eclipsed by presentation of distorted facts.

As about LIC's operational efficiency, it may be stated that it does not depend upon the size of the Corporation. This is because the entire work relating to procurement of new business, acceptance of proposals, issuance of policy, servicing of policy, payment of commission bills and settlement of claims is done with complete independence at the level of Divisional Office.

Most of these functions have already been transferred to the Branch Offices and in most cases the policy-holders' needs are fully met at the Branch Office. Thus, the policy-holder about whom so much is being said is in no way concerned with the size of the corporation and for him what matters is the service at the Branch office which is satisfactory and can be made still more satisfactory through various administrative measures. The talk that, showing improvement means 'close monitoring' and 'making surprise visits' and that the Minister cannot go to all offices throughout the country and therefore there should be smaller corporations is so irresponsible that it must be ignored with contempt.

The argument about the size of the corporation is not a new one. It has been put forward on several occasions when the corporation was much smaller in size and even when the life insurance business was nationalised, the time when the entire LIC of India coming into existence was much smaller as compared to the size which each of the five independent corporations sought to be established would have hereafter. The various Committees including the Administrative Reforms Commission and the Committee of Enquiry into the expenses of Life Insurance Corporation has squarely dealt with such an argument. The Banking Commission in its report submitted in 1971 has also exposed the fallacy of the argument that the small sized Banks would be able to give better personalised service to the small borrowers as compared to the large sized banks.

Really speaking, there is nothing in the Bill to demonstrate about the decentralisation which means decentralisation of executive powers to the lower officers and encouragement to local initiatives. What is sought to be done is the establishment of five zonal Corporations which means that instead of one central office (body), each of the five corporations have its own life fund, its own investment policy and its own managerial prerogatives. There is no question of policy-holder coming into closer contact with the corporation. The poor policy-holders' contact will be limited to the agent who secures business from him and the Branch Office which issues to him a new policy and does all servicing work up to the settlement of claims. The stark fact is that it is the powerful lobbies in different States which will come in closer contact with the top echelons of the smaller corporations building their influence in the matter of investments and promotions, appointments, etc. As I have already pointed out, the existing LIC Act provides enough scope to the Government for improving the LIC's operational efficiency and achieving the other objectives shown in the Bill and therefore fragmentation of the corporation is unwarranted. However, if the existing provisions of the

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LIC Act are found to be insufficient for achieving the desired objectives, the same Act can be amended to make statutory provisions for the establishment of five Zonal Offices with more clearly defined powers and functions as it has been done in the State Bank of India (Amendment) Act, 1973.

A great emphasis has been laid by everybody on what is termed as LIC's failure to reach the rural areas and it may appear as if this impression has taken the shape of this particular Bill proposed by the Government to split the LIC in order to effectively realise the objectives of nationalisation by reaching into rural areas though, truly speaking, the more over-riding considerations that have weighed those who have piloted the Bill are different as I am going to explain in the subsequent paragraphs. Now, if so much emphasis was to be placed on rural business such an emphasis could have been laid some years ago and the LIC's overall performance could have been weighed with distinct importance given to the rural business so that we would have been in a better position to understand whether the LIC's size or lack of competition is coming in the way of growth in rural business. In any case, the LIC's 26th Report and accounts for the year ended 31st March, 1983 shows that the new business written during the year in rural areas was under 7.33 lakh policies as against total number of 22.31 lakh policies secured during the year. This comes to 32.85 per cent of the total business. It has to be noted in this connection that 374 million out of about 510 million people in the rural areas are absolutely poor with extremely insufficient land or no land at all, their monthly income being less than Rs. 70/- and have consequently no capacity whatsoever to save for future. This at once restricts the scope of extending life insurance business to less than 20 per cent of the rural population. A survey by the National Council of Applied Economic Research (1979) has pointed out that 87.5 per cent of the non-insureds in the rural areas could not afford to pay life insurance premium. If this arithmetics is taken into consideration, it will be observed that the rural business is not less as it appears. Since wrong impressions have been carried about the scope of growth in rural business, I wish to point out the observations made in a survey of rural banking in India in 1979. It conveyed "considering the figures of large number of commercial bank branches opened in rural areas and because of the fact that these are public banks not opened with the consideration of running their business for maximising profits, one is likely to get the impression that these rural commercial bank offices must be meeting to an increasing extent the credit needs of the weaker sections of the rural community. A closer examination, however, reveals their class character. It is observed that their clientele yet consists largely of big businessmen, wholesale traders, bullion merchants, sugar barons and oil kings in rural areas" (Source: Rural Banking in India—S. S. M. Desai, June, 1979).

The affluent sections of the society do not find it necessary in the present capitalist system to buy life insurance policies to cover the death risks or to save for old age or for their children in view of the continuity of the ownership of their huge assets. The urban rich buy life insurance policies for tax rebates and this cannot be an incentive for the rural rich whose income from agriculture including cash crop,葡萄yards, poultries, live stocks and agricultural properties is not taxed. The rural rich who are showing increasing parasitic tendencies in snatching credits and

subsidies from increasing number of Government agencies have a clear preference to use their surpluses for conspicuous consumption, increasing physical assets and making investments in sugar factories, transport companies, flour mills, oil mills, brick kilns and wherever they can make fast buck. If they sometimes place some part of their surpluses in Bank deposits, it is on account of two reasons. First, the agricultural credits given by the Banks create a kind of relationship between the Banks and agriculturists. Second, the bank deposits are not locked up for life time. They can be withdrawn at will. The fixed deposits are also for a period not exceeding five years and even during this short period the depositor can borrow loans to the extent of 90 per cent of the amount held in deposit. In the case of LIC, the policy-holder's money is locked up for 25 to 30 years and if he wants to withdraw his savings earlier, he stands to lose heavily since large portion thereof is forfeited. Thus it will be seen that the potential for Life Insurance business in the rural areas is severely restricted and the real question is about creating a new potential by attracting the surpluses of rural rich, through new taxation schemes combined with plans which may suit their needs and above all, improving the lot of 80 per cent population living below the poverty line so that they may be able to make a small saving for the future. The formation of the smaller corporations is no solution at all to such a complex problem. Rather it will be counter productive since smaller corporations would find it more difficult to bear the burden of rural business which involves higher costs both in procurement and in servicing and therefore they would inevitably prefer concentrating on big cities and towns where the business is available with comparatively lesser efforts and lower costs. This difficulty will be more particularly felt by Eastern Zone and Central Zone corporations who would have within their jurisdiction very large backward areas and comparatively less urban population from where they can get life insurance business with lesser efforts and lower costs.

This again takes us to the question of a serious handicap which the five region-based corporations will be facing as soon as they start their operation. The LIC's operational costs greatly vary in the five different zones and also in different Divisions within the same zones. Thus it is observed that the expense ratio of the Western Zonal Office of the LIC was 8.25 in 1981-82 whereas it was 13.86 for the Eastern Zonal Office. If we look into the figures of expense ratio for different divisions during the same year, we find that it was 5.67 for Bombay as against 26.59 in Muzaffarpur. These operational costs do not depend exclusively on the efficient working of the Corporation in any one particular region. There are two important factors which influence the operational costs. First is the average size of the policy which determines the premium income

in relation to the cost per policy and this average size of the policy depends upon the income level in the region. The second factor is about the cost of procurement of new business which is more in the less developed regions and particularly in rural areas. As a consequence of the LIC split up, the profits of the five independent competing corporations would greatly differ and the result would be that the policy-holders from the Central and Eastern Zones comprising of UP, MP, Bihar, Bengal, Orissa, Assam and Eastern States would get lesser bonus. This would be a new cause of economic discontent in these regions in the already deteriorating economic situation in our country. Once five independent corporations with their separate life funds and separate actuarial valuation come into existence in place of one single LIC of India, the uniform bonus rates cannot be maintained. It has been suggested that this difficulty can be obviated by allowing all the five corporations to compete in all major cities in the country. It is not appreciated in this connection that if such a competition is allowed to take place and corporation which is strong and is able to declare a higher bonus is allowed to operate in the areas of the weaker corporations, particularly in metropolitan cities, the result will be that the cream of business will be taken away by the stronger corporation. The experts in the field of life insurance have also informed us that the growth in business does not necessarily lead to lower operational costs.

Now, let me proceed to put forward my views on how the LIC's split up will accentuate the regional imbalances already existing. Because of the existing pressures and pressures likely to develop in future, with regard to decentralisation of public funds, there will be more room for dissipated tendencies to grow. The investment decision of the corporations will be subject to pressures of different State Governments. After the LIC's split up, the five corporations will not be working on all India basis as in the case of nationalised Banks and the four subsidiaries of the General Insurance Corporation. At best what can happen is that they will have some branches in the other areas of operation. Naturally there will be pressures from the State Governments and the regional bodies to utilise the funds in their own areas. It is wrong to suggest that such a problem will not arise as the investments of all the five corporations will be met according to the Government's directions and the Government will take care of the economically backward regions. I doubt whether at all any one particular region-based corporation can be forced to invest its funds in areas outside its region. In any case, once it is known that the Western Zonal corporation or the North Zonal corporation

for that matter, is contributing large amounts of the funds collected from it, the national perspective will disappear. The regional considerations of the State Governments and the regional bodies are bound to raise hue and cry over it.

