E. C. No. 356

ESTIMATES COMMITTEE
1963-64

FORTY-FIRST REPORT

(THIRD LOK SABHA)

MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS)

Action taken by Government on the recommendations contained in the Hundred and Thirty-fourth Report of the Estimates Committee (Second Lok Sabha).

Life Insurance Corporation of India, Bombay.

LOK SABHA SECRETARIAT
NEW DELHI
December, 1963/Agrahayana, 1885 (S)
Price: Re. 0.90 nP.

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1963-64

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*Elected w.e.f. 16th August, 1963 *vice* Dr. K. L. Rao ceased to be a member of the Committee on his appointment as a Minister.

INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorised by the Committee, present this Forty-first Report of the Estimates Committee on the action taken by Government on the recommendations contained in the Hundred and Thirty-fourth Report of the Estimates Committee (Second Lok Sabha) on the Ministry of Finance (Department of Economic Affairs)—Life Insurance Corporation of India, Bombay.

2. The Hundred and Thirty-fourth Report of the Estimates Committee was presented to the Lok Sabha on the 17th April, 1961. Government furnished their replies indicating the action taken on the recommendations contained in this Report on the 13th November, 1961 The replies were examined by Study Group 'E' of the Estimates Committee (1963-64) on the 10th September, 1963. The draft Report was adopted by the Committee on the 25th November, 1963.

3. The report has been divided into the following four Chapters:—

I. Report.

II. Recommendations that have been accepted by Government.

III. Recommendations which the Committee do not desire to pursue in view of the Government's reply.

IV. Recommendations in respect of which replies of Government have not been accepted by the Committee.

4. An analysis of the action taken by Government on the recommendations contained in this Report of the Estimates Committee is given in Appendix II. It would be observed therefrom that out of 71 recommendations made in the Report, 59·1% have been accepted by Government and the Committee do not desire to pursue 23·9% of the recommendations in view of the Government's reply. Replies of Government in respect of the remaining 17% of the recommendations have not been accepted by the Committee.

NEW DELHI;
The 2nd December, 1963.
Agrahayana 11, 1885 (*Saka*).

A. C. GUHA,
Chairman,
Estimates Committee.

CHAPTER I

REPORT

Tiers of Administration:

In paragraph 11 of their 134th Report on the Life Insurance Corporation, the Estimates Committee had observed that there appeared to be considerable duplication of functions not only between the Divisional Offices and the Zonal Offices but also between the Zonal Offices and the Central Office and at least one of the two tiers of administration in a Zone was superfluous and could be eliminated. The Committee further observed that if a Zonal Office was set up in each State, it would be easier for such offices to deal with the Branch Offices directly without an intermediate Divisional Office, which could then be done away with.

2. While admitting that there was a certain amount of duplication of records in the various tiers depending upon the responsibility vested in them, Government have in reply stated that it was not correct to say that there was duplication of functions between the various offices of the Corporation. This duplication was strictly limited and was unavoidable in the very nature of the organisation. The Zonal Offices were charged with the task of supervision, control, co-ordination, enforcing discipline and taking of disciplinary action while the execution of the policy laid down was the responsibility of the Divisional Offices. Government added that the suggestion regarding setting up a zonal office in each State would, however, be examined if and when the tempo of business justified such a step.

3. The Committee have already observed in para 10 of the Report that matters like supervision, co-ordination etc. should be the responsibility of the Central Organisation. During evidence both the Chairman of the L.I.C. and the representative of the Ministry agreed that there could be a reduction in the tiers of administration in the Corporation as was envisaged by the Finance Minister in 1957 but the continuance of the existing tiers has now been sought to be justified. *The Committee are not convinced by the reasons advanced for the continued existence of the tiers. They feel that the time has come for a review of the organisation with a view to their reduction. The Committee have suggested that each State should have an L.I.C. Office. It can take up the work of the Divisional Offices in the State as also the functions of the present Zonal Office insofar as they relate to the State. In that case, a certain amount of readjustment of the work of the Branch Offices may be*

called for as also the taking over by the Central Office of some of the functions of the present Zonal Offices. They, therefore, reiterate the earlier recommendation and hope that a reduction in the existing tiers of administration would be brought about at an early date.

Creation of Higher Posts:

4. In para 29 of the Report, the Committee noted that Government had no powers over the creation of and appointment to any posts in the L.I.C. while in the case of all Government Companies and some statutory Corporations like ONGC, ESIC, and Khadi & Village Industries Commission, prior approval of Government was necessary for creating and making appointment to posts carrying a pay beyond prescribed limits ranging between Rs. 500 and Rs. 2,000. The Committee, therefore, recommended that there should be uniformity in all Public Undertakings in this respect and Government might examine the desirability of issuing a direction to the Corporation requiring it to seek Government's approval for creation of posts carrying pay over certain limit (Rs. 2,000). In reply Government have now stated that the Corporation has to respond very rapidly to the business production and potential and if it were made to seek Government's sanction for the creation of posts as also appointments thereto, the consequent inherent delay in the process would hamper the operations of the Corporation and adversely affect its business. Further, appointments to posts carrying a pay scale of and above Rs. 1,200 were made by the Board of the Corporation whose members were appointed by the Government. No useful purpose would, therefore, be served by subjecting the creation of posts carrying pay over certain limits and appointments thereto to the approval of the Government.

5. *The Committee consider that if the above argument has any merit in it then it should hold good in the case of all Public Undertaking which have to function on business principles.* They note that pursuant to the recommendation of the Krishna Menon Committee (referred to in para 29 of the Report) Government have taken the following decision in regard to Government Companies which include big industrial organisations like the Hindustan Steel Ltd.:

> "At present in accordance with the provision of Articles of Association of many Undertakings for the creation of posts carrying a basic salary of Rs. 2,000/- or more the approval of the President is required. It is decided to raise this limit to Rs. 2,250/-. Appointments to posts

carrying an initial or ultimate salary exceeding Rs. 2,250/- will be subject to the approval of the Government."

In the circumstances the Committee do not see any valid grounds for making an exception in the case of the L.I.C. or other similar institutions. They, therefore, reiterate their earlier recommendation and trust that Government would re-examine the desirability of issuing a direction to the L.I.C. in the matter under Section 21 of the Life Insurance Corporation Act.

Investment Policy:

6. In Chapter VI of their Report, the Committee had discussed the performance of the Corporation *vis-a-vis* the objectives of its investment policy in great detail. They felt that the various objectives of investment policy, *i.e.* social advancement, diversification, furtherance of the interests of the community as a whole and avoidance of speculation had not been achieved to any extent by the Corporation and could be better served by the Government with the help of funds provided by the Corporation. The Committee, therefore, recommended that it would be in the interest of the country and the Plan programme for the Government itself to take over the entire investible funds of the Corporation as an unfunded debt on a pre-determined rate of interest which could be decided periodically in consultation with the Corporation. It was felt that such a measure would not only relieve the L.I.C. of the controversial and distracting work of investment thereby enabling it to devote its entire time and energy necessary for increasing business and servicing of policies but would also enable the Government to better realise the objectives of nationalisation. Government have in reply stated that the above recommendation is not acceptable, as the advantages in accepting the recommendation are likely to be far outweighed by the advantages in allowing the Corporation to retain its own investment portfolio. It was argued that the following disadvantages will accrue by the proposed divestment of the Corporation of its responsibility for investment:—

(a) The quantum of bonus at present paid will be adversely affected with deleterious effect on the business of the Life Insurance Corporation;

(b) In order to give the LIC a fair return consistent with the earning capacity it has had so far, Government will have to pay a rate of interest which may affect its own borrowing programme; and

(c) The stability of the Government securities market and stock exchanges may be adversely affected thus impairing the economic climate of the country.

7. It would be seen from the Report that the Committee had already taken these points into consideration before making the above recommendation. The Chairman of the Corporation had told the Committee that the LIC could meet its liabilities on a return of 3% on its investment while it was getting a return of about 3½% net (excluding refund of income-tax) on its investments as a whole (para 121). The Committee had also pointed out that as against an estimated profit of Rs. 8 per thousand contemplated in the present structure of the premium rates, the Corporation was giving a bonus of Rs. 14 per thousand and that the bonus had to have some reasonable proportion to the estimates on the basis of which the premium rates had been fixed, if such profit sharing was not to degenerate into speculation (para 121). Even so, it was suggested that the interest payable by Government to the LIC might be pre-determined periodically in consultation with the latter to give it an adequate return to meet its liabilities. In the circumstances the statement that if the Corporation was relieved of the responsibility of investing its funds, the quantum of bonus at present paid will be adversely affected with the deleterious effect on its business, is not convincing. On the other hand, higher efficiency of the Corporation and low mortality rate could be expected to bring about a sizeable improvement in the surplus available for distribution to the policy-holders.

Further the fear that in order to give the L.I.C. a fair return Government will have to pay a rate of interest which may affect its borrowing programme, does not appear to be well-founded as the existing rates of borrowing by Government range from 3½ to 4½ per cent depending upon the period of loan while the investments of L.I.C. yield a net return of 3½ per cent.

8. As regards the statement that the proposed change in the investment policy of the Corporation might affect the stability of the Government securities market and stock exchanges, the Committee find it difficult to appreciate how a separate investment committee constituted by Government and specially charged with the task of investment to serve the wider interests of the nation could affect the stability of Government securities market or stock exchanges. Further, it is interesting to note that the Chagla Commission has held that it is the interest of the policy-holders that should motivate the investments and not the stabilisation of stock exchanges which would be an extraneous purpose from the L.I.C's. point of view.

9. *It would thus be evident that no valid reasons have been advanced for not accepting the Committee's recommendation. The Committee trust the Government would reconsider this matter and examine the feasibility of implementing this recommendation.*

Surrender Value of L.I.C. Policies:

10. In para 158 of the Report the Committee had pointed out that the surrender value of LIC policies was extremely low as compared to those issued by the Sunlife and Norwich Union prior to nationalisation. Since the amount of loan to the policy-holders depends on the surrender value, the Committee had recommended that the matter might be examined so as to bring the surrender value of LIC policies on par with the leading insurance companies abroad.

11. In reply Government have stated that the mortality rates in India were much higher than those in some of the advanced countries. Consequently the reserve which each policy built up was correspondingly lower in relation to premiums paid. Further the average sum assured in India was much less than in advanced countries and since the work of an insurance office depended upon the number of policies issued irrespective of the size of the policy, the expense ratio of the Corporation was higher than that of the leading insurers abroad. Besides, the Corporation had to incur higher expenses on renewal commission. Government added that the combined effect of the factors which determined the surrender values, namely mortality, interest and expenses varied from country to country and thus a comparison of the scales of surrender value allowed on policies in one country with those in another would not be appropriate. They have, however, stated that the Corporation was aware of the significance of the problem and had been examining the scale of surrender values from time to time and would continue to do so.

12. *While the Committee are glad to be assured that the scale of surrender value would be examined by LIC from time to time, they are not convinced by the above reply. The surrender value of foreign companies, reproduced in Appendix XV of the 134th Report, related to pre-nationalisation period when these foreign companies were operating in the country. Even then the surrender value of their policies was much higher than the present surrender value of LIC policies. The Committee feel that with the improved management of the LIC and decrease in the rate of mortality, there should be scope for increasing the surrender value of LIC policies. Further the efficiency of a monopolistic organisation like the LIC can be judged by comparing its performance with similar organisations in foreign countries where the surrender value is much higher. The Committee therefore reiterate their recommendation and hope that the surrender value of LIC policies would be suitably increased.*

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 4)

(i) *Should there be decentralisation of functions of the Central Office and semi-autonomous zonal units are created, as envisaged in paragraph* 10 *of the Report, then the composition, powers and functions of the Members of the Corporation as well as the Zonal Advisory Boards would require examination, and the Zonal Advisory Boards would have to be strengthened by the addition of people having knowledge of insurance business. The Committee trust that these matters would be examined by Government at the appropriate time.*

(ii) *As an immediate measure, Government may endeavour to appoint more members with experience of life insurance work. (Paragraph* 16).

