

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3830
ANSWERED ON:17.08.2001
LIC LOSSES
NARESH KUMAR PUGLIA

Will the Minister of FINANCE be pleased to state:

- (a) whether his attention has been invited to a news item captioned `shaky LIC suspends 2 officials as MRL sale comes to the boil' appearing in the `Economic Times' on the 24th July, 2001;
- (b) if so, the facts of the matter reported therein;
- (c) the action taken by the LIC against the officials who acted in an unauthorised manner;
- (d) the loss suffered by LIC on this account;
- (e) whether measures have been taken to ensure that such incidents are not repeated and also whether some guidelines have been issued to be followed by public financial institutions in such matters; and
- (f) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL) :

- (a) Yes, Sir.
- (b) The Life Insurance Corporation of India (LIC) have intimated that the competent authority for taking decisions on investments in LIC is the Investment Committee. In the case of the open offer received from Modi Rubber Limited, without the approval of the competent authority, two officials of LIC unauthorisedly issued instructions offering the entire holding of the equity shares of the Corporation in Modi Rubber Limited.
- (c) LIC have intimated that they have suspended two officers-Shri P. Shridhar Rao, Deputy Secretary and Shri Pradipto Sen, Assistant Secretary-on the allegation of illegal and unauthorised transaction. They are conducting investigation in the matter.
- (d) LIC have reported that they have not suffered any loss on this account as the offer price is higher than the market price of the shares.
- (e) and (f) LIC have reported that the present procedures are adequate to ensure that investment/disinvestment is done with utmost diligence. Present incident is an isolated one and is not on account of failures of Systems and Procedures. However, LIC would be reviewing the present Systems and Procedures to strengthen it further.