With the dissolution of the LIC of India, which is an all India institution, the national perspective will disappear. The regional considerations will predominate and even within a Zone, the investments cannot be expected to be made with due regard to the needs of the backward regions. Unhealthy pressures from the different Chief Ministers and regional as also business interests for more share in investment will grow leading to continuous tensions and conflicts. In this connection I may refer to the report of the Administrative Reforms Commission (October, 1968) which has warned "once the process of fragmentation starts, there may be no stopping it. It may eventually lead to each State having its own corporation with all its entanglements. All the fissiparous tendencies handicapping our national life would creep into various corporations. Tendencies towards employment of only local staff and investments, irrespective of need and profitability will become dominating. The idea of regional corporations seems to us to run contrary to the efforts towards integration of India." It is queer indeed that with the loud concern expressed over the threat to national unity caused by regional parochialism and divisive forces, the Government is taking a step to strengthen the very same dangerous forces.

If at all the real purpose of the Bill which has been brought forward is to achieve the objectives specified therein, it is difficult to understand as to why it seeks to completely destroy the employees' political, democratic and trade union rights. For this Bill, Government has taken pains to incorporate several clauses to turn the employees into bonded labour. Section 68 of the Bill clarifies "a provision of this act and rules made thereunder shall have effect, notwithstanding anything contained in the Industrial Disputes Act, 1947 or any other enactment (other than this Act) for the time being in force, or any judgment, decrees or order of any court, tribunal or other authority or any agreement, settlement, award or other instruments in force."

The service matters tribunal envisaged in the Bill cannot be called at all as machinery for the settlement of industrial disputes. Section 32 of the Bill defines "Service Matter" as matter arising out of terms and conditions of service and "grievance with respect to service matter" as grievance of an employee to the effect that he has not been dealt with in regard to that service matter in conformity with the terms and conditions of his service. Thus the scope of service matters tribunal is restricted to adjudication of disputes whether an employee is not dealt with in conformity with the terms and conditions of service. It cannot adjudicate on industrial disputes arising out of the employees' demands for changes in terms and conditions of service or their dissatisfaction with the changes in their service conditions if any, brought about by the corporation.

Section 64 completely negates the employees' fundamental right to take part in any political movement or activities. As if, as an act of grace the employees' right to vote has not been taken away but he has been warned that he shall give no indication of the manner in which he proposes to vote or has voted.

Thus the Bill destroys the process of negotiations between the management of the institution and employees' unions in matters relating to the employees' service conditions and collective rights and benefits, denies to them machinery for the settlement of industrial disputes, ordinarily available to other public sector employees under the Industrial Disputes Act and completely takes away their fundamental political, democratic and trade union rights. This itself raises serious doubts about the intention of the Government behind bringing forward this Bill.

In the absence of machinery for negotiations and settlements of industrial disputes, the only inevitable consequence will be continuous, accentuating tensions and serious conflicts in the most sensitive field of industrial relations with all its adverse effect on the functioning of the Corporation.

In sum, no valid reasons whatsoever have been advanced for taking such an extreme step of destabilising the biggest public sector financial institution in our country, firmly settled on the path of continuous progress. Not even an attempt has been made to show how administrative controls and legislative measures for more decentralised set up with initiatives at the local level will not be sufficient to achieve the objectives specified in the Bill. An honest desire for bringing about growth in rural business combined with lack of appreciation of the real issues connected with the rural business, semifudal approach towards the question of industrial re-loans and subjective prejudices towards the LIC employees are some of the most over-riding factors that seem to have influenced those who are piloting this Bill. But this is not all. I must add here that that interested classes are together and separately exercising continuous pressures on the state agencies and public sector financial institutions to get for themselves more and more funds to additional channels instead of contributing to capital formation in any significant manner. It is they who are building up pressures for the establishment of five region-based independent competing corporations so that their powerful lobbies whose sphere of influence is confined to States and regions can develop closer contacts with the policy making bodies and the administrators of the regional corporations. The big business also feels that the small region-based corporations can be more susceptible to their pressures. It will be tragic indeed, if the Government succumbs to these unhealthy pressures remaining completely oblivious to the disastrous effects of such a measure from the point of policy-holders' interests, the considerations of balanced economic development and the most crucial question of building up India as one strong nation defeating all communal, divisive forces and regional parochialism.

I do not find it necessary to deal with various other clauses in the Bill since I am totally opposed to the idea of LIC's split up which in my firm conviction, will be against our national interests. I strongly plead that this Bill should be scrapped altogether and instead, the powers

vested in the Government under the LIC Act as it stands today should be fully utilised with the positive initiatives and dynamism for achieving the objectives specified in the Bill.

K. A. RAJAN

NEW DELHI;

August 6, 1984

Sravana 15, 1906 (S)

II

We are constrained to submit this Note of Dissent to the majority report of the Joint Committee of Parliament, to which the Life Insurance Corporations Bill, 1983 (No. 109 of 1983) was referred. We disagree with the majority report. We must state that the majority report does not reflect the enormous burden of the overwhelming majority of the 732 memoranda, listed by the Committee out of hundreds more received, and the oral evidence tendered on behalf of the interested organisations and individuals.

The majority report in paras 19, 20 and 21 has derived satisfaction from the fact that "the views expressed in the memoranda as well as the oral evidence tendered before it have unequivocally supported the objectives of the Bill as embodied in the Statement of Objects and Reasons." It is so because the objectives are laudable and unexceptionable. But the scheme of the Bill with dismemberment of the LIC and creation of 5 corporations as its focal point carries no reflection whatsoever of intention to carry out in practice any of the objectives; there is not a single provision in the Bill that concerns itself with the attendant problems of spreading Life Insurance to rural areas; there is not one clause that seeks to relieve the LIC of the constraints as to expenses, that are bound to be heavier, in the promotion of business in the rural areas; not one provision is to be found as would generate any degree of dynamism and any one scanning the Bill can hardly come across a single clause that concerns itself either with the "quality of service rendered" or "better operational efficiency." Instead, one stumbles over a plethora of clauses, buttressed by numerous sub-clauses, that run in the contrary direction. The clauses of the Bill are such as would further fortify bureaucratic stranglehold, add a fresh fillip to Governmental interference, push up expenses, increase top heaviness, encourage unethical practices, force attention from rural areas to the over saturated urban areas, denude the employees of whatever little rights are left still with them and stoke the fire of reactionary regionalism. Little surprise that though there is universal welcome for the objectives, there is scorn and frown for the clauses. The two simply do not agree. They are not complementary. If anything, these are utterly contradictory. It looks as though the laudable objectives are a camouflage for retrograde clauses. Para 21 of the majority report states that the Bill seeks a reorganisation of the 'Life Insurance Industry' and comments that this has been "misconstrued as mere decentralisation of functions."

In the numerous memoranda and in the oral evidence it has been repeatedly and very effectively argued that the objectives of the Bill can very well be realised within the frame work of the present LIC Act, 1956 if properly planned and phased decentralisation of powers and functions

is carried out. No material evidence has been brought before the Committee that can even remotely suggest that decentralisation would not bring about the results sought to be achieved by the Bill. It has, rather, been very correctly emphasised that what lies at the heart problem of further improving the operational efficiency and functional effectiveness with regard to both development of business and better servicing to policy-holders is in decentralisation. The majority report fails to take cognizance of the thrust of the submissions on decentralisation which is that the objectives of the Bill can and should be realised by decentralisation. The objective has to be to ensure servicing at the policy-holders' doorstep—personalised servicing.

The expression 'work culture' in para 21 is misleading. Nowhere in the Bill this expression appears. What is sought to be done under the spacious expression "reorganisation" is to change the entire scenario of nationalised Life Insurance from A to Z without leaving any contour untouched. It goes far beyond any known definition of reorganisation.

The majority report in para 22 goes entirely against the massive heap of facts. On the question of servicing to policy-holders, it is not true to say that the "present Corporation has not been able to achieve this goal and its actual performance in this regard has not been up to the expectation." On the contrary, the burden of evidence is that the LIC has achieved high levels of performance in the sphere of servicing to policy-holders. It has been brought on record that the claim settlement performance of LIC—a sure guide in a Life Insurance organisation—is about the best in the world. Shri M. M. Ahuja, a very senior wholtime Agent in Delhi, who has insured 4000 persons and whose commission earning is Rs. 1,80,000, has, in his evidence, acknowledged steady improvements in servicing. Prof. Ishwar Dayal, internationally known management consultant and now working as a consultant to LIC has submitted in his evidence that ".....as it is, it functions effectively." Given the level of insurance—awareness literacy and various other social factors, the level of servicing of LIC is one of the best amongst the public undertakings. The inference drawn by the majority that confidence of the community in the ability of LIC to render satisfactory servicing needs to be built up is not at all correct. The vast and steady improvements in servicing and the phenomenal growth in business are unmistakable testimonies to the tremendous confidence that the LIC has come to enjoy over the years. However, as in any human organisation, scope for improvements shall always be there. Greater excellence is always desirable. The reply to the problems of weaknesses, wherever these might exist, cannot be found by splitting the LIC. The majority has erred in that it has conceived improvements in servicing to policy-holders as being dependent upon dismemberment of LIC. The remedy prescribed is more dreadful than the unidentified ailment.