REPLY OF THE GOVERNMENT

Noted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November,* 1961.]

Recommendation (Serial No. 6)

The Committee consider that an inspection of every office should be carried out at least once every year, as provided in the L.I.C. Regulations. (*Paragraph* 20).

REPLY OF THE GOVERNMENT

Accepted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November,* 1961.]

Recommendation (Serial No. 7)

The Committee have elsewhere suggested the abolition of the Divisional Offices when servicing will become the responsibility of Branch Offices. Till such time that the recommendation is implemented, the Committee feel that the inspection organisation should pay special attention to the servicing of policies and payment of *claims during their periodical inspection of the Divisional Offices. (Paragraph 21).*

REPLY OF THE GOVERNMENT

Accepted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 8)

(*i*) *It is evident that the Employees' and Agents' Relations Committees are not meeting regularly in all the Zones. In the Southern Zone no meetings have been held for* 3 *years and in the Eastern Zone only one meeting has been held for* 3 *years. These are statutory committees which it is expected will be taken a little more seriously.*

(*ii*) *The Committee trust that necessary action would be taken to ensure that the Agents' Associations are adequately represented on these Committees and their meetings are held regularly. (Paragraph* 25).

REPLY OF THE GOVERNMENT

Accepted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 13)

(*ii*) *Any directions issued should also be published in the Annual Reports of the Undertakings as recommended by the Committee in paragraph* 26 *of their* 86*th Report (Second Lok Sabha). (Paragraphs* 34—36).

REPLY OF THE GOVERNMENT

(*ii*) Accepted. Directives issued henceforth will be published in the Annual Reports.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 14)

No precise statistical data had been collected for the purpose of fixing targets of new business. The Committee consider that one of the ways to do so would be by collection of statistics of potential business through field officers by means of properly devised proforma (Paragraph 42).

REPLY OF THE GOVERNMENT

The recommendation is accepted.

Instructions have recently been issued to all divisional offices to gather, in future, through field officers and agents, statistics regarding the business potentialities in different areas. For this purpose, a model proforma prepared by the Central Office for adoption by the divisional offices with suitable changes, if any, to meet local conditions has been drawn up. The proformae have already been put into use by field officers and others to collect the aforesaid statistics.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November,* 1961.]

Recommendation (Serial No. 15)

The Committee are glad to note that the Corporation exceeded the targets of new business during the first three years of its working but they fail to understand why there has been a shortfall of about Rs. 65 *crores in the year* 1960, i.e., 12% *of the target of Rs.* 525 *crores. The actual increase so far has been Rs.* 59 *crores a year on an average, that is nearly a third of the anticipated average increase in the next three years. Unless the Corporation improves on its present performance in securing new business by about* 3 *times the target of business fixed for* 1963 *cannot be fulfilled. The likelihood of the Life Insurance Corporation even bettering this target, as indicated in the speech of the Finance Minister, referred to in para* 43 *of the Report, seems rather doubtful. The Committee hope that the target of new business under the Five Year Development Plan will not have to be substantially revised and that suitable steps will be taken to reach it after analysing the reasons for shortfall in* 1960 *and overcoming them.* (*Paragraph* 43).

REPLY OF THE GOVERNMENT

Noted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November,* 1961.]

Recommendation (Serial No. 16)

The Committee trust that the Corporation would plan its future programme after taking into account the various targets of performance indicated before Parliament from time to time and the vast potential of life insurance which is obviously there. They hope that Government also will keep a continuous watch over the actual performance of the Corporation so that it may not fall behind the targets *and that the objectives of nationalisation are amply fulfilled. (Paragraph 47).*

REPLY OF THE GOVERNMENT

Noted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November,* 1961.]

Recommendation (Serial No. 17)

(*i*) *The over-concentration of a major portion of the new business of the Life Insurance Corporation in the last months of the year is in striking contrast to the corresponding distribution in the U.S.A. The Committee are of opinion that the situation demands much more effective steps to be taken than hitherto. One way of doing so would be to fix the targets of new business for the field staff on a quarterly basis instead of the present annual targets.*

(*ii*) *They also suggest that in order to encourage the field staff to pay more attention to the soundness of business procured, prizes may be awarded on the basis of the business which continues to be in force two years after its introduction instead of the present practice of awarding such prizes on the volume of business procured during the year.* (*Paragraphs* 50—52).

REPLY OF THE GOVERNMENT

(i) and (ii) Noted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November,* 1961.]

Recommendation (Serial No. 18)

(*i*) *The Committee suggest that lapses from the business written in the last quarter of the year should be worked out separately for each month and published in the annual reports of the Corporation.*

(*ii*) *It would also be desirable for the Life Insurance Corporation to give in the Annual Reports figures of new business written during each month of the year zone-wise as indicated in paragraph 49 of the Report.* (*Paragraph* 53).

REPLY OF THE GOVERNMENT

(i) and (ii) Noted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November,* 1961.]

Recommendation (Serial No. 19)

Since the spreading of insurance to the rural areas is one of the primary objectives of the Corporation, the Committee recommend that efforts may be made to increase such business more effectively than has been done so far. (Paragraph 56).

REPLY OF THE GOVERNMENT

Accepted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 20)

The Committee feel that it would be hardly realistic to view all areas having a population upto 20,000 as rural. They understand that for purposes of census the areas having a population of 5,000 and below are viewed as rural. They suggest that the same definition may be adopted by the Corporation and figures of rural business may be compiled and published separately in the Annual Reports of the Corporation. They do not appreciate different standards to be applied for determining what are rural areas for different purposes. (Paragraph 57).

REPLY OF THE GOVERNMENT

Noted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 21)

As group insurance practically rules out lapses and makes for lower expenses the Committee suggest that special efforts should be made by the Corporation to popularise this scheme, particularly in the industrial undertakings, both in the public and private sectors. (Paragraph 60).

REPLY OF THE GOVERNMENT

Noted.

Efforts in this direction are being made, and will be further intensified.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 22)

The Committee hope that the non-medical scheme will be successful. They need hardly stress that the success of such a scheme would depend on the careful selection of lives so as to avoid, or at any rate minimise, fraud or anti-selection. (*Paragraph* 61).

REPLY OF THE GOVERNMENT

Noted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 25)

The Committee are glad to note that there has been an improvement in the lapse ratio of the business written by the Corporation since 1957. *In para* 52 *they have suggested that concerted efforts should be made to spread the business of the Corporation evenly throughout the year. This may further reduce lapses. The Committee trust that every effort would be made to bring the lapses to the level of the erstwhile best managed Indian and foreign insurers.* (*Paragraph* 68).

REPLY OF THE GOVERNMENT

Noted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 26)

The Committee were informed by the Controller of Insurance that information in forms DD, DDD and DDDD, which was required to be submitted along with the audited accounts for 1959, *had not been submitted by the Corporation till December,* 1960 *and in the absence of this information, it has not been possible for him to check the figures of lapses given in para* 67 *of the Report. The Committee would refer to their remarks in paragraph* 77 *and trust that in future the Corporation would furnish such information in time.* (*Paragraph* 69).

REPLY OF THE GOVERNMENT

Noted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 27)

One of the desired effects of life insurance is an increased provision of social security. If this is to be achieved, it does not appear desirable to leave out of consideration the possibility of introducing compulsory life insurance to Central Government employees whose total number runs to about 20 lakhs. There is no reason why it cannot be done by the Central Government when it has been possible for a number of State Governments to do so. The Committee consider that the matter calls for co-ordinated examination by Government at a high level. One of the requirements of such a scheme would be the deduction of premia at source. This has been dealt with in paragraph 155 of the Report. (Paragraph 71).

REPLY OF THE GOVERNMENT

The suggestion has been noted and, as suggested, is being examined by the Government of India.

[*Min. of Finance O.M. No.* 5(46)—*INS*(*II*)/61, *dated* 13*th November* 1961.]

Recommendation (Serial No. 28)

(i) *Statistics relating to the first insurance policies and sum assured thereunder in urban and rural areas, should be published in the annual reports of the Corporation.*

(ii) *Statistics relating to the policies classified into:*

(a) Rs. 501 — 1,000

(b) Rs. 1,001 — 2,000

(c) Rs. 2,001 — 3,000

(d) Rs. 3,001 — 5,000

(e) Rs. 5,001 — 10,000

(f) Rs. 10,001 — 100,000

(g) Rs. 100,001 — *and above should be included in the annual reports of the Corporation;*

(iii) *Lapse ratio for the year under report should be compiled in time for inclusion in the relevant annual report of the Corporation;*

(iv) *It should be ensured that the age of proponents is admitted and the assignments are made by policy-holders within a period of* 12 *months from the date of issue of the insurance policies;*

(v) *The desirability of making cash payments for the amount of bonus declared or in the alternative allowing the bonus amount to be utilised towards payment of premium might be considered; and*

(vi) *The Corporation should keep in touch with the latest plans of insurance available to the policy-holders in other countries with a view to introducing them here. (Paragraph 72).*

REPLY OF THE GOVERNMENT

(i), (ii) and (iii) Noted.

(iv) Noted. It is not possible to compel the proponents to get their age admitted or to ensure that assignments of nominations are made on the policy within a specified period. However, the Corporation will make all attempts to persuade proponents to act as suggested.

(v) Though the bonus is payable when the sum assured becomes payable, even at present, the amount of bonus can be surrendered for a (smaller) cash amount or the cash value can be utilised towards payment of premiums.

(vi) Noted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 29)

The Report of the first valuation as at 31-12-57 *was presented to Parliament on* 5*th August*, 1959, i.e. 19 *months after the period to which it related. Even this report was not final as the objections raised by the Controller of Insurance on the values of some of the assets as well as adjustments to the Life Fund had not been settled. The Committee consider that normally only final reports which depict a true and complete picture should be presented to Parliament. In this case, they feel that it should have been at least indicated for the information of Parliament that the valuation, though provisional, was not expected to vary materially. This was not done. (Paragraph* 75).

REPLY OF THE GOVERNMENT

Noted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 31)

The Committee understand that the Corporation has not so far furnished the valuation returns to the Controller of Insurance in *regard to the second valuation as at 31-12-59 under Section 15 of the Insurance Act, 1938, as applied to the Corporation. These were required to be submitted within a period of 9 months, i.e., by 30th September, 1960. In this connection, it is to be noted that the Corporation did not even approach the Central Government for extension of the period of submission of returns which could only be given upto a period not exceeding three months thus making a total of 12 months. Even this maximum period has been exceeded and yet the returns have not been furnished to the Controller of Insurance. It may be noted that failure of the Corporation to furnish returns in time to the Controller of Insurance attracts penalties under Section 102 of the Insurance Act. The Committee feel that it is essential for public undertakings to comply strictly with the provisions of the various statutes applicable to them. (Paragraph 77).*

REPLY OF THE GOVERNMENT

Noted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 34)

No regulations have been so far framed in respect of classification of policies under Section 49(2) (k) *of the Life Insurance Corporation Act, 1956, pending finalisation of the scheme of differential bonuses. The Committee hope that early action will be taken to finalise the scheme and frame regulations for the classification of policies. (Paragraph 80).*

REPLY OF THE GOVERNMENT

Noted. The Regulations in question have been finalised and have been gazetted on the 14th October, 1961.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 36)

The Committee trust that the settlement of compensation in all the outstanding cases would be finalised as early as possible. (Paragraph 82).

REPLY OF THE GOVERNMENT

Noted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 37)

The Committee recommend that the Corporation may examine the desirability of changing the present practice of banking with a large number of Banks and of having as far as possible operating account with the State Bank of India alone. (Paragraph 84).

