

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:54
ANSWERED ON:25.11.2005
SCAM IN LIC
Gaikwad Shri Eknath Mahadeo

Will the Minister of FINANCE be pleased to state:

:

- (a) whether the CBI has unearthed a scam in LIC involving a huge amount ;
- (b) if so, the nature of the racket and the persons involved therein ;
- (c) the number of cases of such rackets which are under the scrutiny of Government;
- (d) the action taken to bring the culprits to book as also to ensure safety of policy holders; and
- (e) the steps taken by the Government to check such scam in future ?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI P. CHIDAMBARAM)

(a)to(e) : A statement is laid on the table of the House,

STATEMENT IN RESPECT OF LOK SABHA STARRED QUESTION NO.54 TABLED BY SMT. NVEDITA MANE AND SHRI EKNATH M. GAIKWAD FOR ANSWER ON 25.11.2005 REGARDING `SCAM IN LIC.

(a) and (b): LIC has reported that its Branch Office, located in Khan Market area, New Delhi services the Salary Saving Scheme of Municipal Corporation of Delhi

(MCD). As per this scheme MCD is required to deduct the premium due from the salary of the employees and remit the same to LIC. In August, 2003, complaints were \ received from the employees of premium not having been adjusted against their policies. On receiving the complaints, an enquiry was instituted by LIC. Enquiry revealed that monthly premium remittances received from MCD were being partly diverted towards adjustment of fresh proposals and towards renewal premium of other policy-holders. Owing to this diversion of renewal premium, various policies of MCD employees were having multiple gaps in their premium payment. LIC appointed another committee to undertake a detailed enquiry into the matter, and this committee submitted its report on 10.9.2004. The matter was referred to the Vigilance Department of LIC which in turn referred it to the Central Vigilance Commission (CVC) on 21.05.2005. Later, the Central Bureau of Investigation (CBI) registered an FIR and raided the Khan Market office of LIC on 28.09.05. The matter is under investigation by CBI. LIC has also initiated disciplinary action against five agents and eighteen staff members.

(c): LIC has reported that this is an isolated irregularity and no other such instance is reported to have occurred.

(d): Disciplinary proceedings against the five agents and eighteen staff members have already been initiated as per LIC Agents Regulations/ Staff Regulations. To ensure the safety of the policy holders, LIC is settling claims after necessary certification of the premium deducted by the employer. As such the interests of the policy holders have been protected.

(e): LIC has put in place a very robust mechanism, viz., extensive use of computers and double back up of records, to avoid recurrence of such instances in future,