

operate under instrument flight rule conditions.

(b) to (d). At all the airports where commercial flights operate, National Airports Authority has provided the necessary Air Traffic Services, which include Air Traffic Control, Communication and Navigational aids.

Insurance Sector

*236. SHRI HARILAL NANJI
PATEL:
SHRI V. KRISHNA RAO:

Will the Minister of FINANCE be pleased to state:

(a) whether the Committee appointed by the Government to suggest reforms in the insurance sector in India has submitted its report;

(b) if so, the details of the recommendations made by the Committee;

(c) the recommendations which have been accepted and implemented by the Government;

(d) the recommendations which are still under consideration of the Government;

(e) whether the insurance staff has started agitation against the recommendations of the Committee; and

(f) if so, the reasons therefor and the steps taken by the Government to safeguard the interest of the employees of the insurance companies?

THE MINISTER OF STATE IN THE
MINISTRY OF FINANCE AND MINISTER
OF STATE IN THE MINISTRY OF PARLIAMEN-
TARY AFFAIRS (DR. ABRAR

AHMED): (a) Yes, Sir. On 7th January, 1994.

(b) The major recommendations made by the Committee are given in the enclosed *Statement*.

(c) to (f). It has been reported that members of a few employees' unions in the LIC/GIC and its subsidiaries have demonstrated against the recommendations of the Committee on Reforms in the Insurance Sector. A view on the recommendations made by the Committee is yet to be taken by the Government.

STATEMENT

Major recommendations of the committee on reforms in insurance sector

(1) There is an urgent need to activate the insurance regulatory apparatus even in the present set-up of nationalised insurance sector. For this purpose, and as an interim measure, the office of Controller of Insurance should be restored its full functions under the Insurance Act and it should be set up a separate office as a matter of high priority. Meanwhile, steps should be initiated for the establishment of strong and effective insurance regulatory authority in the form of a statutory autonomous board on the lines of SEBI.

(2) LIC which is a statutory corporation should be converted into a company registered under the Companies Act. The present capital of Rs.5 crores of LIC contributed entirely by the Central Govt. should be raised to Rs.200 crores with Govern-

ment holding 50 % thereof and the remainder being held by public at large reserving a suitable portion for LIC employees.

- (3) The Central Office of the LIC should concentrate on policy formation, investment, product development, and accounts of the Corporation. LIC's Zonal Offices should be delegated powers and should become Head Offices for insurance business and related matters in their respective jurisdictions. Zonal Managers should be made members of LIC Board. The process of reorganisation of the Central Offices and Zonal Offices should be completed within a period of six months. The surplus staff at Central Office and Zonal Offices arising out of the restructuring should be re-deployed preferably with the Branches where the impact of growth of business is immediately felt.
- (4) GIC should cease to be the holding company of the four subsidiary companies viz. New India Assurance Company, United India Insurance Co., National Insurance Company and the Oriental Insurance Company. These should function as independent companies on their own. GIC would function exclusively as a reinsurance company and as the Indian reinsurer under the Insurance Act.
- (5) GIC's capital should be raised to Rs. 200 crores, 50% of which should be held by the Govern-

ment and the remaining by the public at large reserving a suitable portion for GIC employees. To fully delink the subsidiary companies from GIC, Government should acquire the latter's total holding in each of them. The capital of each company should be raised to Rs. 100 crores, with Government holding 50% thereof and the remainder being held by public at large. A suitable proportion should be reserved for employees of the respective companies.

- (6) The mandated investment of funds of the Life Insurance and General Insurance companies should be reduced from the present levels of 75% and 70% to 50% and 35% respectively.
- (7) The private sector should be allowed to enter insurance sector. No company should be permitted to transact both life and general insurance business. The number of new entrants should be Rs. 100 crore. The promoters holding could range from 26% to 40% of the paid-up capital. No person other than promoters can hold more than 1% of the equity. If and when entry of foreign insurance companies is permitted, they should be required to float an Indian company for the purpose preferably as joint venture with Indian partner. Before the private sector is allowed to enter the insurance field, the Controller of Insurance should start functioning effectively.
- (8) One co-operative society in each state might be permitted

to transact life insurance business. Postal Life Insurance should be permitted to transact life insurance business in rural areas.