REPLY OF THE GOVERNMENT

It is the policy of the Corporation to open both operating and non-operating bank accounts as far as possible with the State Bank of India if a branch of that bank is located in the same place as the office of the Corporation. In large towns such as Bombay, Calcutta etc. where the Corporation has a large number of branches which are run as separate units (for example in Bombay City there are one Divisional office and 18 city branches; in Calcutta city there are one Divisional office and nearly twenty branch offices)—it has not been found practicable to open bank accounts for all these units with the same branch of the State Bank of India in that town, in the interest of expeditious adjustments and reconciliation of bank accounts.

[*Min. of Finance O.M. No.* 5(46)—*INS(II)*/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 38)

The large balances in current accounts at the end of the year as indicated in paragraph 85 of the Report could have been invested gainfully in call deposits. (Paragraph 87).

REPLY OF THE GOVERNMENT

Noted. It may be mentioned that very large amounts are collected by the different offices of the Corporation during the last few days of December. As a result of this, substantial amounts remain in current account with the banks. However, efforts are being made to keep these balances to the minimum.

[*Min. of Finance O.M. No.* 5(46)-*INS(II)*/61, *dated* 13*th November*. 1961.]

Recommendation (Serial No. 39)

(i) *The Committee would suggest that the Corporation may examine the desirability of keeping its call deposits also with the State Bank of India as far as possible.*

(ii) They would further suggest that the cash position of the Corporation should be examined at least twice a week in order to ensure that surplus money in its current account is transferred to call deposits, pending regular investment. (*Paragraph* 88).

REPLY OF THE GOVERNMENT

(*i*) Noted. Notwithstanding the Corporation's policy to maintain accounts in the State Bank of India as far as possible, it becomes necessary for the Corporation to avail itself of the services of other banks as well.

(*ii*) Accepted. Bi-weekly review of bank balances and investment or transfer to call deposits of surplus funds have in fact been the practice all along.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial) No. 40)

The Committee hope that with improved management, the Corporation would not only reach but improve on the renewal expense ratio attained by the leading erstwhile insurance companies in the country. (*Paragraph* 90).

REPLY OF THE GOVERNMENT

Noted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 43)

(*i*) *The Committee trust that the details of activities likely to be taken up in subsequent years would also be incorporated in the Reports from* 1960 *onwards.* (*Paragraph* 94).

REPLY OF THE GOVERNMENT

(*i*) Relevant details of the activities likely to be taken up in future years will be mentioned in the Annual Reports.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 44)

The Committee hope that a beginning would be made to include a summarised statement showing the excess of income over expenditure at a glance in the annual reports of the Corporation from this year, as agreed to by the representative of the Corporation. (Paragraph 95).

REPLY OF THE GOVERNMENT

Noted. The necessary information would be incorporated in the Annual Reports of the Life Insurance Corporation of India.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November,* 1961.]

Recommendation (Serial No. 47)

In the opinion of the Committee the salaries of officers in the Corporation should not be so fixed as to bear no reasonable proportion to the salaries drawn by them for discharge of similar duties prior to nationalisation. Such a treatment may create dissatisfaction among others not equally fortunate. The Commitee suggest an examination by Government of such cases if not for the purpose of disturbing the existing order at least as a guidance for the future, though the cases that may arise hereafter may not be many. (Paragraph 132).

REPLY OF THE GOVERNMENT

Noted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November,* 1961.]

Recommendation (Serial No. 49)

The Committee feel that since the Field Officers are expected to guide, supervise and direct the activities of agents and to recruit, train and motivate them for insurance work, recruitment to this category of officers should as a rule be made from among successful wholetime agents of at least 5 years' standing. Such a provision might be attractive to good agents who after obtaining an assured renewal commission might feel encouraged to work as field officers. (Paragraph 138).

REPLY OF THE GOVERNMENT

In making appointment to the cadre of Field Officers, preference is already being given to successful agents of the Life Insurance Corporation of India who have the capacity end are willing to accept the job of a field officer. It is, however, found that agents who are very successful and consequently derive large incomes from commission do not find the job of field officers attractive. Consequently, besides the insurance agents, persons who have experience in management and selling in other lines are also recruited as field officers. Every effort will be made to recruit more and more field officers from amongst successful agents.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 51)

The Committee suggest that the Corporation may take effective steps to eliminate benami *agents.* (*Paragraph* 144).

REPLY OF THE GOVERNMENT

Noted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 54)

The Committee hope that necessary action would be taken at an early date in the matter of permitting the agents to nominate the beneficiaries to their renewal commission. (*Paragraph* 147).

REPLY OF THE GOVERNMENT

Noted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 56)

The Committee consider that, instead of one individual working as an agent, if two or more persons pool their resources, they could (as partnerships or cooperative venture) render continuous and better service to the policy-holders. In view of these advantages, the Committee suggest that the feasibility of granting licences to cooperative bodies and partnerships might be considered. (*Paragraph* 149).

REPLY OF THE GOVERNMENT

Accepted. The Corporation is already granting agencies to cooperatives and panchayats.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 57)

The Committee appreciate the various steps taken to encourage the spread of insurance in rural areas by utilising the agency of the Panchayats. In view of the doubts expressed that the proposed arrangement of requiring the Panchayats to collect the premia and payment of service-cum-collection charges to them is not in conformity with the spirit of Insurance Act, 1938, it would be desirable to have the matter examined and if necessary action taken to modify the existing statutory provisions to remove any doubts in the matter. (Paragraph 151).

REPLY OF THE GOVERNMENT

Accepted. The existing provisions of the Insurance Act will be modified, as soon as possible, to give effect to the recommendation.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 58)

The Committee consider that investigation of individual complaints to the effect that premium notices were not issued by the Corporation regularly and when any premium was not paid in time copies of default notices were not endorsed to the Agents through whom the particular policy was issued so that the agent could follow it up though certainly desirable, may not be enough remedy for the state of affairs that is indicated by the complaints made to them from many quarters. Further, not all such cases will be brought to the notice of the Corporation through written complaints. The ordinary man will judge the performance of the Life Insurance Corporation by the efficiency and promptness of service to the policy-holders. It is, therefore, essential that the Corporation should take special and effective steps to improve its servicing so that there may be no room for any such complaints. (Paragraph 153).

REPLY OF THE GOVERNMENT

Noted. The Life Insurance Corporation of India is taking every step to improve the servicing of the policies.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 59)

At present payment of premia is accepted only at the Branch Offices of the Corporation where the relevant policy records are maintained. The earlier practice of accepting premium in any of its *offices has been discontinued. The withdrawal of this facility has caused much inconvenience and hardship to the policy-holders. The Committee suggest that the feasibility of reverting to the earlier practice may be reconsidered.* (*Paragraph* 154).

REPLY OF THE GOVERNMENT

Noted. Payment of premium in any of the offices of the Corporation which was previously permitted, led to considerable delay in the issue of premium receipts and caused dissatisfaction among its policy-holders. The present practice results in timely issue of receipts and the policy-holders have generally welcomed the present system. However, the Corporation is fully alive to the need of giving its policy-holders the best possible service and the position will be kept under constant surveillance.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 61)

The procedure for grant of loans to policy-holders seems to be far from simple. The Committee consider that delays in the grant of loans defeat the very object for which loans are applied for by the policy-holders. They trust that immediate attention would be paid to these matters and action taken to simplify the procedure for disposal of loan applications by empowering the branches to grant loans upto a specific amount which should be disposed of within a time limit to be fixed for the purpose. The Committee would further suggest that the desirability of charging a lower rate of interest on such loans may also be examined. It should also be possible for the Life Insurance Corporation to accept repayment of loans (1) *within* 6 *months of the loan giving proportionate rebate of interest taken in advance and* (2) *in instalments the minimum of which may be prescribed.* (*Paragraph* 156).

REPLY OF THE GOVERNMENT

Noted. It has been decided to allow, as an experimental measure, some selected branches, to grant loans upto a certain amount. This facility is proposed to be extended to all branches, progressively When such extension takes place, the time taken for the sanction and payment of the loan is expected to be reduced.

While every attempt is made to expedite settlement of loans, a time-limit is not possible in as much as certain basic requirements have to be fulfilled by a policy-holder before any loan application can be entertained.

In considering the rate of interest charged on loan namely, 6 per cent it has to be remembered that the Corporation has to incur administrative expenses both at the time of granting loans and also at the time of servicing them. However, the Corporation will examine, from time to time, the rate of interest which should be charged.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*) 61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 64)

(i) *The Committee feel that delay in the settlement of claims is very undesirable and results in unnecessary hardship to the claimants. Particularly, when Government has guaranteed the payment of sum assured to policyholders, such delays also tend to expose Government itself to criticism. The Committee suggest that Government should call for periodical returns of outstanding claims and ensure that their settlement is not delayed.*

(ii) *A time-limit may be laid for the settlement of both death and maturity claims.*

(iii) *Investigations into early death claims about whose settlement there are many complaints may be specially conducted by senior officers.* (*Paragraphs* 159—62).

REPLY OF THE GOVERNMENT

(i) and (ii). Noted. Delay in the settlement of claims arises where all the requirements have not been duly complied with by the claimant or where the title to a claim is under dispute. In such cases the Corporation can do little to expedite settlement of claims. The Corporation is taking all steps to settle the claims with the least possible delay.

(iii) Noted. These investigations are already being conducted under the direct guidance and supervision of senior officers.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 65)

(ii) The Committee also recommend that to enable a correct appreciation of the position of each Zone, and from year to year, the figures of outstanding claims, classified into maturity and death

claims zone-wise, their value, period for which they are outstanding etc. may be published in the Annual Reports of the Corporation. (Paragraph 163).

REPLY OF THE GOVERNMENT

(ii) Noted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 67)

The Committee would suggest that an analysis of complaints received by the Corporation during a year from each zone, should be published in its Annual Reports. (Paragraph 166).

REPLY OF THE GOVERNMENT

Noted. An analysis of complaints received by the Life Insurance Corporation during a year from each Zone would be published in its Annual Reports.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 68)

(i) *While the Corporation may have its own buildings to house its offices wherever justified, it does not appear necessary to possess such a large number of buildings for renting out, particularly when the net return does not exceed 3 per cent. on the capital invested. The Committee recommend that the Corporation may examine the desirability of disposing of its unwanted or surplus buildings gradually for reasonable prices.*

(ii) *Special efforts may be made to gain occupation of the buildings rented out wherever it would be economical to use them for Corporation's own offices at present housed in rented buildings. (Paragraph 170).*

REPLY OF THE GOVERNMENT

(i) and (ii). Noted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 69)

(i) *Obviously the scheme for the grant of loans on mortgages of property, if it is to be continued, has to be extended to places other*

than the few important cities to which it is at present restricted. The Committee hope that the experience gained by Corporation so far would enable such a relaxation to be made. (Paragraph 173).

REPLY OF THE GOVERNMENT

(i) Noted. It is proposed to extend in course of time the scheme to more and more cities after making proper administrative arrangements.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 70)

The Committee hope that sufficient information about the working of the Corporation would be published in future in the Insurance Year Books to serve as a book of reference on life insurance matter, as of general insurance. (Paragraph 174).

REPLY OF THE GOVERNMENT

Accepted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 71)

The Committee regret to observe that the annual reports etc. of the subsidiaries of the Corporation were furnished to them late on the 13th December, 1960, despite reminders. The Sub-Committee on Public Undertakings had by then completed their examination of the LIC, including the evidence of its officials. As such, it has not been possible for the Committee to examine the working of these subsidiaries. (Paragraph 176).

REPLY OF THE GOVERNMENT

Noted.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY

Recommendation (Serial No. 1)

In the case of a monopolistic and monolithic enterprise like the Life Insurance Corporation no comparative standards for measuring efficiency and performance are readily available. In the absence of such competition, perhaps defects cannot also be easily located or removed.