Para 23 seeks to underscore the coordinating role of the proposed Life Insurance Board. The majority report has misread the true functions of the Board. The Board is envisaged more as a research body than a body with the legal authority to enforce its decision in the matter of coordination. As it looks, any of the proposed five Corporations, theoretically at least, would be free to ignore the advice tendered by the Board. Without the statutory power to enforce its decision, the views of the Board would be of advisory nature. The real reigns of power to make the five

Corporations fall in line would remain with the Government. Such a Board can hardly be expected to effect any substantive coordination, far less harmonizing the operations of five Corporations.

The majority report has also erred in conceiving the present LIC as unmanageable. The burden of the memoranda and of the evidence of the witnesses is totally against such a perception. In a country, as vast as India, any organisation operating on a national scale is bound to be large. LIC cannot be an exception. If the proposed five Corporations, at a later stage by virtue of clause 11(2) of the Bill, are allowed to compete with each other and allowed to function throughout the country, the same "problem" of largeness—unmanageability—would arise with five-fold vengeance. The LIC has not become unmanageable.

In the same para, the majority report has preferred to record facile comments on "spreading the message of Insurance into the rural and backward areas and to less privileged sections of the community." This, in the context of the well-argued submissions of the witnesses, particularly by the Actuarial Society of India—the highest professional body of Actuaries and the All India Insurance Employees' Association, besides the cogently reasoned memoranda by various organisations, is too simplistic. The rural realities are far too grave to admit of such simplistic solutions.

Even after 36 years of independence, a minimum of 50 per cent of the population live below the poverty line. There can be no question of mopping up their savings. Another 15 per cent is just marginally above the poverty line. They are concerned most with procuring the bare necessities of Life. In the remaining 30 or 35 per cent, the LIC has made a significant dent in that more than one third of its new business is from the rural areas. The social realities in India just cannot be winked away. With half of the population without the guarantee of two morsels of food each day, the scope of rural business is limited indeed. The majority report is good enough as a proclamation of pious intention without the least possibility of being realised. It must be understood that unless the rural economy is drastically restructured and purchasing power created for the masses, such proclamations do not go far beyond proclamations of pious intentions.

Para 24 of the majority report is an example of drawing support from a source material detaching it from the context and conveniently quoting some findings to the exclusion of the remaining from the same material. We fully disagree with findings and recommendations of the majority report. The majority report speaks in a vain as if the whole problem about rural business depends on launching a powerful publicity drive and the saving capacity of the population is of a secondary consequence. The same report of the National Council of Applied Economic Research (NCAER), New Delhi entitled "Attitudes Towards Life Insurance Cover" in page 9 says:

"Over 75 per cent of the non-insured earners who were aware of insurance, did not opt for this form of investment as they could not afford to pay premium. About 11 per cent preferred alternate forms of investment. Around 10 per cent did not get themselves insured as no insurance agent had approached them."

The above excerpt tells its own tale not only about rural insurance, but also, in a way, about the rural economy. The market survey and the

strategy and all that the majority report so prescribes are not going to alter the grim realities. The majority report somewhat glibly speaks about "the millions of small farmers, agricultural labour, artisans etc." These are the sections of our rural society which are being crushed by grinding poverty in the socio-economic set up built up in the country. The majority seems to have preferred to gloss over these inconvenient realities.

But are these sections really not being benefited by the fund of the LIC? They are, as on March 31, 1983, the total amount of socially purposive investment of LIC amounted to Rs. 4167 crores. These investments are in water supply, electricity, housing, social infrastructural improvements and the like. A large part of the benefit out of these investments are flowing to the poor sections of rural masses.

Besides, the Bill stipulates in sub-clause (3) of clause 9 that the proposed corporations are to function as business organisations and are to be run on commercial line. Unless the Government relieves the LIC of the constraints on expenses and also substantially subsidises the higher costs in rural business, the commercial and business viability of the corporations is bound to be affected. And towards this, there is no provision. Without any provision in the statute to enable the proposed corporations to discharge these responsibilities entailing much higher cost, mere declaration of objectives would not carry things any further.

The majority report in Para 25 seeks to put its recommendations "in the light of the historical background" of the findings and conclusions of two Committees of Parliament and the Krishna Menon Committee of the Congress Party to the significant exclusion of several Committees appointed either by the Parliament or the Government later. It needs to be put on record that the Government did not accept the recommendations of the Estimates Committee (Second Lok Sabha, 1960-61) and of the Committee on Public Undertakings (Third Lok Sabha, 1965) and retained the monolithic character of LIC. The Government accepted the findings and recommendations of Working Group on Life Insurance Administration of the Administrative Reforms Commission and later the Committee 'To enquire into the Expenses of LIC (Morarke Committee) of 1969—both of which rejected the proposal of splitting and strongly recommended for retention of the structure of the LIC as prescribed in the LIC Act, 1956. The "historical background" the majority report refers to is, at best, partial. The LIC has grown as one monolithic organisation with the same conditions of contract, same premia and bonus rates and with the same security of a public undertaking and the same Government guarantee as to safety of capital.

The majority report seeks to wash away some of the very real problems that would confront the policyholders in the event of the present LIC being finally split into five Corporations. The policyholders purchased Life Insurance policies from the LIC, constituted under the LIC Act 1956, with uniform premia and bonus rates and with the liberty to get their policies serviced by any office in any part of India. The stipulation of the Bill about which the majority report does make no mention that the policyholders would get a one-time option to attach their policies so any of the proposed five corporations, put the policyholders to great disadvantage including the chance of being treated differentially in future, makes at least two corporations immediately vulnerable, creates

an unnecessary load of administrative work. Besides, the legality of such a provision remains open to challenge at any time later.

The majority report, very unfortunately, does not breathe a word about the provisions of the Bill directly relating to the employees. It seems to approve by silence the withdrawal of the right to collective bargaining, pushing the employees out of the purview of the labour welfare legislations including the Industrial Disputes Act 1947 and deployment of legislative measure to suppress a collective bargaining settlement method disapproved by the International Labour Organisation (ILO) as brought out in the evidence and, on top of everything, unfettered powers of the Government to unilaterally decide the wages and service conditions of employees and also enforcing these through executive fiat. The majority report has not recommended against even the suppression of all political rights despite a judgement of the Supreme Court in the case of Sukhdeo Singh and others vs. the Union of India (1975 ILJI: 399) as revealed in the evidence. There is no comment even on the proposed Service Matters Tribunal—a pernicious concept.

The majority report in Para 12 states that the Joint Committee also recorded the evidence of representatives of the LIC.

In reply to a question in Lok Sabha on July 30, 1982, the Government stated that the management of LIC was opposed to the proposal of splitting the LIC. The representatives who were examined being serving executives, are under severe constraints and can hardly be expected to voice opposition to a Bill introduced in the Parliament by the Government.

The majority report has preferred to remain silent on the grave problems of actual functioning and operation of the proposed five Corporations in the context of their vastly different potential. With the passage of time different rates of bonus to policyholders and premia are bound to arrive. This would elbow the Western, Eastern and Central Zonal Corporations out of competition and render them sick. The enormous problem of transition and transfer of policies are sufficient to put the functioning of the proposed corporations out of gear.

At a time when fissiparous tendencies are threatening the unity of the country, the proposed splitting of LIC would be a great disservice and would be a boon to all seeking to destroy the integrity of India.

For reasons of brevity, we do not go into several other points. It would be a sad day indeed if this national institution—the LIC—is finally dismembered. We disagree with the majority report and still request for the abandonment of the Bill.

NEW DELHI;
August 7, 1984.

Sravana 16, 1906 (S)

SUNIL MAITRA
SUKOMAL SEN

III

I am constrained to submit this Note of Dissent to the majority report of the Joint Committee of Parliament to which the Life Insurance Corporations Bill, 1983 (No. 109 of 1983) was referred. I disagree with the majority report. I must state that the majority report does not reflect

the enormous burden of the overwhelming majority of the 732 memoranda, listed by the Committee out of hundreds more received, and the oral evidence tendered on behalf of the interested organisations and individuals.