- (9) Requests from the Cooperative institutions at the national and state levels, to transact general insurance business may be considered favourably subject to their satisfying the prescribed norms.
- (10) New entrants in life insurance should be required to transact a certain minimum business in rural areas.
- (11) Landless Agricultural Labourer Group Insurance (LALGI) and Integrated Rural Development Programme (IRDP) beneficiaries' scheme relating to life; and, Personal Accident and Social Security (PASS) and Hut Insurance Schemes of general insurance are relief oriented welfare schemes and do not involve any element of insurance. These should be transferred to the concerned Government authorities.
- (12) It would be inadvisable to abolish the tariff regime in general insurance at this stage. But the personal lines of covers should be taken off the tariff regime at the earliest. The area under tariff should be progressively reduced to promote competition and improve underwriting skills in general insurance. Market agreements should be discontinued.
- (13) Tariff Advisory Committee (TAC) should be delinked from

the GIC and should function as a separate statutory body under such supervision of the insurance regulatory authority as may be necessary without becoming a part thereof.

- (14) The system' of licensing of surveyors by the Controller of Insurance should be given up and the insurance companies should be free to assign the right surveyor to the right job.
- (15) In order to popularise pension scheme, savings in pension funds should be given special tax relief distinct from the benefits allowed to relatively short term savings. Investment income from pension funds managed by life insurance companies should get tax exemption as is admissible to private pension funds managed by the employers.
- (16) Comprehensive computerisation in LIC and the general insurance companies for handling business at all levels for developing effective management information system should be undertaken and completed within the next 12 to 18 months.
- (17) To reduce litigation, the institution of ombudsman should be set up by the general insurance industry. Claims in personal lines upto Rs. 5 lac in each case may be considered at this forum.
- (18) A Committee with appropriate membership may be set up for detailed scrutiny of the existing insurance laws, rules and reg-

ulations, for amendments and consolidation, probably in a law insurance law.

Visit to CIS Countries

*237. SHRI MANORANJAN BHAKTA: Will the Minister of CIVIL AVIATION AND TOURISM be pleased to state:

(a) whether recently he had paid a visit to some of the Commonwealth of Independent States (CIS) countries;

(b) if so, the details thereof;

(c) whether there is a vast scope for development of tourism in these countries and India could participate therein in a big way;

(d) whether the issue of foreign investment in the hotel sector both in India and the CIS countries was discussed; and

(e) if so, the outcome of the discussions?

THE MINISTER OF CIVIL AVIATION AND TOURISM (SHRI GULAM NABI AZAD): (a) and (b). The Minister of Civil Aviation and Tourism led a tourism promotional delegation to the following C.I.S. countries:—

- (i) Uzbekistan,
- (ii) Kyrgyzstan,
- (iii) Kazakhstan,
- (iv) Turkmenistan,
- (v) Russia.

(c) There exists a considerable scope to increase tourist traffic from the C.I.S. countries to India. In this regard

bilateral tourism cooperation agreements with some of the C.I.S. countries such as Uzbekistan & Belarus have been signed. Information about tourist centres in India is being given through our Missions. A cultural delegation from Uzbekistan is being hosted by India. Bilateral air services agreement with Kazakhstan, Uzbekistan, Kyrgyzstan and Turkmenistan have been signed.

(d) and (e). Hotel industry in India has offered to set up joint ventures in hotels in Kazakhstan and Kryghstan. Their response is awaited.

[Translation]

Presumptive Tax Scheme

*238. SHRI LAKSHMI NARAIN MANI TRIPATHI:

Will the Minister of FINANCE be pleased to state:

(a) whether a presumptive tax scheme for payment of income-tax was introduced by the Government;

(b) if so, the details thereof;

(c) the amount spent on promotion and publicity of this scheme as on January 31, 1994; and

(d) the amount of revenue earned as income-tax under this scheme so far?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKHRA MURTHY): (a) and (b). Yes, Sir.

The Scheme is applicable to individuals and Hindu Undivided Families not so far assessed to tax having income from retail trade in any goods or from the