The suggestion which contemplates a federal structure with semi-autonomous zonal units, has a number of desirable features. It will not entail duplication of organisation. On the other hand the grant of more autonomy in the writing of business, payment of claims, grant of loans, servicing etc., will encourage initiative and can be expected to result in increased efficiency. Such delegation of functions is also likely to require a smaller Central Organisation which need be concerned only with policy matters, overall supervision, co-ordination, rates of premia, higher recruitment, postings and transfers, training, inspection, etc. An element of competition between the different semi-autonomous Zonal Units could thus be introduced. The figures of new business, management expenses, overall and renewal expense ratios, profit and loss etc. could be worked out for each Zone and published separately in the Annual Reports of these Units to enable their efficiency to be judged. The Committee recommend that the matter may be examined in the light of the observations made above. (Paragraph 10).

REPLY OF THE GOVERNMENT

Noted. The position at present is that the zones are already functioning as semi-autonomous units to a substantial extent. The question of delegating the largest possible powers to the various offices of the Corporation is constantly under review.

Even now there is competition between the zones, divisions, branches, field officers and agents. The new business figures, zone-wise, are already being published in the annual reports. The question of publishing renewal expense-ratio and management expenses of different zones will be examined after the work relating to decentralisation of policies issued by the erstwhile insurers has been completed.

Profit and loss account cannot be worked out for the different zones separately as the investment work is centralised at the Central Office of the Corporation.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 3)

The Committee suggest that the jurisdiction of Branch and supervisory offices may be demarcated in such a way as not to fall in more than one State except for very special reasons. (Paragraph 13).

REPLY OF THE GOVERNMENT

The present jurisdiction of branches and divisions has been demarcated from the point of view of administrative convenience. It has also happened that some areas which were included in one State have been transferred to another State after the Corporation made their own demarcation. The Committee's suggestion has, however, been noted for guidance when changes in these demarcations are made in future.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

FURTHER INFORMATION DESIRED BY THE STUDY GROUP

The number of cases where a jurisdiction of a Branch/Division falls in more than one State and a note indicating the difficulties, if any, in implementing the recommendation of the Committee.

[*L.S.S. O.M. No.* 28-*PU*/61, *dated* 17*th September*, 1962.]

FURTHER REPLY OF GOVERNMENT

The note on the above points is reproduced as Appendix I.

[*Min. of Finance O.M. No.* 5(46)-*INS* (*II*)/61, *dated* 19*th January*, 1963.]

Recommendation (Serial No. 12)

Whatever justification there may have been for locating the Central Office of the Corporation in Bombay originally when the head offices of most of the erstwhile insurers situated in Bombay had to *be integrated, now that it has been done the need for its continued location there loses much of its significance. Moreover, with the creation of semi-autonomous Zonal Units recommended at paragraph 10 of the Report, it would be administratively convenient for the Central office of the Life Insurance Corporation to be located at a more central place from where the work of co-ordination and overall supervision may be discharged more conveniently. The Committee recommend that Government may examine the desirability of shifting the Central Office of the Life Insurance Corporation from Bombay to a more suitable place (Paragraph 31.)*

REPLY OF THE GOVERNMENT

It is considered that no particular advantages accrue in locating the Central Office in a geographically central place. The Central Office holds meetings of the Board, its various Committees, and conferences of Zonal Managers and Divisional Managers. Officers from the Central Office have also to visit the various offices of the Corporation from time to time. It will be necessary to locate the Central Office in a place which is easily connected by rail and air with most of the places in the country and Bombay is one of the very few places so connected. In addition, the cost of shifting will be enormous, with no advantage accruing therefrom. It will be necessary to find residential accommodation for the staff of the Central Office if it is shifted and with the present housing shortage at most urban centres this may present insurmountable difficulties. Moreover a spacious building to accommodate the Central Office in Bombay is already under construction and if the Central Office is shifted it will be difficult to find similar accommodation anywhere else.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th Nov.* 1961.]

Recommendation (Serial No. 23)

While the Committee do not want to go into the technicalities of the legal position they feel that the question of payment of a portion of profits to non-participating policyholders has to be looked into from the point of view of equity also. Since the higher premia paid by a with-profit endowment policyholder is determined on the basis of bonus of Rs. 8 on each thousand of the sum assured, the policyholder can expect a higher return upto a reasonable limit. If the profits go beyond this limit, the Committee consider that there is certainly a case in equity for a portion of the profits being passed on to the non-participating policyholders, at least ex-gratia. *The*

Committee hope that the matter will be examined by Government from this angle. (Paragraph 64.)

REPLY OF THE GOVERNMENT

It is true that the non-participating policies are under present conditions contributing to the surplus. But over a long period, it is not definite whether such contributions would continue and even whether there would not be a loss from this class of business. If there is a loss then legally it is not permissible to reduce the contracts under the non-participating class and the loss has perforce to be met by a reduction in the bonuses to the with-profit participating class. It would not, therefore, be equitable if profits emerging out of non-participating class are allowed to them *ex-gratia* while they are not required to bear losses which might arise in future.

2. The fact that the premium for non-profit business contain margins and that this business should contribute to a modest share of the profits is a well-recognised principle in Life Insurance and, in support, the following quotations are given:

"The participating policyholders take the risk of the non-participating business. As the participating policyholders bear the risks, they also take their share of the profits (if any) of the non-participating business, and the profits from such classes normally make a modest contribution to the bonuses of the participating policyholders."

(Coe & Oghorn Text Book Page 7).

"........It is in accord with the mutual principles of insurance that all members of a Company stand together and share good and ill fortune, and any one desiring to enter the Company and insisting on a contract unaffected by fluctuations must pay adequately for his admission on the terms he requires."

(Inaugural address by the President of the Faculty of Actuaries in 1940)

Besides the points mentioned above, other considerations would weigh against such a proposal even if it is decided to pass on the profits to the extent considered necessary that emerge out of the non-participating class of business, the addition that can be made on this account would necessarily be small. Having declared an *ex-gratia* bonus on such basis once, an expectation is created in the minds of the policyholders for payment of bonus on these policies as well. In any future fixation of premium rates this factor will have to be

taken into account and the premiums have to be fixed with a view to maintaining such *ex-gratia* additions. In practice, therefore, it would reduce to the position of the Corporation issuing two types of participating policies—one participating at a high rate and another at a low rate. The institution of non-participating policies giving cover to the policyholders at the lowest cost would disappear.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 30)

The Committee understand that bonus warrants as a result of valuation as on the 31*st December,* 1957 *have not so far been issued to the policyholders. They consider the delay regrettable all the more because the bulk of Government share has been already paid.* (*Paragraph* 76)

REPLY OF THE GOVERNMENT

At the valuation as at 31st December, 1957, no declaration of bonus on individual policies was made. Pending finalisation of the scheme of differential bonus, it was decided, that the policyholders' share of surplus should be *reserved* for the benefit of participating policyholders (subject to the exception that, in the case of policies becoming claims by death or maturity, bonuses would be paid in accordance with the provisional scheme of differential bonus referred to in the valuation report.) The differential bonus scheme has been finalised. The work relating to issue of bonus cards has been taken in hand.

[*Min. of Finance O.M. No.* 5(46)-*INS* (*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 33)

The Committee suggest that the Corporation may examine the desirability of associating one or more experienced independent actuaries in carrying out the valuation. (*Paragraph* 79)

REPLY OF THE GOVERNMENT

Noted. Kindly see reply to recommendation No. 24.

[*Min. of Finance O.M. No.* 5(46)-*INS* (*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 35)

In the first Valuation Report the erstwhile insurers have been classified under five groups on the basis of the reserves brought by *them into the Corporation. The policyholders of the insurers under the first four groups are entitled to bonuses at different rates according to the reserve strength of their insurers. The policyholders of Group V companies do not get any bonus at all. While the Committee appreciate that the rate of bonus may have to vary on the basis of the assets of each erstwhile insurer, they hope that the results of better management and working of the Corporation would enable some bonus being paid in future to the policyholders of Group V Companies. (Paragraph* 81.)

REPLY OF THE GOVERNMENT

The provisional scheme of differential bonuses announced in 1959 has been replaced by the final differential Bonus Scheme. The factors mentioned by the Committee have been taken into account in the new grouping. However, the assets of a few of the erstwhile insurers are such as would not justify declaration of any bonus.

[*Min. of Finance O.M. No.* 5(46)-*INS* (*II*)/61, *dated* 13*th November*, 1961.]

Recommendation (Serial No. 42)

The Committee are inclined to agree with the stand taken by Government that there should be one auditor for each zone and one extra auditor for Bombay who, along with the Zonal Auditor, should audit the consolidated accounts of the Corporation and there is no reason why the Life Insurance Corporation should not have accepted the suggestion. At any rate it should be acted upon in future. (Paragraph 92).

REPLY OF THE GOVERNMENT

The Corporation is a very large organisation and the number of accounts and transactions to be audited are so large and complicated that six firms of auditors cannot do justice to the task. Besides, the number of offices of the Corporation has increased enormously during the last three years from 273 in 1957 to 422 in 1960 and would continue to increase in future. Even with the present number of firms of auditors, it has been the Corporation's experience that they find it difficult to finish the audit in time.

On re-examination of the position it has been found that no financial advantage will be gained by reducing the number of auditors as the cost of audit would not be reduced by having a smaller number of firms because this smaller number would have to be given higher remuneration for carrying out the much large volume of work which they would necessarily have to do.

[*Min. of Finance O.M. No.* 5(46)-*INS* (II)/61, *dated* 13th *November,* 1961.]

Recommendation (Serial No. 43)

(ii) *They should also refer to the recommendations contained in the 20th Report of the Estimates Committee (2nd Lok Sabha) for the preparation of performance-cum-programme statements by the Public Undertakings and suggest that the Life Insurance Corporation should also take necessary action in the matter.* (*Paragraph* 94).

REPLY OF THE GOVERNMENT

(ii) The operations of the Corporation are different in many respects from those of other public undertakings. The Corporation's budget itself is framed in accordance with a definite programme. Many of the large items of expenditure included in the budget are self-regulating with the result that if the achievement falls short of the programme, the expenditure on these items is automatically lowered. Items of expenditure which are not self-regulating are even now watched every month and check is exercised in controlling such items. The Corporation watches the performance of every division, branch and sub-office in relation to the budgetary provision and necessary proformas have been prescribed for these offices to submit periodical returns. The Corporation is also engaged in constantly improving the statistical technique in order to enable it not only to exercise budgetary control but to assess the performance of different offices.

[*Min. of Fin. O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th* *November,* 1961.]

Recommendation (Serial No. 46)

(i) *The overall increase in staff during* 3 *years period* 1957—59 *has been over* 21 *per cent and the increase in expenditure about* 29 *per cent. While some additional staff might have been required to look after the increased business of the Corporation, the Committee find it difficult to appreciate the justification for such a large increase in the number of employees within a period of two years, particularly in view of the statement of the Minister of Finance quoted in para* 125 *of the Report. They consider that the real test of economy and efficiency of the Corporation would be to increase the business without a corresponding increase in operational cost. The*

Committee feel that once the Corporation has established its network of organisation it should be possible to exercise more economy in the number of staff employed and the existing organisation should be able to take care of additional business to a large extent. They recommend that the staff position in the various categories of the different zones may be constantly reviewed with reference to the work-loads which should be uniform for all zones and efforts made henceforth to secure additional business without a corresponding increase in staff.

(ii) *The immediate attempt should be to approximate the ratio of the strength in the other zones to that of the Western Zone at least and see to the elimination of the wide disparities between the zones. (Paragraphs* 124—31).

REPLY OF THE GOVERNMENT

(i) Life Insurance Organisations depend upon manpower for transacting their business. As the business grows, it is necessary to increase the available manpower also. As more and more of the Corporation's employees are trained and get experience, it will be possible to manage with less additional staff than the increase in business would call for. The Corporation has already made efforts in this direction and during the period 1957—1960 the staff has been increased only by 21 per cent as compared with an increase of 36 per cent in the business in force.