The majority report in paras 19 and 20 has derived satisfaction from the fact that "the views expressed in the memoranda as well as the oral evidence tendered before it have unequivocally supported the objectives of the Bill as embodied in the statement of objects and reasons". It is so because the objectives are laudable and unexceptionable. But the scheme of the Bill with dismemberment of the LIC and creation of 5 corporations as its focal point carries no reflection whatsoever of intention to carry out in practice any of the objectives; there is not a single provision in the Bill that concerns itself with the attendant problems of spreading Life Insurance to rural area; there is not one clause that seeks to relieve the LIC of the constraints as to expenses, that are bound to be heavier, in the promotion of business in the rural areas; not one provision is to be found as would generate any degree of dynamism and any one scanning the Bill can hardly come across a single clause that concerns itself either with the "quality of service rendered" or "better operational efficiency". Instead, one stumbles over a plethora of clauses, buttressed by numerous sub-clauses, that run in the contrary direction. The clauses are such as would further fortify bureaucratic stranglehold, add a fresh fillip to Governmental interference, push up expenses, increase top heaviness, encourage unethical practices, force attention from rural areas to the over saturated urban areas, deprive the employees of trade union rights and truncate political rights. Little surprise that though there is universal welcome for the objectives, there is scorn and frown for the clauses. The two simply do not agree. They are not complementary. If anything, these are utterly contradictory. It looks as though the laudable objectives are a camouflage for retrograde clauses.

Para 21 of the majority report states that the Bill seeks a reorganisation of the "Life Insurance Industry"—and comments that this has been "misconstrued as mere decentralisation of functions."

In the numerous memoranda and in the oral evidence it has been repeatedly and very effectively argued that the objectives of the Bill can very well be realised within the frame work of the present LIC Act, 1956 if properly planned and phased decentralisation is carried out. No material evidence has been brought before the Committee that can even remotely suggest that decentralisation would not bring about the results sought to be achieved by the Bill. It has, rather, been very correctly emphasised that at the heart problem of improving the operational efficiency and functional effectiveness with regard to both development of business and better servicing to policyholders lies in decentralisation. The majority report fails to take cognizance of the thrust of the submissions on decentralisation which is that the objectives of the Bill can and should be realised by decentralisation. The objective is to ensure servicing at the policyholders doorstep personalised servicing.

The expression 'work culture' is misleading. Nowhere in the Bill this expression appears. What is sought to be done under the spacious expression "reorganisation" is to change the entire scenario of nationalised Life Insurance from A to Z without leaving any contour untouched. It goes far beyond any known definition of reorganisation.

The majority report in Para 22 goes entirely against the massive heap of facts. On the question of servicing to policyholders, it is not true to say that the "present corporation has not been able to achieve this goal and its actual performance in this regard has not been up to the expectation." On the contrary, the burden of evidence is that the LIC has achieved high levels of performance in the sphere of servicing to policyholders. It has been brought on record that the claim settlement performance of LIC—a sure guide in a Life Insurance Organisation is about the best in the world. Shri M. M. Ahuja, a very senior wholetime agent in Delhi, who has insured 4000 persons and whose commission earning is Rs. 1,80,000 has in his evidence acknowledge steady improvements in servicing. Prof. Ishwar Dayal, internationally known management consultant and now working as a consultant to LIC has submitted, in his evidence, that "...as it is it functions effectively." Given the level of insurance-awareness, literacy and various other social factors, the level of servicing of LIC is one of the best amongst the public undertakings. The inference drawn by the majority that confidence of the community in the ability of LIC to render satisfactory servicing needs to be built up is not at all correct. The vast and steady improvements in servicing and the phenomenal growth in business are unmistakable testimonies to the tremendous confidence that the LIC has come to enjoy over the years. However, as in any human organisation, scope for improvements shall always be there. Greater excellence is always desirable. The reply to the problems of weaknesses, wherever these might exist, cannot be found by splitting the LIC. The majority has erred in that it has conceived improvements in servicing to policyholders as being dependent upon dismemberment of LIC. The remedy prescribed is more dreadful than the unidentified ailment.

Para 23 seeks to underscore the coordinating role of the proposed Life Insurance Board. The majority report has misread the true functions of the Board. The Board is envisaged more as a research body than a body with the legal authority to enforce its decision in the matter of coordination. As it looks, any of the proposed five corporations, theoretically atleast, would be free to ignore the advice tendered by the Board. Without the statutory power to enforce its decisions, the views of the Board would be of advisory nature. The real reins of power to make the five corporations fall in line would remain with the Government. Such a Board can hardly be expected to effect any substantive coordination far less harmonising the operations of five corporations.

The majority report has also erred in conceiving the present LIC as unmanageable. The burden of the memoranda and of the evidence of the witnesses is totally against such a perception. In a country as vast as India, any organisation operating on a national scale is bound to be large. LIC cannot be an exception. Largeness by itself is not undesirable. If properly put to use, it is helpful, what is required is decentralisation of powers, decision making and functioning.

In the same para, the majority report has preferred to record facile comments on "spreading the message of insurance into the rural and backward areas and to less privileged sections of the community." This, in the context of the well-argued submissions of the witnesses, particularly by the Actuarial Society of India—the highest professional body

of Actuaries, besides the cogently reasoned memoranda by various organisations, is too simplistic. The rural realities are far too grave to admit of such simplistic solutions.

Even after 38 years of independence, a minimum of 50 per cent of the population live below the poverty line. There can be no question of mopping up their savings. Another 15 per cent is just marginally above the poverty line. They are concerned most with procuring the bare necessities of life. In the remaining, 30 to 35 per cent, the LIC has made a significant dent in that more than one third of its new business is from the rural areas. The social realities in India just cannot be winked away. With half of the population without the guarantee of two moresels of food each day, the scope of rural business is limited indeed. The majority report is good enough as proclamation of pious intention without the least possibility of being realised. It must be understood that unless the rural economy is drastically restructured and purchasing power created for the masses, it does not go far beyond gimmicks.

Para 24 is an example of drawing support from a source material detaching it from the context and conveniently quoting some findings to the exclusion of the remaining from the same material. I fully disagree with the findings and recommendations of the majority report. The majority report speaks in a vain as if the whole problem about rural business is launching powerful publicity drive and the saving capacity of the population is of a secondary consequence. The same report of the National Council of Applied Economic Research (NCAER), New Delhi entitled "Attitudes Towards Life Insurance Cover" in page 9 says:

"Over 75 per cent of the non-insured earners who were aware of insurance, did not opt for this form of investment as they could not afford to pay the premium. About 11 per cent preferred alternate forms of investment. Around 10 per cent did not get themselves insured as no insurance agent had approached them."

The above excerpt tells its own tale not only about rural insurance, but also, in a way, about the rural economy. The market survey and the strategy and all that the majority report so pompously prescribes are not going to alter the grim realities and the grimacing options. The majority report somewhat glibly speaks about "the millions of small farmers, agricultural labour, artisans etc." These are the sections of our rural society which are being crushed by grinding poverty in the socio-economic set up built up in the country. The majority seems to have preferred to gloss over these inconvenient realities.

But are these sections really not being benefited by the funds of the LIC? They are. They derive benefit through socially purposive investments in water-supply, electricity, social infrastructural improvements and the like. A large part of the benefit out of these investments are flowing to the poor sections of rural masses.

Besides, the Bill stipulates that the proposed corporations are to function as business organisations and are to be run on commercial line. Unless the Government permits proper returns on investments, relieves the LIC of the constraints on expenses and also substantially subsidises the higher costs in rural business, the commercial and business viability

of the corporations is bound to be affected. And towards this, there is no provision. Without any provision in the statute to enable the proposed corporations to discharge these responsibilities entailing much higher cost, mere declaration of objectives would not carry things any further.

The majority report in Para 25 seeks to put its recommendations "in the light of the historical background" of the findings and conclusions of two Committees of Parliament and the Krishna Menon Committee of the Congress Party to the significant exclusion of several Committees appointed either by the Parliament or the Government later. It needs to be put on record that the Government did not accept the recommendations of the Estimates Committee (Second Lok Sabha, 1960-61) and of the Committee on Public Undertakings (Third Lok Sabha, 1965) and retained the present character of LIC. The Government accepted the findings and recommendations of Working Group on Life Insurance Administration of the Administrative Reforms Commission and later the Committee to enquire into the expenses of LIC (Morarka Committee) on 1969—both of which rejected the proposal of splitting and strongly recommended for retention of the structure of the LIC as prescribed in the LIC Act, 1956. The "historical background" the majority report refers to is at best, partial. The LIC has grown as one organisation with the same conditions of contract, same premia and bonus rates and with the same security of a public undertaking and the same Government guarantee as to safety of capital.

The majority report seeks to wash away some of the very real problems that would confront the policyholders in the event of the present LIC being finally split into five corporations. The policyholders purchased Life Insurance policies from the LIC, constituted under the LIC Act, 1956 with uniform premia and bonus rates and with the liberty to get their policies serviced by any office in any part of India. The stipulation of Bill about which the majority report does make no mention that the policyholders would get a one-time option to attach their policies to any of the five corporations, put the policyholders to great disadvantage including the chance of being treated differentially in future, and creates an unnecessary load of administrative work. Besides, the legality of such a provision remains open to challenge at any time later.