(ii) The Corporation has been examining the staff strength in the various zones and making adjustments from time to time. It is hoped that in time to come the existing disparity in the strength of staff in the different zones will be reduced considerably.

[*Min. of Fin. O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November,* 1961.]

Recommendation (Serial No. 48)

The liability incurred by the Corporation in the defamation case against one of its officers is obviously far in excess of the financial assistance which a similar Government servant could have obtained in similar circumstances; nor is it contemplated to recover any portion of this expenditure. The Committee are firmly of the view that the principles and rules to be followed in this respect by the Life Insurance Corporation of India or any Public Undertaking in such a case should be the same as prescribed by Government for its Officers. A direction to this effect may be issued by Government *to Life Insurance Corporation of India and to all other public undertakings.* (*Paragraph* 136).

REPLY OF THE GOVERNMENT

A Government officer is entitled to certain safeguards in cases where he is accused of any offence alleged to have been committed by him while acting or purporting to act in the discharge of his official duties. One such safeguard provided under section 197 of the Code of Criminal Procedure is that no court shall take cognizance of such offence except with the previous sanction of the Central or State Government as the case may be. The employees of the Life Insurance Corporation of India not being "public servants" are not entitled to the aforesaid protection. In case, the Life Insurance Corporation is required to follow Government rules in the matter of provision of financial assistance for defence in legal proceedings, it is only fair that the protections given to Government servants are also extended to the employees of the Life Insurance Corporation of India, or for that matter, employees of all the State Undertakings. Before taking final decision in the matter, it will be necessary to consult all the public undertakings. Further, it may also not be possible to give the aforesaid protection without amendment of the Code of Criminal Procedure. This matter is, therefore, one which needs detailed and thorough examination and is engaging the attention of the Government. The views expressed by the Estimates Committee will be given due weight.

[*Min. of Fin. O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th* *November*, 1961.]

COMMENTS OF THE COMMITTEE

A copy of the decision taken by Government in the matter may be furnished.

Recommendation (Serial No. 50)

Part-time agents cannot devote themselves whole-heartedly to securing business; nor can they render efficient service to the policyholders. For better business and proper servicing it would be desirable to appoint more and more whole-time agents. There may be exceptions in the case of rural areas where part-time agents may have to continue for some time more as insurance business is not so widely spread and popular in such areas and the commission earned may not be sufficient. The Committee suggest that in order to attract young and energetic men to the insurance profession, the Corporation should consider, restriction of the number of agents in urban areas and encouraging the appointment of whole-time professional agents. (*Paragraph* 143).

REPLY OF THE GOVERNMENT

At the time of nationalisation the Corporation had 2,19,000 agents. At the end of 1960 this figure stood at 1,40,000. The difference is indicative of the large number of ineffective agents whom the Corporation has taken off its rolls. It has thus retained those agents who are really interested in doing good business for it. The Corporation has already reduced the number of agents working in urban areas where they were found to be excessive. It is not, however, possible to do away with all part-time agents and have only whole-time agents without the Corporation's business being adversely affected. The average income of the agents is not sufficient to support them and unless they supplement the same by following other professions they cannot make both ends meet.

[*Min. of Fin. O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th* *November*, 1961.]

Recommendation (Serial No. 52)

The Committee suggest that the feasibility of spreading the payment of first year's commission to Agents over a period of 3 *to* 4 *years may be examined.* (*Paragraph* 145).

REPLY OF THE GOVERNMENT

This was examined by the Life Insurance Corporation of India earlier but was not found feasible. It was felt that it would have adverse effect on the recruitment of agents and consequently on the new business of the Life Insurance Corporation.

[*Min. of Fin. O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th* *November*, 1961.]

Recommendation (Serial No. 53)

The Committee trust that necessary action would be taken by Government to ensure expeditious payment of commission to agents. (*Paragraph* 146).

REPLY OF THE GOVERNMENT

The Agent's commission is payable by the Life Insurance Corporation of India. They are making every effort to pay commission to its agents expeditiously. In case any complaint is made to the Government in this regard, the Corporation would be advised to make the payment promptly.

[*Min. of Fin. O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th* *November*, 1961.]

Recommendation (Serial No. 60)

It appears to the Committee that the difficulties of accounting stated to be the reason for not providing the facility of deduction of premia at source are not insurmountable. They recommend that the matter may be considered by Government to enable deduction of permia at source to be made in respect of its employees and employees of the public undertakings insured with the Life Insurance Corporation. Apart from the advantages pointed out in this paragraph, this measure is certain to improve Life Insurance Corporation's business. In this connection, they also invite attention to the recommendation of the Public Accounts Committee contained in paragraph 68 *of their* 34*th Report* (2*nd Lok Sabha*) *urging extension of the facility of deduction of premia from monthly salary of all the constituents of the Life Insurance Corporation. The Committee also feel that it would be desirable to extend the same facility to employees of State Governments in due course who may insure with Life Insurance Corporation.* (*Paragraph* 155).

REPLY OF THE GOVERNMENT

The suggestion has been noted and is under consideration of the Government of India.

[*Min. of Fin. O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November,* 1961.]

Recommendation (Serial No. 62)

The Committee suggest that the feasibility of granting loans on the security of policies against stamped receipts may be examined. (*Paragraph* 157).

REPLY OF THE GOVERNMENT

The Corporation is advised that as the laws stand at present, this suggestion cannot be acted upon. The Corporation would examine the suggestion if and when the existing laws on the subject are amended.

[*Min. of Fin. O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November* 1961.]

Recommendation (Serial No. 66)

The servicing of policies by LIC leaves much to be desired. The Committee consider that under the nationalised set up, the service offered by the Corporation should not only be as good as rendered

***by the erstwhile insurers but very much better. They suggest that effective steps should be taken to improve the position in this regard. One way of doing so may be to make the Branch Offices responsible for all types of services for which they have no responsibility at present.* (*Paragraph* 165).**

REPLY OF THE GOVERNMENT

Noted. However, at present it is not possible to make the branch offices responsible for *all* types of servicing, as preparation of policies, premium notices and receipts, in view of the very large numbers involved, have necessarily to be done on machines at the Divisional Office. The Corporation is aware of the part that Branch Offices can play towards improving service to the policy-holders, and more and more responsibility is being given to these offices.

[*Min. of Fin. O.M. No.* 5(46)-*INS*(*II*)/61, ***dated*** 13*th* *November*, 1961.]

Recommendation (Serial No. 69)

(ii) *The Committee further suggest that the desirability of decentralising this work by delegating appropriate powers for grant of such loans at least upto certain limits to the Zonal Managers may also be considered. It is a moot point, however, whether the LIC should engage itself in such an activity, where again the cause of social advancement may not be the primary guide.* (*Paragraph* 173).

REPLY OF THE GOVERNMENT

(ii) At present, mortgage loans are sanctioned by the Executive Committee of the Corporation. It may, however, be pointed out that complete preliminary enquiries are conducted by the Zonal/Divisional Managers concerned. They interview the applicants, make a preliminary survey of the properties, call for reports from bankers regarding credit-worthiness, etc., of the applicants, collect income-tax assessment returns of the applicants, and generally, are responsible for getting full data for a proper appraisal of the application. Likewise, after the decision is taken by the Executive Committee to sanction the loan, the further formalities and thereafter the administration of the mortgage are also entrusted to the respective zonal offices. It should be clear that the final decision to sanction loan is the only decision taken at the Central Office by the Executive Committee. Such consideration of mortgage applications at the Central Office ensures uniformity in respect of disposal of such applications.

Life insurance being a long term contract, it is but proper that the funds of the Corporation are invested generally on a long term basis. Mortgage loans provide a useful channel for such investments and they bring in a higher return than Government and approved securities. The loans are also protected by the property mortgaged to the Corporation. It may be mentioned that in the U.K. and, more so, in the U.S.A., mortgage loans form a substantial portion of investments of insurance companies.

[*Min. of Fin. O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th* *November*, 1961.]

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE.

Recommendation (Serial No. 2)

It is quite clear that at least one of the two tiers in a Zone, viz. Divisional or Zonal Office, is superfluous and could be eliminated.

The Committee have recommended the setting up of semi-autonomous Zonal Units. They are not aware whether administrative and financial considerations would justify or warrant creation of such a semi-autonomous unit in each State immediately. They expect that in the years to come the rising tempo of business would justify the creation of zonal units in at least most of the States if not all. The Committee suggest that the feasibility of doing so may be kept in mind when a reorganisation on the basis of the recommendation for creating semi-autonomous zonal units is to be considered. Moreover, if such a unit is set up in each State it should be easier for such Offices to deal with the Branch Offices directly without an intermediate Divisional Office, which could then be done away with (*Paragraphs* 11-12).

REPLY OF THE GOVERNMENT

It is true that there is a certain amount of duplication of records in the various tiers depending upon the responsibility vested in them but this duplication is strictly limited and is unavoidable in the very nature of the organisation. It is not, however, correct to say that there is duplication of functions between the various offices of the Corporation. Each function has various ramifications and the role of each office with respect to the function is limited and exclusive in character. The Central Office is responsible for enunciating policy. The function of the Zonal Office is that of supervision, control, co-ordination, enforcing discipline and taking of disciplinary action. The function of the divisional office is execution of the policy laid down by the Central Office.

The suggestion of the Committee regarding setting up of a Zonal Office in each State will, however, be examined if and when the tempo of business justify such a step.

[*Min. of Fin. O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th* *November*, 1961.]

COMMENTS OF THE COMMITTEE

Please see paras 1 *to* 3 *of Chapter I.*

Recommendation (Serial No. 5)

The Committee find that the fees paid to the Members for attending the meetings of the Boards of Directors etc. differ from one undertaking to another. They feel that there should be some rationale for fixing such fees for the meetings of different bodies in all the public undertakings. (Paragraph 18).

REPLY OF THE GOVERNMENT

The fees payable to non-official members for attending the meetings of the Board in each of the various public sector undertakings has to be determined on the merits of each case, having regard to factors such as the size, importance, financial status, etc., of the undertaking in question, the place where the meeting is held, the status of the non-officials concerned, etc. In the circumstances, it is not possible, although it may be desirable, to have uniformity in regard to the fees payable to non-official members.

[*Min. of Finance O.M. No.* 5(46)-*INS* (*II*)/61, *dated* 13*th November,* 1961].

COMMENTS OF THE COMMITTEE

The Committee did not suggest that there should be uniformity in the fees paid to the directors of Public Undertakings for attending the Board meetings. They had recommended that there should be some rationale for fixing such fees. While they agree that the size, importance, financial status etc. of the undertaking should be taken into account in fixing the fees of non-official members on the Board of an undertaking, the status only of non-officials concerned should not be the deciding factor and no discrimination in the fees paid to directors inter se *of public undertakings should be made. The Committee hope that Government would re-examine the matter and lay down guiding principles to be followed by all public undertakings in this regard.*

Recommendation (Serial No. 9)

There are two Managing Directors, four Executive Directors and a Zonal Manager in the Central Office in addition to the Secretaries to look after each Department. The Committee feel that such a hierarchical system of administration may not be quite suitable for the public undertakings. They consider that with the stabilisation of working methods quite apart from the decentralisation suggested in paragraph 10 *above—there should be enough scope for reduction in the top posts in the Life Insurance Corporation particularly in the Central Office. (Paragraph* 26).

REPLY OF THE GOVERNMENT

The Central Office has got several departments with well defined independent functions. These departments are each under the charge of a Managing Director/Executive Director/Zonal Manager who is assisted in his work by a Secretary. The present work load for each officer is more than adequate and is constantly increasing with the expansion of business of the Corporation.

[*Min. of Fin. O.M. No.* 5(46)-*INS*(*II*)/61 *dated* 13*th November*, 1961].

COMMENTS OF THE COMMITTEE

The Government has not replied to the suggestion of the Committee that a hierarchical system of administration, where full-time Managing Directors/Executive Directors are assisted by Secretaries, may not be quite suitable for public undertakings. The Committee suggest a re-examination of this point.

Recommendation (Serial No. 10)

It appears that the functions of the Financial Adviser, Executive Director (Accounts) and Chief Internal Auditor are, to a large extent, allied and are in fact being performed by a single officer in the Railways and, to some extent, in the Defence Accounts Organisation. The Committee recommend that the justification for the continuation of these three separate posts in the Corporation may be examined with a view to reduce the number. (Paragraph 28).

REPLY OF THE GOVERNMENT

Upon examination, the present position which emerges is as follows:—

1. The accounts of the Corporation are maintained not by a separate accounts department but by the various offices themselves. Internal audit of accounts is, however, done by a separate and independent organisation following the normal principle that the authority performing audit should not be responsible for the maintenance of accounts also. It is desirable, therefore, that the post of the Chief Internal Auditor who is the administrative head of the Internal Audit Department and of the Director (Accounts) who is responsible for overall technical control and co-ordination over accounts are kept separate and not amalgamated.

2. The functions of the Financial Adviser are again different from those of the Director (Accounts) and the Chief Internal Auditor. These are primarily of rendering financial advice on expenditure proposals coming up to the Central Office for decision by the Chairman, by the Board and by its Committees and should not be confused with the responsibility for the accounts or their audit, although, of course, the Financial Adviser would be interested in both indirectly. Thus, each of these three officers have separate and distinct functions.

3. However, the views of the Estimates Committee will be kept in mind and the position will be reviewed from time to time.

[*Min. of Fin. O.M. No.* 5(46)-*INS*(*II*)/61 *dated* 13*th November,* 1961.]

COMMENTS OF THE COMMITTEE

As stated in para 28 *of the Report, the functions assigned to the Financial Adviser, Executive Director (Accounts) and the Chief Internal Auditor are performed by a single officer in the Railways which is an equally big organisation. In the Defence also, the functions of internal audit and maintenance of accounts have been entrusted to one single organisation,* viz. *the Defence Accounts Organisation. The same arrangement should be possible in the L.I.C. The Committee reiterate the recommendation.*

Recommendation (Serial No. 11)

The Committee were informed that Government had no powers over the creation of and appointment to any posts in the Life Insurance Corporation. They find that in the case of all Government companies and of statutory corporations, like Oil & Natural Gas Commission, Employees' State Insurance Corporation, Khadi & Village Industries Commission, prior approval of Government is necessary for creating and making appointment to posts carrying a pay beyond the prescribed limits ranging between Rs. 500 *and Rs.* 2,000 *p.m. The Committee are of opinion that there should be uniformity in all public undertakings in this respect and recommend the desirability of Government issuing a Direction to the Corporation under Section* 21 *of the Life Insurance Corporation Act,* 1956, *requiring it to seek approval of Government for creation of posts carrying pay over certain limit. They would also refer to the views expressed in paragraph* 48 *of the Report of the Sub-Committee of the Congress Party in Parliament on Parliamentary Supervision over State Undertakings that 'appointments carrying monthly salary of Rs.* 2,000 *and above should be made by Government.'* (*Paragraph* 29).

REPLY OF THE GOVERNMENT

The nature of business of Life Insurance is somewhat different from the business of other public undertakings. With every expansion of business of the Corporation, it becomes necessary to appoint, without loss of time, a corresponding number of officers and staff both to look after the increased business and also for securing new business. The pace of expansion of new business was of the order of 76% during the period 1957—60 and 147 new branch and sub-offices as well as two divisions were opened which resulted in expansion of staff and officers. This shows that the Life Insurance Corporation has to respond very rapidly to the business production and potential. That being so, if the Corporation were made to seek Government's sanction for the creation of certain posts, as also appointments thereto, the consequential inherent delay in the process would hamper the operations of the Corporation and adversely affect its production of business.

2. The pay scales in the Corporation are already approved by the Government and normally direct appointments are made only at the lowest level. Posts in the higher cadres are filled in only by promotions from the lower cadres except in exceptional circumstances. Appointments to posts carrying a pay scale of and above Rs. 1200 are made by the Board of the Corporation whose members are appointed by the Government. No useful purpose will, therefore, be served by subjecting the creation of posts carrying pay over certain limits and appointments thereto, to the approval of the Government.

3. It may also be mentioned here that in other Financial Institutions comparable to the Life Insurance Corporation, like the Reserve Bank of India, the Industrial Finance Corporation and State Bank of India, the power of making appointments to posts other than the Chairman, Vice-Chairman, Governor and Deputy Governors, vests in the institutions themselves.

[*Min. of Fin. O.M. No.* 5(46)-*INS*(*II*)/61 *dated* 13*th November*, 1961.]

COMMENTS OF THE COMMITTEE

Please see paras 4 *and* 5 *of Chapter I.*

Recommendation (Serial No. 13)

(i) In administering a public undertaking there has necessarily to be a large measure of consultation between Government and the undertaking concerned. It is also perhaps inevitable that such consultation would include a number of suggestions from the Government to the undertaking. But a clear distinction has to be drawn between suggestions made for consideration by the undertaking and suggestions which are really in the nature of instructions to be complied with. The Committee are of opinion that the views of the Government set out in paragraph 35 of the Report lay down the correct principles which should regulate the relationship between an undertaking and the administrative Ministry concerned. When a suggestion is made for consideration it is open to the undertaking to accept it or not. When, however, the Government issues instructions which are for implementation and not merely for examination, such instructions should appropriately be issued as directions. The Committee suggest that it would be desirable for Government to lay down these principles clearly for guiding the relationship between the public undertakings and concerned Ministries. (Paragraphs 34—36).

REPLY OF THE GOVERNMENT

(*i*) The views of the Committee have been noted. From the Corporation's point of view there is no significant difference between a suggestion and an instruction from Government in so far as it is not legally binding on the Corporation to implement "instructions" from Government. It is quite possible that the Corporation may accept what may appear to be in the nature of instructions from Government if after examination it is satisfied that it is found worth accepting. In such a case it would not be correct to say that it is the Government's instruction that the Corporation has implemented. The question of giving a direction arises only when the Corporation after taking into consideration Government's stand, does not see eye to eye with it or where it becomes necessary to clothe the Board with legal authority or statutory protection. In other cases where as a result of the discussions or correspondence with Government, the Corporation comes to accept Government's point of view, it does not appear necessary to follow this up with a formal direction.

[*Min. of Fin. O.M. No.* 5(46)-*INS*(*II*)/61 *dated* 13*th November,* 1961.]

COMMENTS OF THE COMMITTEE

The reply of Government only re-states the stand taken by the Chairman of the Corporation during his evidence before the sub-Committee (para 33 of the Report refers). The suggestion of the

Committee that Government should lay down principles clearly for guiding the relationship between the public undertakings and concerned Ministries does not appear to have been examined by Government. The Committee re-iterate the recommendation.

Recommendation (Serial No. 24)

The Committee feel that in the nationalised set up, the premium rates should not be any higher than are warranted by strict actuarial considerations. The continuation of old rates by the Corporation, therefore, calls for reconsideration. One of the tests of the successful working of the Corporation is the long-term reduction it can effect in its expenses and consequently reduction in the rates of premia. They recommend that a Committee of experts consisting of the Controller of Insurance, representatives of the Corporation and independent actuaries may be set up to review the rates of premia offered at present by the Corporation. (*Paragraph* 65).

REPLY OF THE GOVERNMENT

One of the first questions that arose for consideration after Government took over the controlled business of insurers on the 19th January, 1956 was the rates of premiums at which Government should write business during the interim period. In this connection an examination of the premium structure of the leading Indian insurers was made. The mortality and interest basis adopted by companies like 'Oriental', 'New India', 'Hindusthan' appeared to be suitable, but it was felt that the provision for expenses should be reduced in anticipation of economies in administrative expenses. Government was of the view that the premium rates of 'Oriental' less a reduction of Rs. 1 per thousand sum assured would provide actuarially sound rates. These rates were accordingly adopted for all the insurers from the 19th January, 1956 and the Corporation continued these rates as it was considered too early to make any further review of the rates.

The Committee has recommended that a revision in premiums is indicated in the light of the favourable experience of the Corporation in regard to mortality, yield from investment and expenses. The current experience with respect to mortality and interest is no doubt favourable but this has already been taken into account at the time of the general revision of premium rates by insurers in 1954. As regards expenses also the favourable experience of the Corporation was anticipated and allowed for in 1956 itself as stated earlier Indeed, it would be too much to expect any significant reduction in expenses in future, particularly in view of the increasing pressure of inflationary forces. If inflation continues unabated, administrative expenditure is bound to increase, not only on salaries and travelling allowances but also on various other items such as transport, stores and stationery etc. Any further improvement in mortality experience or better interest yield might thus be offset by rising costs of management.

The Committee has also recommended that a Committee of experts consisting of the Controller of Insurance, representatives of the Corporation and independent actuaries may be set up to review the rates of premium offered by the Corporation. This question can be taken up after some more experience of trends mentioned above has been gained.

[*Min. of Fin. O.M. No.* 5(46)—*INS*(*II*)/61 *dated* 13*th November* 1961.]

COMMENTS OF THE COMMITTEE

The Committee reiterate their recommendation and trust that a review of the rates of premia would be made early.

Recommendation (Serial No. 32)

The Committee suggest that a time-limit should be fixed for finalisation of valuation reports and their submission to Parliament. (*Paragraph* 78).

REPLY OF THE GOVERNMENT

There is already a time-limit for finalisation of valuation report by the Life Insurance Corporation *vide* section 15 of the Insurance Act, as applied to it.

The Life Insurance Corporation Act does not specify any time-limit for submission of the valuation report to Parliament. Government makes and will continue to make every effort to examine the Report as expeditiously as possible and then present it to Parliament.

[*Min. of Fin. O.M. No.* 5(46)—*INS*(*II*)/61 *dated* 13*th November.* 1961.]

COMMENTS OF THE COMMITTEE

The Committee had suggested a time-limit for submission of the valuation reports to Parliament. This has not been done. The Committee reiterate the recommendation and suggest an amendment to the LIC Act if necessary.

Recommendation (Serial No. 41)

The Committee consider that for a monopoly organisation like the Life Insurance Corporation the limit of 15% in respect of the renewal expense ratio provided for under the Insurance Act, 1938 *is probably on the high side. They would suggest that Government may review the possibility of bringing down the present prescribed limit of* 15 *per cent suitably.* (*Paragraph* 91).

REPLY OF THE GOVERNMENT

The Statutory limit of 15% on renewal expense ratio was fixed nearly ten years back. Since then, there has been a considerble increase in the cost of living. The increased administrative expenses arising from increased pay to the employees of the Corporation and the higher expenses incurred on the development of rural business—all these militate against the attempts of the Corporation to reduce its expenses. It is true that the monopoly position of the Corporation has enabled it to reduce its overheads and effect economies elsewhere but one cannot lose sight of the developments referred to, which tend to push up the expense ratio of the Corporation. However, the position will be watched very carefully.

[*Min. of Fin. O.M. No.* 5(46)—*INS*(*II*)/61 *dated* 13*th November*, 1961.]

COMMENTS OF THE COMMITTEE

The Committee are not convinced by the reply of Government. They consider that with the increase in the business of the Corporation, its expenses could be reduced. They trust that LIC would address itself to this task seriously and consequently reduce its expense ratio. The Committee reiterate their recommendation and suggest that Government may examine the renewal expense ratio of LIC, which was fixed nearly ten years back, with a view to bringing it down.