The majority report, unfortunately, does not breathe a word about the provisions of the Bill directly relating to the employees. It seems to approve by silence the withdrawal of the right to collective bargaining, pushing the employees out of the purview of the labour legislations including the Industrial Disputes Act, 1947, an industrial relations law and deployment of legislative measure to suppress a collective bargaining settlement; and on top of everything, unfettered powers of the Government to unilaterally decide the wages and service conditions of employees and also enforcing these through executive fiats, and that too with retrospective effect, a method disapproved by the International Labour Organisation (ILO) a tripartite body of the Government, the employers and the employees. The deprivation of trade union rights of collective bargaining as well as political rights of employees is unlike the conditions existing for similar public or private service employees in democratic countries. There is no comment even on the proposed Service Matters Tribunal—a pernicious concept.

The majority report has not recommended even removal of the suppression of political rights despite a judgement of the Supreme Court in the case of Sukhdeo Singh and others Vs. the Union of India (1975 ILJI, p. 399).

The majority report in para 12 states that the Joint Committee also recorded the evidence of representatives of the LIC. In reply to a question in Lok Sabha on July 30, 1982 the Government stated that the management of LIC was opposed to the proposal of slitting the LIC. The representatives, being serving executives, are under severe constraints and can hardly be expected to voice opposition to a Bill introduced in the Parliament by the Government, particularly when their services are dependent on the pleasure of the Government.

With a view to have more business in rural areas and weaker sections, atleast for those individuals who can afford amongst them, the Life Insurance has to be made attractive and, though of peculiar nature, competitive with other savings media. Therefore, the report should have made recommendations for decentralisation of powers, better returns, improved investment and valuation policies, reduction in government share on return on capital, exemption of LIC surplus from income tax payment and other appropriate measures.

For reasons of brevity, I do not go into several other points. It would be a sad day indeed, if this national institution—the LIC—is finally dismembered.

I disagree with the majority report and still request for the abandonment of the Bill.

NEW DELHI;

DR. SHANTI G. PATEL

August 8, 1984

Sravana 17, 1906 (S)

IV

This committee was set up to elicit public opinion on the L.I.C. Bill introduced in 1983, proposing to split the present Life Insurance Corporation into five Corporations purportedly on the recommendations of the Era Sezhiyan Committee. The Committee held sittings at Delhi, Ahmedabad, Trivandrum, Madras, Hyderabad and Calcutta. It received memoranda from large number of individuals and organisations and gave personal hearing to over 50 Organisations and Individuals whose opinion could be considered pertinent and vital in the context of the proposed legislation.

Amongst those who furnished evidence were, (1) Workers' Organisations, (2) Some State Government Representatives, (3) Management Experts, (4) Consumers Organisations, (5) Technical and Acturial Experts, (6) Ex-Chairman of the L.I.C. (7) Bank Officials, (8) SC/ST Representatives, (9) Insurance Institutes, (10) Chambers of Commerce and (11) some leading Citizens.

Support to Bill

There was opinion both in favour and against the proposition of splitting the L.I.C.—The following Organisations supported the Bill:—

- (1) L.I.C. Employees Union (I.N.T.U.C.)
- (2) Representatives of the Gujarat Government.

- (3) Representative of Confederation of Bank Officers Organisation, Bombay.
- (4) Life Insurance Employees Congress, Rajkot (I.N.T.U.C.)
- (5) Bombay Chamber of Commerce and Industry.
- (6) All India SC/ST and Neo Budhist L.I.C. Welfare Employees Association.
- (7) Government of Kerala, Trivandrum.
- (8) National Life Insurance Employees Association, Trivandrum (I.N.T.U.C.).
- (9) Consultative Committee of City Chambers of Commerce, Madras.
- (10) South Zone Life Insurance Employees Association, Madras (I.N.T.U.C.).
- (11) Insurance Corporation Employees Congress and Indian National Insurance Employees Congress, Madras (I.N.T.U.C.).
- (12) Jatiya Jeevan Bima Karamchari Samiti, Calcutta.

Conditional Support

There were some witnesses who provided conditional support to the proposition of splitting the L.I.C. They supported the basic objectives of the Bill provided that the new Corporations were given freedom to compete with each other in the whole of the country. They were:—

- (1) Voluntary Organisation in interest of Consumer Education (VOICE), New Delhi.
- (2) Consumer Education and Research Centre, Ahmedabad.
- (3) Consumer Protection Centre, Ahmedabad.

Opposition to Bill

The Organisations and Individuals opposing the split were:—

- (1) Janvadi Mahila Samiti.
- (2) National Federation of Indian Women.
- (3) Shri Ishwar Dayal (Management Consultant).
- (4) Shri M. M. Ahuja (Direct Agent for 43 years).
- (5) Reserve Bank Employees Union.
- (6) Employees State Insurance Corporation Employees Union, Ahmedabad.
- (7) Shri Mohan Dharia.
- (8) Acturial Society of India, Bombay.
- (9) Retired Insurance Officers Association.
- (10) All India Life Insurance Employees Association, Bombay.
- (11) All Indian Life Insurance Employees Federation, Bombay.
- (12) Shri J. R. Joshi, Ex-Chairman, L.I.C.
- (13) General Insurance Employees of India, Bombay.
- (14) National Organisation of Insurance Workers.
- (15) Federation of L.I.C. of India Class I Officers Association, Calcutta.
- (16) Madras Institute of Development Studies.
- (17) M. Abubaker—Mayor of the Corporation of Trivandrum.

- (18) All India Trade Union Congress.
- (19) J. Mathan Ex-Chairman L.I.C. of India.
- (20) South Zone Insurance Employees Federation.
- (21) Shri A. Ramachandran (Barrister-at-law) Madras.
- (22) Centre of Indian Trade Unions, Tamil Nadu.
- (23) Shri N. Ram Associate Editor "Hindu".
- (24) Insurance Corporation Employees Union and Representatives of 26 Unions, Associations, Madras.
- (25) Vishakhapatnam Insurance Institute.
- (26) Eastern Zone Insurance Employees Association, Calcutta.
- (27) Life Insurance Agents Federation of India, Calcutta.
- (28) All India Insurance Employees Association.
- (29) United Movement of Workers, Employees and Teachers.
- (30) Shri Kalyan Dutt, Professor of Economics, Jabalpur University.
- (31) National Federation of Insurance Field Workers of India.

It appears that the majority recommendation of this Committee have chosen to ignore a number of factors that were placed as evidence before us. The valuable suggestions and deposition made by several learned witnesses before us exposed the inherent contradictions in the structure of bill which the honourable members constituting the majority of this committee have sought to ignore.

Therefore, before analysing the evidence gathered during our sittings we shall endeavour to record briefly the point of view of the various organisations.

Workers Organisations

Employees of the L.I.C. were generally opposed to the Bill. But workers Organisations affiliated to the I.N.T.U.C. supported the Bill. They felt that the spread of Insurance in the rural areas has been limited because of a monolithic set-up, and creation of five Corporations will improve matters. Operational efficiency will also go up comparatively, as lines of communications will be shortened.

CONSUMERS ORGANISATIONS

The Consumer Organisation that appeared before us gave conditional support to the bill and advocated splitting of the L.I.C. only if the new Corporations were to be competing units instead of non-competing units as proposed in the bill.

Dr. Sriram Khanna a Lecturer at the Delhi School of Economics representing a consumers' Organisation named VOICE (Voluntary Organisation in Interest of Consumers Education) in his evidence before us brought out the fact that requirement of Government permission by a new Corporation to do business in another region gave a non-competing character to the new Corporation. Cross-examined on this point before the Committee, Dr. Khanna stated that competition could be achieved even if the premia rates of all the Corporations were centrally determined as in the case of rates of interest determined by the Reserve Bank of India in respect of the banking sector. He said in such a case non-price competition would result in better service to the present and future

policy holders of the L.I.C. He held that the policy holders would have been much better off even under the pre-nationalisation privately owned Insurance companies, as some of these companies currently operating in foreign countries were able to provide much better rates of premia, and even inflation-linked policies in developing as well as developed countries.

The Consumers Organisations of Ahmedabad led by Shri Manubhai Shah while supporting the Bill wanted radical changes to be incorporated. According to this Organisation, the five Corporations emerging out of a split should not have a regional character, but an All India Character. They should compete with each other throughout the country. The four G.I.C. Corporations and their subsidiaries also should be allowed to transact Life Insurance Business, and the Life Insurance Corporations should be allowed to do General Insurance business also, it was contended. According to Shri Shah, the Corporations should be made absolutely independent as in U.K. and should not be pestered with Government interference. Again Mr. Shah wanted consumer involvement in the Board of Director (which should be a policy making body and not of advisory character) and on all other committees. Nominations on the Board and the Committees according to him should not be made by Government but by reputed agencies like National Council of Applied Economics Research, Indian Institute of Management, Institute of Chartered Accountants, Institute of Actuaries etc. etc.