Recommendation (Serial No. 45)

Reading the assurances held out by the Finance Minister in regard to making investments available to the private sector, it is clear that the intention was more to help the development of industries in the private sector than in going to the share market and merely dealing in stocks and shares. Purchase of shares already in the market can be hardly held to serve the purpose of aiding the development of new industries or expansion of existing ones. They would *mostly go to the benefit of the persons who are already possessed of such shares, very likely for speculation. That the LIC could buy only Rs. 17·15 lakh worth of shares/debentures of newly floated companies and Rs. 205·57 lakhs worth of shares/debentures floated by the existing companies during 1959 would indicate the inherent limitations of LIC's role in achieving the above purpose. The fact that other public undertakings like the IFC, ICICI and State Industrial Finance Corporations, which could finance new industries on a developmental basis have come into operation would seem to make the role originally contemplated for the LIC in this respect somewhat superfluous. The Committee feel that the Corporation's investments in shares and debentures fulfil little of the objectives of social advancement, diversification and avoidance of speculation. It would be in the interest of the country and the Plan programme for the Government itself to take over the entire investible funds of the LIC as an unfunded debt. The interest payable by Government could be predetermined periodically in consultation with the Corporation to give an adequate return to meet the Corporation's liabilities. It should not be difficult for Government to pay an interest of 3% as deemed to be sufficient by the Chairman, LIC or for a matter of that even something more. Such an arrangement would provide in the 3rd Five Year Plan period an estimated amount of Rs. 135 crores, in addition to a sum of Rs. 315 crores approximately which could be utilised by Government to the best advantage for the development plans. The various requirements of diversification, development, social advancement and furtherance of the interest of the community as a whole could be better served by Government with the help of the funds provided by the LIC for the Plan than could be done by the Corporation itself. Government could likewise provide funds for the development of new industries or expansion of existing ones contemplated evidently for the private sector under the Plan. Such investments should be made through other financing agencies in the Public Sector, taking into account the size of investments made by the LIC for this purpose in the past and the allocations in the Plan.*

A very important factor to be borne in mind is that with the passage of time the business will increase to such an enormous extent that the LIC whose main purpose is to procure insurance business and render service may not be able also to devote sufficient time and care for assuring the most advantageous investment of the large funds without detriment to its main task. If the Corporation is freed from the controversial and distracting work of investment it can then find time and energy necessary which the growing business and servicing would demand. The Committee recommend that the desirability of changing the present policy of investment of the LIC on the above lines may be examined by Government. The measure sug-

gested will not only relieve the LIC of the job of investments and increase its efficiency but will also enable the Government to better realise the objectives of nationalisation. (*Paragraphs* 106—122).

REPLY OF THE GOVERNMENT

By divesting the Life Insurance Corporation of its present functions of investment no tangible gain will accrue. Its function of investment is not incompatible with the Life Insurance Corporation's work of propagating life insurance.

On the contrary, by the proposed divestment of the Life Insurance Corporation of its responsibility for investments the following disadvantages will arise:

(*a*) The quantum of bonus at present paid will be adversely affected, with deleterious effect on the business of the Life Insurance Corporation.

(*b*) In order to give the Life Insurance Corporation a fair return consistent with the earning capacity it has had so far Government will have to pay a rate of interest which may affect its own borrowing programme.

(c) The stability of the Government securities market and stock exchanges may be adversely affected thus impairing the economic climate of the country.

On balance, the advantages in accepting the Estimates Committee's recommendation are likely to be far outweighed by the advantages in allowing the Life Insurance Corporation to retain its own investment portfolio.

The recommendation is, therefore, not acceptable.

[*Min. of Fin. O.M. No.* 5(46)—*INS*(*II*)/61 *dated* 13*th November*, 1961.]

COMMENTS OF THE COMMITTEE

Please see paras 6 *to* 9 *of Chapter I.*

Recommendation (Serial No. 55)

The Committee do not appreciate why it should not be possible for the Corporation to follow the general policy of Government in the matter of reserving certain posts for candidates belonging to scheduled castes/tribes. They suggest that Government may examine the desirability of issuing a direction prescribing the same reservation as has been made for Government Departments. (*Paragraph* 148).

REPLY OF THE GOVERNMENT

The Life Insurance Corporation of India has already fallen in line with the rules applicable to Scheduled Castes/Tribes for entry into Government service in the matter of giving concession of (i) relaxation of upper age limit upto 5 years; and (ii) reduction in the prescribed application fee to one fourth. The Corporation will, further, ensure that, other things remaining the same, preference will be given to candidates belonging to Scheduled Castes/Tribes while making recruitment.

[*Min. of Finance O.M. No.* 5(46)-*INS*(*II*)/61, *dated* 13*th November,* 1961.]

COMMENTS OF THE COMMITTEE

Government does not seem to have examined the desirability of issuing a direction to LIC requiring it to reserve certain percentage of posts for candidates belonging to Scheduled castes/tribes. The recommendation is re-iterated.

Recommendation (Serial No. 63)

The surrender values on the Life Insurance Corporation policies are extremely low. Since the amount of loan to the policy-holder depends upon the surrender values, the Committee recommend that the matter may be examined so as to bring the surrender value of Life Insurance Corporation policies on par with the leading insurance companies abroad. (*Paragraph* 158).

REPLY OF THE GOVERNMENT

The surrender values of policies issued by the Corporation have been fixed after very careful consideration. The conditions in which leading foreign insurance companies operate abroad are entirely different from those in which the Corporation has to function. Since the mortality rates in India are much higher than those in some of the advanced countries, the reserve which each policy builds up is correspondingly lower in relation to the premiums paid. Again the average sum assured in India is much less than in advanced countries and since the work of an insurance office depends upon the number of policies issued irrespective of the size of the policy, the expense ratio of the Corporation is higher than that of the leading insurers abroad. Besides the Corporation has to incur higher expenses on renewal commission owing to the fact that the life insurance agency even with the existing level of renewal commission brings only a small income to most of the agents of the Corporation. For these three reasons, the surrender values offered by the Corporation cannot be expected to reach the levels of those offered abroad by leading foreign insurers.

The combined effect of the factors which determine the surrender values, namely, mortality, interest and expenses varies from country to country and thus a comparison of the scales of surrender value allowed on policies in one country with those in another would not be appropriate.

The Corporation is aware of the significance of the problem referred to by the Committee and has been examining the scale of surrender values from time to time and will continue to do so.

[*Min. of Fin. O.M. No.* 5(46)-*INS*(*II*)/61, *dated the* 13*th November,* 1961.]

COMMENTS OF THE COMMITTEE

While the Committee are glad to be assured that the scale of surrender values would be examined by LIC from time to time, they are not convinced by the above reply. The surrender value of foreign companies, reproduced in Appendix XV of the 134th Report, related to pre-nationalisation period when the rate of mortality was much higher than at present. Even then, their surrender value was much higher than the present surrender value of LIC policies. With the improved management of LIC and decrease in the rate of mortality, there should be scope for increasing the surrender value of LIC policies. The Committee reiterate their recommendation and hope that it would be done.

Recommendation (Serial No. 65)

(*i*) *It has been suggested to the Committee that apart from administrative measures, it would be desirable to levy an interest on delayed payment of claims, say after a period of three months. This suggestion may be examined.* (*Paragraph* 163).

REPLY OF THE GOVERNMENT

(i) The Corporation is taking all possible steps to see that the claims are settled as quickly as possible. The levying of an interest on delayed settlement of claims would be a departure from accepted insurance practices.

[*Min. of Fin. O.M. No.* 5(46)-*INS*(*II*)/61, *dated the* 13*th November.* 1961.]

COMMENTS OF THE COMMITTEE

The Committee are glad to note that the Corporation is taking all possible steps to settle the claims as quickly as possible. Nevertheless they feel that any delay in doing so causes hardship to the policy-holders. They feel that three months is a long enough period and it should be possible for the LIC to settle a claim within that period. For payments delayed beyond that period, particularly in the case of maturity claims, it is necessary that there should be provision for payment of interest by the Corporation. In the opinion of the Committee such a provision would accelerate the pace of settlement of claims by the LIC. They, therefore, reiterate their recommendation.

NEW DELHI;
The 2nd December, 1963.
Agrahayana 11, 1885 (*Saka*).

A. C. GUHA,
Chairman.
Estimates Committee.

APPENDIX I

(*Vide* S. No. 3, Chapter III)

(i) ***Number of cases where the jurisdiction of a Divisional Office falls in more than one State.***

NORTHERN ZONE :

(i) Delhi Division .	In addition to the Union Territory of Delhi, the Division controls the District of Gurgaon of Punjab State.
(ii) Jullundur Division	In addition to some Districts of Punjab State and the whole State of Jammu and Kashmir this Division also controls Chamba District of Himachal Pradesh.
(iii) Chandigarh Division	In addition to some Districts of Punjab State this Division also controls five Districts of Himachal Pradesh.

CENTRAL ZONE :

(i) Kanpur Division . .	In addition to some Districts of Uttar Pradesh this Division also controls three Districts of Madhya Pradesh.
(ii) Varanasi Division .	In addition to some Districts of Uttar Pradesh this Division also controls two Districts of Madhya Pradesh.

EASTERN ZONE :

(i) Calcutta Division . .	In addition to Calcutta City and some Districts of West Bengal this Division also controls Andaman and Nicobar Islands.
(ii) Gauhati Division .	Assam State and the Union Territories of Manipur, Tripura and N.E.F.A.
(iii) Jamshedpur Division	In addition to some Districts of Bihar this Division also controls one District of West Bengal
(iv) Muzaffarpur Division .	In addition to some Districts of Bihar State this Division also controls one sub-division of one bordering District of West Bengal

SOUTHERN ZONE :

(i) Madras Division .	Besides the area of Madras State, this Division also controls the districts of Chittoor and Nellore of Andhra Pradesh.
(ii) Hyderabad Division .	Besides some districts of Andhra Pradesh the Division controls the districts of Raichur, Gulbarga and Bidar of Mysore State.
(iii) Coimbatore Division .	Besides the area of Madras State, the Division controls the districts of Kozhikode, Cannanore and Palghat of Kerala State as also the islands of Laccadive, Minicoy and Amindivi.

WESTERN ZONE :

(i) Nasik Division . .	Besides the area of Maharashtra State, the Division also controls the District of Dangs of Gujarat State.
(ii) Bombay Division	This Division controls in addition to the area of Maharashtra State, some villages of Umbergaon Taluka of Thana District of Maharashtra State which are now transferred to Surat District of Gujarat State.

(ii) *Number of cases where the jurisdiction of a Branch Office falls in more than one state.*

Division	Branch	Territorial Jurisdiction
Jullundur . .	Pathankot	Pathankot Tehsil of Gurdaspur District of Punjab State and Chamba District of Himachal Pradesh.
Chandigarh . .	Yamunanagar	Jagadhri Tehsil of Ambala District of Punjab State and Sirmoor District of Himachal Pradesh.
	Simla . .	Simla District of Punjab State and Mahasu and Kinnaur Districts of Himachal Pradesh.

Division	Branch	Territorial Jurisdiction
Kanpur	Lalitpur	Lalitpur, Mahroni and Mau Ranipur Tehsils of Jhansi District of U.P. and Tikamgarh District of M.P.
Gauhati . .	*Silchar	Cachar Dist. (excluding Karimganj and Halaikandi Sub-Divisions) North Cachar Hills, Mizo Hills District of Assam State and Manipur State.
Muzaffarpur . .	*Katihar	Katihar and Kishanganj Sub-Divisions of Purnea District of Bihar State and Islampur Sub-Division of West Dinajpur Dist. of West Bengal State along with contiguous Nepal Tarai *viz.*, Dist. of Jhapa etc.
Jamshedpur . .	*Purulia	Purulia (Manbhum) Dist. of West Bengal State, Chas and Chandankiari Police Stations of Dhanbad Dist., and Chandil Patamda and Ichagarh Police, Stations of Dhalbhum Sub-Division of Singhbhum Dist. of Bihar State.
Madras . .	Pondicherry	Gingee and Tindivanam Taluks of South Arcot Dist. of Madras State and Pondicherry.
Surat . .	Bulsar	Bulsar, Pardi, Dharampur and Bansda Taluks of Surat Dist. of Gujarat State and the centrally administered area of Dadra and Nagar Haveli.
Nasik . .	Nandurbar	Nandurbar, Shahada, Taloda, Akkalkuwa, Akrani and Nawapur Taluks of Dhulia Dist. of Maharashtra State and Dangs Dist. of Gujarat State.