In the matter of investment Shri Shah said that under approved guidelines, provident fund, Superannuation Fund and even trust money belonging to the people are allowed to be invested in annuities which provide 11 per cent interest. L.I.C. is getting only 8 per cent interest. The whole investment policy must be re-examined.

Bank Officers Organisation

In their evidence, the Bank Officers Organisation made some significant points. According to them the office of the Controller of Insurance should not be subordinate to the Finance Ministry but should be answerable to Parliament. They suggested that the Claims Tribunals should be under the jurisdictions of the State High Courts. They also wanted an amendment in the Bill allowing Banks to transact Insurance business as is being done by some banks in the U.S.A. It was their contention that with their existing set-up they could take-up insurance upto a certain limit without incurring much expenditure.

SC/ST Organisations.

The Scheduled Caste and Scheduled Tribes Associations supported the Bill but mainly on the ground that in the present Corporation they have not been given fair representation. This aspect of the problem has got to be examined.

J. Mathan-Ex-Chairman LIC

Shri J. Mathan, an ex-Chairman of the L.I.C. and an Insurance expert stated that by splitting there will be a marginal advantage as decisions will be taken at the Zonal levels instead of the Central level. He, however, felt that if the five Corporations work with the same premium rates and give the same bonus, the expenses will increase. Working with different rates and giving different profits, according to

him was not practicable. Splitting would not improve business procurement in rural areas as creation of stable rural agency force was a very difficult job. According to him, more incentives would have to be provided to the rural agents and then too, the scope was limited because 50 per cent of the people in rural areas are below the poverty line.

Office Employees Associations

Apart from the INTUC Unions, there are four All India Office Employees Unions in the L.I.C. All these Organisations opposed the splitting of the L.I.C. Most of them felt that the Bill was aimed at subverting their right of collective bargaining. There is in the Bill a provision imposing an embargo on L.I.C. employees having any association with political parties. No such provision obtains in the matter of any other private sector organisation. Introduction of this particular amendment therefore has only confirmed the apprehensions and misgivings of the employees.

According to Shri P. P. Patil, spokesman of the All India Insurance Employees Federation, dividing the L.I.C. into five Corporations would lead to different bonus being paid by different Corporations. This would result in a scramble by policy-holders to transfer their existing insurance or take insurance with the most prosperous Corporation. This iniquity would arise not out of operational efficiency but because of the uneven economic growth in the country. Today, policy-holder in Bombay and North Bihar get the same bonus. But after the split, the bonus of a North Bihar Policy holder might become less than half that paid by the Bombay-based Corporation. According to him, more of decentralisation, and not a split, was required.

Shri Saroj Choudhary, the spokesman of the All India Insurance Employees Association, also argued on the same lines. He further criticized the Bill for denying the right of collective bargaining to the workers.

Prof. Ishwar Dayal (Management Consultant)

According to Prof. Ishwar Dayal, a Management Consultant, there should be more decentralisation, and not splitting up of the L.I.C. He felt that the Zonal Offices should be made autonomous. The responsibility of intensified development must rest with the Branch and its net-work should be expanded so that it is easily accessible to the policy-holder for total service. His contention was that if Regional Corporations opened any Branches in other areas, they would have to open Divisional Offices to supervise them. This will increase cost ratio of each Corporation. In reply to a question that L.I.C. Branches had not gone to 43 Districts, while Banks were opening Branches, Prof. Ishwar Dayal said "Banks and Insurance are not comparable. In the Banking Organisation the Branch is a Unit of Production. If there is no Branch there is no business. In insurance the Development Officer and Agent is the unit of production. If there is no Development Officer, no Agent, there is no business. A Development Officer need not be posted at a branch headquarter." Explaining the bottlenecks in policy-holders servicing Prof. Ishwar Dayal said, "There was a centralized system of record-keeping by unit record machines. The number of policies increased and the machines were not able to cope with the

additional load. Faster information is necessary about lapsation and various other aspects of working. New smaller machines have been installed at Branch level which will throw up information and result in corrective action much faster."

M. M. Ahuja, Insurance Agent for 43 years

Shri M. M. Ahuja said that smaller units can go on becoming more and more expensive. He said that this was obvious from the working of the General Insurance Corporation. The third party insurance rate eight years back was Rs. 17; now it has gone up to Rs. 48.

L.I.C. as one unit is perhaps the only public sector unit which has not increased premium rates since nationalisation, while profits have increased per thousand insurance of whole life and endowment policies from Rs. 12 and Rs. 15 to Rs. 34 and Rs. 42.50. This is the position when 80 per cent of L.I.C. funds fetch an interest rate of $8\frac{1}{2}$ per cent. If interest rate is increased by 1 per cent, bonus to policy holders can go up by another 40 per cent.

Shri Mohan Dharia

Shri Mohan Dharia, while opposing the Bill, said that the fault with the existing setup of the L.I.C. is that it came from the Capitalistic Sector to the bureaucratic sector. Public sector should be one which serves the needs of society and should help social transformation of the country. If the Corporation is split, the Southern and the Western Corporations will be having much more business than the other Corporations. Money collected in these zones will be required to be spent in these areas. This may not be correct. We see fissiparous tendencies that are developing in the country. The public sector undertakings should cater more for the weaker sections of the country than for the development of the urban regions of the country. It is not the Corporation but the Government which has gone wrong. What is required is taking the employees into confidence and involvement of the people. The Corporation should be autonomous and the Zonal Offices should be given more powers.

Actuarial Society of India, Bombay

The representatives of the Actuarial Society of India, an expert body which appeared before our Joint Committee, were senior officers who had retired as Managing Directors or Executive Directors of the L.I.C. According to them, the objectives of nationalising life insurance could be better achieved by providing real autonomy to, and decentralisation of functions of, the Zonal, Divisional and Branch Offices. This could be brought about by suitable amendment of the L.I.C. Act.

It was their contention that if at all the split has to take place, the L.I.C. Board should be constituted into a sixth Corporation to determine bonus rates and premium rates. They felt that if this was not done there would be tremendous pressure on regional corporations for investment of funds in their own regions by the State Governments. Another factor was that unequal economic development of various regions would force the Corporations to have unequal rates of Bonus, irrespective of operational efficiency or inefficiency—Central finances would ensure a common rate of bonus and equitable investment.

They were against the idea of a split but if other Corporations had to be empowered to function in the field of Life Insurance, they preferred the G.I.C. subsidiaries, as they had an all India character and necessary infra-structure to do the job. What they recommended was effective decentralisation.

J. R. Joshi, Ex-Chairman, L.I.C.

Shri J. R. Joshi was the previous Chairman of the L.I.C. The present incumbent is the current-in-charge and not designated as a Chairman. According to Shri Joshi, "If you want competition you do not have to divide the L.I.C. You can have it in a different way. The State Bank of India has 6000 Branches. It has 2000 to 3000 Branches in the rural areas. The Branches of the State Bank can do the work and become competitors with the L.I.C."

Shri Joshi also pointed out that it would be hard on officers who were upto now transferable throughout the country to get stuck up in a regional Corporation away from their own region or go out of job. He also questioned the right of a third party like the Service Matters Tribunal to decide issues arising out of differences arising between the employees and the Management.

**Federation of Life Insurance Corporation
of India, Class I Officers Association**

The working of the L.I.C. was examined by various Committees starting with the Estimates Committee 1964-65, and followed by the Administrative Reforms Committee, the Morarka Committee etc., etc. Both Morarka Committee and the A.R.C. strongly opposed the idea of a split in the Corporation.

The Era Sezhiyan Committee's conclusions are not logical. Rural business is dependent on various factors including the purchasing capacity of the rural masses. Even in the banking sector which has 43,000 Branches in the country, rural business deposit-wise and account-wise is 11 per cent to 13 per cent.

According to them, L.I.C. was hardly a monolithic Corporation. It had less than 1000 Branches. The smallest Bank in the public sector has 1200 Branches while the biggest Bank, the State Bank of India has 6,000 Branches.

Institute of Development Studies, Madras

Splitting the L.I.C. will mean higher cost in terms of administrative expenses. Certain jobs will have to be duplicated. There has been a study of costs and scale of operations. As the scale of operation increase the costs come down upto a certain stage. Objectives of the Era Sezhiyan Committee can be fulfilled by granting more autonomy to the Zones and not by splitting the Corporation.

Shri N. Ram, Associate Editor-Hindu (Madras)

According to Shri N. Ram, the L.I.C. as a unitary organisation has been functioning very well. Shri N. Ram further said that a few years ago there was an unfortunate move to split C.S.I.R. (Central Scientific Institute of Research) and attach laboratories to user ministries. There was a national outcry against this move. In the proposed split of the L.I.C. we find a parallel.

National Federation of Insurance Field Workers of India

The spokesman of the National Federation of Insurance Field Workers of India stated that it is wrong to say that the L.I.C. has failed in its working. According to them wrong policy decisions taken by the Government had stifled the growth of the L.I.C. Shri M. M. Sadanah pointed out that at a certain stage the government decided that the institution of Development Officers was superfluous and should be eliminated. Recruitment of Development Officers was stopped and their strength came down from 8200 to 6300. Because recruiting, training, supervising and motivation of Agents is the job of the Development Officers, the decline in their numbers resulted in decline in the strength of the Agents whose number came down from over 1,50,000 to 1,10,000. According to Mr. Sadanah an even more alarming factor was that all the existing Development Officers were in the Age Group of 45—55 years and had a short span of service. The L.I.C. had recruited about 800 new Development Officers from 1980 to 1983 but they were from the same age group as they were mostly promoted from existing members of the office staff. According to him, youngsters in their twenties were required to be recruited by the L.I.C. to ensure a stable and progressive growth of the institution, but this could not be done under the New Service Conditions of the Development Officers as they were not allowed adequate time of seven to eight years to mature as sales organizers in one of the most difficult job, that of Insurance selling.

Autonomy to the Corporation

One common element in the statements of all who appeared before the Committee either to support or oppose the Bill was that the Life Insurance Corporation had no autonomy in the matter of day to day functioning. Government's contention is that it takes only general policy decisions, and that in its functioning the LIC Board is fully autonomous. This is however not borne out by the facts placed before us. It was pointed out by the deposing members that even the issue of sanctioning terrycot uniforms to the staff in place of cotton uniforms had to be referred to government for sanction. Again, the matter of paying a special monthly allowance to the recently trained cadre of employees to handle sophisticated machines installed in the Branches was referred to the government. Sanction came only after two years. These are illustrations which show how bureaucratization has been strangling the L.I.C. in its growth and development.

Monolithic Structure

The L.I.C. with 980 Branches and about 60,000 employees can hardly be termed as unmanageable, or having monolithic structure. The State Bank of India had 6,000 Branches with lakhs of employees. The smallest nationalized bank has 1200 Branches. The problem before us is not the size of the institution, but to find ways and means to improve its operational efficiency, to ensure the effective spread of insurance in the rural areas, and improvement in the quality of service rendered to the policy holders. This purpose can be achieved by giving more autonomy to the five zones and allowing the Life Insurance Corporation to carry on its present programme of making the Branches full fledged "sales and service units", catering to all the needs of the Insuring public. This process of decentralization from the Division to the Branches was started recently. In 1981-82 only one Division embarked on this. In 1982-83, 20

Divisions were doing it. In 1983-84 all divisions except two have started this job. If L.I.C. Branches in the country are converted into full fledged sales and service units, the policy holder will not have to go from office to office, but to his own Branch Office for all his requirements. Let the L.I.C. be helped in this process of decentralization.

Spread of Branches and rural business

One argument given is that the L.I.C. has been slow in the spread of its network of Branches. Comparison is made with the Banks. The Banks had in 1969 at the time of Nationalization of 1832 Branches; in 1982 they had 20,394 Branches. It is asked why the L.I.C. has only 980 Branches. The L.I.C. under the Act has been required to function on commercial basis. This provision is incorporated in the present Bill also. The L.I.C. will open Branches only if they are viable, otherwise it will appoint a Development Officer to set up a net work of Agents. Only when the potential is developed the L.I.C. opens Branches. Even then the L.I.C. has reached all corners of the country. The following facts were furnished by the Ministry of Finance:

Total Distts,	Distt, with LIC Branches	Distt, without Branches but with Organizations	Distt. without Field Organizations
420	373	37	10

Thus the total number of Districts without Branches and without Field Organisations is 10 out of 420. The population of these Districts without Branches and Field Force is .60 per cent which in terms of population means about 4 lakhs out of about 70 crores. Again it is said that rural business is inadequate. Whereas the Committee were informed that it is 32 per cent in terms of policies and 25 per cent in terms of sum assured. In the South Zone the rural business is 42 per cent. It is true that a large portion of our population lives below the poverty line. We are not dealing with social Insurance which is given for the benefit of socially down-trodden and other poor sections of society. We are dealing with Insurance sold by a business Institution which has got to be purchased, for which purchasing capacity has to be there. Moreover, traditionally rural masses have an inclination of investing in material goods, be it a tractors, lands, ornaments, bullocks etc. That is why even in Bank deposits the rural share in terms of number of depositors and total amount deposited works out to 11 per cent to 13 per cent of the total deposits mobilized.

For the spread of rural Insurance we shall have to change the habits of the rural masses. This requires the services of a team of dedicated Development Officers and Agents. We shall have to give more incentive to rural agents and start with subsidized Rural Insurance. There should also be more attractive plans which can look after a person during his illness or disability and forced in action. There should also be premium pass books issued to the policy-holders, particularly rural policy-holders, who cannot make files of periodic receipts.

Competition

Even though we are opposed to the present form of the Bill for reasons enumerated above, we see weight in the argument that splitting of L.I.C. can perhaps be instrumental in providing better service to both rural and urban consumers if each new corporation is left to compete with each other in the country as a whole. Some witnesses also favoured that the selected banks and the General Insurance Corporation be allowed to compete with the L.I.C. and in turn LIC be allowed to transact General Insurance business. These were very valuable suggestions. Even additional costs of opening divisional offices in other regions can be more than offset by altering staffing and management patterns and decentralisation of authority and responsibility to make each branch a profit centre and allow only skeleton staff at the divisional office essentially for providing support services and monitoring the performance of branches.

Indeed, the time has come to substitute the concept of state monopoly with state oligopoly wherein different public sector corporations in the same nationalised industry enter into direct competition with one another so that the citizen has a choice of approving or disapproving the product or service provided by a corporation by patronising or refusing to patronise it. The process of nationalisation is not confined merely to substituting private ownership with state ownership but must encompass a better deal for the ultimate beneficiary—the citizen, firstly through better terms of an insurance contract and secondly, through an optimal utilisation of investible funds in a pragmatic mix of commercial return as well as redistributive justice. During the last three decades we have sought to achieve efficiency in the public sector through bureaucratic control, and have failed miserably. The time has come to grant real autonomy to the corporation, rid it of bureaucratic control and allow it to compete with other public sector corporations. Over time, only the most efficient and professionally managed corporations will be in a position to expand and contribute surpluses to the public exchequer while inefficient ones will have to curb costs, reorient management patterns and raise efficiency levels to expand and grow. The two beneficiaries of this competition will be the state, which shall receive all the surpluses and the citizen who will have a better service. The public sector worker will then have to adapt to a competitive environment and raise levels of efficiency. There is no doubt that with increase in productivity his service conditions will continue to prosper. Unfortunately, the majority in this Committee did not find merit in these arguments and went in favour of non-competing corporations to be formed after the split. They have mainly relied on the Era Sezhiyan Committee Report to derive strength in support of the argument for non-competing corporations. We feel that the views of the majority of this Committee as well as the recommendation of the Era Sezhiyan Committee quoted in the majority's present report are misconceived in the context not only of the L.I.C., but also of the Indian public sector as a whole.

Field Force

A real re-evaluation of the role of a Development Officer in the set up of the L.I.C. has to be made. Even the Era Sezhiyan Committee disagreed with the present mode of appraisal of the work of a Development Officer. The Era Sezhiyan Committee recommended that the work

of a Development Officer should be appraised not on the basis of cost but on the basis of New Agencies made, activation of Agencies, and addition to them from year to year. The Era Sezhiyan Committee went a step further and recommended incentives and disincentives to the Development Officers on the basis, not of premium procured, but on the basis of active, stable agencies created. This very important recommendation of the Era Sezhiyan Committee has been totally ignored by the framers of the Bill.

A growing and expanding productive Agency Force is a pre-requisite of expansion and growth of business, and the creation of this force is the responsibility of the Development Officers. In this connection, the Committee were informed that "Nobody comes to buy Insurance; Insurance is sold only when the L.I.C. Development Officer or Agent canvasses it."

The L.I.C. made a very big mistake by stopping the recruitment of Development Officers in 1972. In a period of ten years this decision led to the reduction of sales infra-structure by 30 per cent. The reduction in the sales force is perceptible in the following observation of the Era Sezhiyan Committee. It was observed that the percentage of household savings going into LIC was 11 per cent in 1970-71 and only 7.4 per cent in 1976-77. The Committee were also informed during evidence that there might have been considerable loss of business due to the reduction in the strength of the Development Officers. In this period of ten years the L.I.C. made bid to recruit direct career agents in urban and rural areas. The wrong policies of Government have put the L.I.C. in a very precarious position. The bulk of its Development Officers are in the age group of 45—55 years. The exit rate is very fast. This is apparent from the following facts.