*Development Centres are already functioning under these Branches to look after the development of business in the areas of the second State or Union Territory as the case may be. In course of time, when these Development Centres are converted into Branches or Sub-Offices, the territorial jurisdiction of a Branch or Sub-Office will not cover more than one State or Union Territory.

(iii) *Difficulties involved in the immediate implementation of the recommendation of the Estimates Committee contained in para 13 of their 134th Report.*

The Estimates Committee of the 2nd Lok Sabha had made the following recommendation:

> "The Committee were informed that the jurisdiction of the Divisional Offices of the Corporation had not been defined as required under Section 49(2) of the L.I.C. Act, 1956, and that in certain cases it extended to more than one State. The Committee suggest that the jurisdiction of Branch and Supervisory Offices may be demarcated in such a way as not to fall in more than one State except for very special reasons".

1. The Divisional Office has purely administrative functions and it is the Branch Office that is responsible for development of business in any given territory. The location of Divisional and Branch headquarters and their territorial jurisdiction are based on considerations of convenience—administrative convenience, convenience of the policy-holders and insuring public, convenience of agents, convenience for development of business within the territory, convenience of road and other means of communication with all points in the territory and convenience to perform all the other activities of the Division or Branch. The point of supreme importance with the Corporation has been how it can discharge its administrative and development functions competently and, not whether a part of a neighbouring State is attached to a Division.

2. The territorial jurisdiction of Branches does not, by and large, fall in more than one State. There are a few exceptions but most of them get adjusted, in course of time, as more Branches are opened by splitting up the existing Branch Offices.

Towards this end, Development Centres have already started functioning under Simla, Silchar, Katihar and Purulia Branches and when these Development Centres are, in due course, upgraded, the jurisdiction of the above Branches would be in not more than one State. In the case of Pathankot and Yamunanagar Branches, each of them covers besides some territory of Punjab, a District of Himachal Pradesh also. This situation has arisen because Himachal Pradesh consists of two distinct blocks (Chamba District adjoining Jammu and Kashmir and the remaining Districts adjoining Uttar Pradesh) separated by the Kangra District of the Punjab. Apart from the difficulty of road communication, from the point of view of business output also Chamba and Sirmoor Districts cannot be considered viable at present for the opening of separate offices. It is, therefore, not possible at present to confine the territorial jurisdiction of Pathankot and Yamunanagar Branches to one State.

The difficulty referred to in the case of Chamba and Sirmoor Districts applies to the Tikamgarh District of Madhya Pradesh also. This District is at present included in the Lalitpur Branch in Uttar Pradesh to which it is adjacent; however, the question of attaching the District to an adjacent Branch in Madhya Pradesh is being examined.

Pondicherry is too small to have a separate Branch and so the adjoining taluks of Gingee and Tindivanam of South Arcot District are attached to the Pondicherry Branch.

In the case of Nandurbar, the jurisdiction covers more than one State because of the formation of the States of Gujarat and Maharashtra by bifurcating the former Bombay State. Dangs in Gujarat State is a backward area inhabited by Adivasis and cannot sustain a separate Branch and so it is attached to Nandurbar Branch which used to look after the District before May 1960. The question of attaching the District to a Branch in Gujarat is under consideration.

The Union territory of Dadra and Nagar Haveli is too small to support a Branch and so it is attached to Bulsar Branch which controls the adjoining District of Gujarat.

3. In deciding upon the location of a Divisional Office, a variety of factors have to be taken into consideration, such as the central situation of the place selected, its easy access to Branch headquarters as also to the Zonal and Central Offices, (and to all the points within a Branch), the availability of suitable accommodation for offices and residential purposes, the availability of qualified people from whom the personnel for the Division can be recruited etc. Likewise in fixing the territory of a Division, factors like the contiguity of the areas under its jurisdiction, accessibility and means of communication of all points within the Division, viability of the area, business potentiality of the area both for new business and servicing etc. have to be taken into consideration. All the above factors will have to be very carefully considered before territorial redistribution of Divisions can be decided on.

4. Most of the Union Territories do not have sufficient potentiality to justify a separate Division. The Corporation cannot, therefore, altogether avoid including a part or whole of a Union Territory from the territorial jurisdiction of an adjacent Division.

5. It may sometimes happen that from the point of view of administrative convenience and facility for development, a certain area

within a state may be found to be more suitable to be attached to a Division which has its headquarters in another State. For example, Gurgaon District in the Punjab State is attached to Delhi Division and not to Chandigarh Division. This is because this arrangement is more advantageous for development of business in the area and control of the Branch at Gurgaon. Gurgaon is only 18 miles from Delhi with an excellent road link and is practically a suburb of Delhi, while Chandigarh, which is the Divisional headquarters of the Districts of Punjab adjacent to the Union Territory of Delhi and the District of Gurgaon, is at a distance of 150 miles and the road from Chandigarh to Gurgaon passes through Delhi. If Gurgaon District is taken away from Delhi, and attached to Chandigarh Division, it cannot but affect the development activity of the Corporation in the District, and also the control of the Gurgaon Branch.

6. Because of proximity and easy accessibility, some Districts may be attached to a Division with headquarters in another State, in preference to a Division with headquarters in the same State. For example, Chittoor and Nellore Districts of Andhra Pradesh are at present attached to Madras Division, because they are nearer and more easily accessible to the City of Madras than to the headquarters of either of the two Divisions in Andhra Pradesh, *viz.* Hyderabad or Masulipatam. Further, Madras Division forms a more viable unit with the inclusion of the above Districts than if either or both the above Districts had been attached to either Hyderabad or Masulipatam. The policy-holders in Nellore and Chittoor Districts also find it more convenient to do their business with an office situated in Madras City than with either of the offices situated in Masulipatam or Hyderabad.

7. If the reorganisation of the territorial jurisdiction of Divisions is undertaken immediately so as to make them conform to state boundaries, the potentiality of some of the Divisions to which some territory is added may be so great as to necessitate their bifurcation, while the potentiality of the Divisions from which some territory has been taken away may become too small to justify separate existence. This will lead to a redistribution of territories of all the Divisions which is a task beset with many administrative difficulties.

8. Before a part of the territory of a Division is taken away and attached to another Division, the policies issued in the territory to be detached and transferred to another Division, will have to be separated and arrangements made for the transfer of the policy records. At the transferee office again arrangements will have to be made for the servicing of policies so transferred, as also of the agents who introduced these policies. It has been the experience

that the process of separating the policies and policy records, arranging for their transfer, and building up new records and ledgers at the transferee office is a time-consuming, laborious and expensive one, requiring elaborate preparation and close supervision. Further, difficulties arise because the premiums under the policies are being continuously paid, and the policyholders' service has to be also maintained continuously and satisfactorily. With all the careful thought and planning in these matters complaints cannot wholly be avoided.

9. Before undertaking any territorial reorganisation, it is necessary to make sure that it would not result in creating resentment among the policyholders. Policyholders do not generally attach much importance to the question whether the boundary of a Division which gives him service is in the same State where he resides or not, but a policyholder would very much resent it if he or his nominees or assignees have to travel far to visit the Divisional Office to take a loan, settle a claim or make some enquiries about his policy, or if the answers to his letters, or receipts for his remittances are delayed. Where policies have been transferred from one Division to another, there have been several complaints from the concerned policyholders, while there has not been any complaint at all from any policyholder living in one State against the servicing of his policy from a Division situated in another State. Apart from the policyholders, the agent also suffers because his commission is delayed. If the policies get attached to a Divisional Office which is not the agent's Home Division, complaints from agents increase.

10. Almost all mofussil Development Officers have exclusive territories. The Development Officer's total emoluments are related to the volume of business he produces every year. When the territorial jurisdiction is sought to be re-adjusted, the question would naturally arise whether such re-adjustment would result in any disturbance in the territory of a Development Officer. If his territory is disturbed, then it would be necessary for the Corporation to compensate him by giving him some other equally productive territory. The question has, therefore. to be considered very carefully in relation to every Development Officer who may be affected, since the Corporation cannot afford to either antagonize, or disturb the smooth working of, Development Officers.

For the reasons given above, a decision on the whole question of redistribution of territories to conform to the recommendations of the Estimates Committee, can be taken only after very minute consideration of all the aspects of the problem. Even after taking a decision, a phased programme will have to be drawn up before the decision can be implemented.

APPENDIX II

(*Vide* Introduction)

Analysis of the action taken by Government on the recommendations contained in the 134th Report of the Estimates Committee (Second Lok Sabha).

1. Total number of recommendations made . . .	71
2. Recommendations that have been accepted by Government [*vide* recommendations Nos. 4, 6, 7, 8, 13(ii), 14, 15, 16, 17, 18, 19, 20, 21, 22, 25, 26, 27, 28, 29, 31, 34, 36, 37, 38, 39, 40, 43(i), 44, 47, 49, 51, 54, 56, 57, 58, 59, 61, 64, 65(ii), 67, 68, 69(i), 70 and 71 referred to in Chapter II].	
Number	42
Percentage to total	59·1%
3. Recommendations not accepted by Government but replies in respect of which have been accepted by the Committee (*vide* recommendations Nos. 1, 3, 12, 23, 30, 33, 35, 42, 43 (ii), 46, 48, 50, 52, 53, 60, 62, 66 and 69(ii) referred to in Chapter III):	
Number	17
Percentage to total	23·9%
4. Recommendations in respect of which replies of Government have not been accepted by the Committee [*vide* recommendations Nos. 2, 5, 9, 10, 11, 13(i), 24, 32, 41, 45, 55, 63 & 65(i) referred to in Chapter IV] :	
Number	12
Percentage to total	17·0%

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26. A. H. Wheeler & Company, Private Limited, 15, Elgin Road, Allahabad.

27. Law Book Company, Sardar Patel Marg, Allahabad.

28. Goel Traders, 100-C, New Mandi, Muzaffarnagar.

29. B. S. Jain & Company, 71, Abupura, Muzaffarnagar.

WEST BENGAL

30. M. C. Sarkar & Sons (Private) Limited, 14, Bankim Chatterjee Street, Calcutta-12.

31. W. Newman & Company Limited 3, Old Court House Street, Calcutta.

32. Thacker Spink & Company (1933) Private Ltd., 3, Esplanade East, Calcutta-1.

33. Firma K. L. Mukhopadhyay, 6/IA, Banchharam Akrur Lane, Calcutta-12.

DELHI

34. Jain Book Agency, Connaught Place, New Delhi.

35. M/s Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.

36. Atma Ram & Sons, Kashmere Gate, Delhi-6.

37. J. M. Jaina & Brothers, Mori Gate, Delhi-6.

38. The Central News Agency, 23/90, Connaught Circus, New Delhi.

39. The English Book Stall, 7-L, Connaught Circus, New Delhi.

40. Rama Krishna & Sons, 16-B, Connaught Place, New Delhi.

41. Lakshmi Book Store, 42, M. M. Janpath, New Delhi.

42. Kitab Mahal (W.D.) Private Ltd., 28, Faiz Bazar Delhi.

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47. Mehra Brothers, 50-G, Kalkaji, New Delhi-19.

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52. Shri N. Chaoba Singh, Newspaper Agent, Ramlal Paul High School, Annexe, Imphal, Manipur.

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53. The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.

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