In the beginning of 1981 L.I.C. had on its roll 6382 Development Officers. In 1981 and 1982 it recruited 800 new Development Officers. In 1983 the number of Development Officers were reduced from 6382 to 6180, in spite of the 800 new Recruits. In the same period 100 Development Officers went out of service. The more alarming aspect is that these new Development Officers are not youngmen in their twenties, but middle aged people in their forties recruited mostly from the office staff, and whose retirement age synchronizes with the existing Development Officers. According to Mr. M. M. Sadanah, the spokesman of the Development Officers Federation, "The government after having decided to eliminate the class of the Development Officers, imposed upon them harsh and impractical conditions with the object of hastening their exit." According to him, the service conditions "have made the job contractual and created total insecurity in the existing field Force."

It was Mr. Sadanah's contention that these service conditions make it incumbent on a Development Officer to produce premium four to five times his gross salary failing which he faces a drastic cut in salary and termination

new, young educated recruits who could become the backbone of the Industry and ensure its stable growth need at least seven to eight years to acquire experience and develop the basic organisation from which they can expand their operations. According to prevalent service conditions they will be required to conform to the present work-norm from the first year and cannot survive.

We feel that a complete review regarding the service conditions of Development Officers has to be made, with particular reference to the constraints imposed by them in the way of recruitment of young fresh energetic candidates in the Urban and Rural areas.

Service to Consumers

While employee service conditions, recruitment policies and organisational structure are important, they are not an end in themselves. They are the means to an end, namely, the provision of better service, better policies and better returns to the state, and to the policy-holders. In the course of the Committee's hearings, the voice of the unorganised policy-holders was heard time and again in the form of numerous suggestions that could provide a better deal to the present and future policy-holders. Some of these suggestions are valuable and deserve careful consideration. These include the following:—

A. Policy Holders Advisory Council: It was suggested that councils be created at the branch division and corporation level on which policy-holders could be elected by postal ballot. Such a body could be statutorily created for the purpose of taking up problems of L.I.C. policy-holders with the management across the table. This idea has been accepted by the majority only partially by including clause 13(4) in the Bill. However, we feel that this clause is inadequate and incomplete. It must be made mandatory to constitute Policy-holders Advisory Committees at the branch, division and corporation level. The mode of representation of policy-holders on such committees as also the function and powers of such committees are not defined giving ample scope for management of the new corporations to render such committees almost ineffective.

There must be a democratic way to select policy-holders' representatives at the branch level and this could be done through postal ballot every four years. All policy-holders representatives at the Branch level could form an electoral college for the division level and these at the division levels would form an electoral college at the corporation level. Some members of the corporation Policy-holders Committees could be nominated by the Central Government on the corporations executive committee as well as the Life Insurance Board. There is no reason why policy-holders cannot have a representative in the management of the corporation and the board. After all, it is the policy-holders money which is managed by these bodies. Must we stop economic democracy from entering our economic institutions?

B. Annuity certain business: The expression Annuity certain Business in clause 9 sub-clause 2(a) of the Bill must be excluded. "Annuity certain" popularly known as "Time Annuity", are not connected with human life. It is a pure investment return proposition for a certain period of time. Life annuities, that is, annuities dependent upon and related to human life only can legitimately be considered life insurance business. World over Time Annuities are being offered by financial institutions, Banks, Pension Funds and other Trusts and mutual societies.

In the Indian context, annuity offered by Life Insurance Corporation to the annuitant is just confiscatory and expropriatory since it gives the annuity which is less than the interest on their deposit offered by the Banks or the Government companies to the depositors, while the principal amount of deposit remains intact. In case of annuity by L.I.C., the

annuitant not only receives less income than the interest but also as aforesaid, he loses his capital completely as purchase price for annuity. In fact there is need also for making corresponding changes in the income-tax Rules governing the approval of the Superannuation Funds.

C. Rating and Mortality Committees: Representatives of consumer organisations pleaded for the setting up of statutory committees for deciding different premia rates, surrender and paid up values, as well as a mortality Tables Committee to revise and review the mortality tables periodically. There is considerable merit in these proposals.

Clause 17 should specifically provide for a Rating Committee and Mortality Committee. Rating Committee should deal with introduction and revision of new plans and policies to suit the changing needs of the people in the country, more particularly, people with inadequate means and uncertain income. Mortality Committee should periodically review the mortality experience. But the Committees should have a say in the review and weightage of three relevant factors; mortality, yield and expense ratio for determination and revision of the insurance premium for all plans and policies at periodical intervals.

D. Insurance Disputes Tribunals: Please made before us to widen the scope of tribunals proposed in Chapter VI of the Bill have been completely ignored. These tribunals are confined to matters concerning maturity or death claims only. The scope of these tribunals should be broadened to cover all matters connected with life insurance business, including wrongful rejection of insurance proposals, terms offered, rejection of loan applications etc. Therefore, in Chapter VI clauses 22 to 30, Chapter VII clauses 35 to 38 and clauses 56, 60 & 65 the expressions "Claims Tribunal" and "Appellate Claims Tribunal" should be substituted by "Insurance Tribunal" and "Appellate Insurance Tribunal" respectively.

Since Life Insurance happens to be a monopoly business, even if these are competing five Corporations, choice will still be limited. It is essential that the policy-holders and the proposers should have a quick and inexpensive remedy. Litigation before the Civil Courts is time consuming and expensive and not within the reach of ordinary policy-holder or a proposer. Even disputes like rejection of proposal form by the Corporation may go outside the jurisdiction of the Civil Courts.

E. Independent Actuaries: Corporation must use the services of independent actuaries under clause 42 of the Bill. Clause 42 should be amended to provide for actuarial reports by team of independent Actuaries.

With a view to protect the interests of the policy-holders, such a practice is followed in other countries of the world.

F. Allocation of Surplus: Presently the Bill calls upon each Corporation to allocate 95 per cent of the surplus to the policy-holders and rest to the Government. Nothing is provided to subsidise rates of premia offered to low income citizens. We feel that the expression 95 per cent should be substituted by "97½ per cent", in clause 44 of the Bill and a proviso be added as follows:

"Provided that the 2½ per cent of the surplus shall be sent by the Corporation towards the development of Life Insurance for the low income group people in the country by way of subsidy promotional efforts or otherwise."

G. Pattern of Investment: The consumers representatives posed a very pertinent issue that LIC could not provide inflation linked insurance policies due to low yields on investments of the LIC. As long as yields would not go up, policy holders could not be offered remunerative policies. A mix of one-third and two-third for socially beneficial low-yield investments and commercially viable high yield investments respectively, we feel, would help. In any case the permissible pattern of investment should be at least similar to the pattern applicable to Provident Funds, Superannuation, Gratuity and other similar trust funds for the time being in force.

H. Liberalisation of Postal Life Insurance Scheme: LIC today has about 1000 branches all over the country while there are 1,35,000 post offices. Postal Life Insurance today has lower premium rates and higher bonuses, but it is restricted to Government, semi-government, University and similar employees only. With a view to provide easy access to life insurance to people of inadequate means in far distant places, it is essential that P.L.I. be liberalised to cover all people in the country and that they should be directed to introduce term insurance plans, such as, individual, Group, level premium and guaranteed renewable term insurance plans and policies. Provision could have been made in this Bill in this direction.

Conclusion

To sum up, the problem in respect of life insurance is not the size of the L.I.C., it is lack of autonomy, and over-centralisation. This Bill solves neither of these problems. In fact, if this Bill becomes law, L.I.C. would be further bureaucratised, and its autonomy completely decimated.

This Bill will satisfy no one. As is clear from the evidence, employees, by and large, are resolutely opposed to it. The greater tragedy is that the policy-holder too in whose name government is eager to ride rough over the wishes of the employees, see little merit in the Bill.

We find ourselves unable, therefore, to agree with the majority report. Hence this Minute of Dissent.

NEW DELHI;

SATISH AGARWAL

August 9, 1984

LAL K. ADVANI

Sravana 18, 1906 (S)

V

(Original in Hindi)

While expressing our views against the bifurcation of L.I.C. and creating five independent units thereof, we have submitted that it should be withdrawn. We have also submitted that with a view to deliver the benefits of the life insurance industry to the rural areas and to decentralise the same; the former Act may be so amended that this industry could prove to be more beneficial and attractive to the rural area. What was the laxity in decentralising the same, who is at fault, what was the laxity in its propaganda and publicity, who is at fault? I have expressed

my opinion on this also. The views of the departmental employees and officers have also been received as to how far the publicity and propaganda is beneficial. The evidence of the experts and employees makes it clear that the bifurcation will not be in the public interest and will benefit a few only giving them luxurious life. There is no possibility of achieving the objectives or successes for which this Bill has been brought forward. The question of clause-by-clause amendments does not arise, because I totally opposed to the bifurcation.

I request that my opposition and the views expressed by me may be indicated in the same form in the report of Joint Committee. The views of the witnesses may also be indicated in the report, so that their correct views and opinions could be placed before the House at the time of its presentation.

NEW DELHI;

August 9, 1984

Shravana 18, 1906 (S)

RAM LAL RAHI

THE LIFE INSURANCE CORPORATIONS BILL, 1983

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