

17.35 hrs.

Title: Consideration of the Insurance (Amendment) Bill, 2001 (Not Concluded).

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): Sir, on behalf of Shri Yashwant Sinha, I beg to move:

"That the Bill further to amend the Insurance Act, 1938, be taken into consideration."

Sir, this august House would recall that the hon. Minister of Finance had introduced the Insurance (Amendment) Bill, 2001 in this House on 16th August, 2001. This Bill was referred to the Standing Committee on Finance for examination and report by the hon. Speaker. The Standing Committee has considered the Bill and I am glad to note that the Committee has approved the Bill for enactment by the Parliament without any modification/amendment.

Initially I would like to give a brief account of the past events before giving the details of the contents of the Bill. The Parliament had passed the Insurance Regulatory and Development Authority Act, 1999 in December, 1999 and this Act was made effective in April, 2000 with the establishment of the statutory Authority. The Authority has already made regulations in all major areas of operations in the insurance industry and matters connected therewith. The regulations notified by the Authority which have already been laid in the House, cover the subjects of appointment of actuaries, licensing of insurance agents, registration of insurance companies, assets and solvency margins, re-insurance, investment, obligations of insurers to rural or social sectors, preparation of financial statements and reports etc.

The IRDA started inviting applications from new Indian insurance companies with effect from 15th August, 2000. So far, certificates of registration have been issued to 17 new private companies and all of them have commenced their business.

The House would recall that the IRDA Act, 1999 contained three Schedules relating to amendments to Insurance Act, 1938, LIC Act, 1956 and General Insurance Business (Nationalisation) Act, 1972. The amendments to LIC Act, 1956 and GIBNA, 1972 ceased the exclusive privilege of the nationalised insurance companies to transact insurance business. Through the amendment to the Insurance Act, only Indian insurance companies registered under the Companies Act, 1956 have been allowed to transact insurance business in India. Several representations have been received to allow entry of cooperatives into insurance sector. The Malhotra Committee, in its report, had also recommended entry of cooperative societies in insurance sector.

We have considered the matter and the proposals to amend the Insurance Act, 1938 contain the provisions to allow the entry of cooperatives in the insurance sector. It is expected that the entry of cooperatives in the insurance sector would increase the insurance coverage, especially in the rural areas.

The IRDA Act, 1999 has recognised insurance intermediaries. However, there is no provision in the Insurance Act, 1938 for the payment of commission / remuneration or fee to the intermediaries. Therefore, it is necessary to make suitable provision in the Insurance Act in this regard.

According to the present provision in the Insurance Act, the insurance premium is payable only by cash or cheque. It is necessary to allow payment of insurance premium through other forms like credit cards, smart cards, transaction over the Internet etc. Therefore, it is proposed to amend the relevant section in the Insurance Act to enable the IRDA to specify other modes of payment of premium through regulations.

In addition to the above changes required in the Insurance Act, the IRDA has brought to the notice of the Government that some further amendments to the Insurance Act are required for the smooth functioning of the opened up insurance sector. Therefore, the present Bill, the Insurance (Amendment) Bill, 2001 contains such consequential amendments which are consequential to the enactment of IRDA Act and would enable the smooth functioning of the insurance sector.

As I mentioned above, the Bill has been thoroughly scrutinised by the Standing Committee, which has approved the provisions contained therein without any modifications. I have noted the recommendations made by the Committee regarding the insurance agents and insurance intermediaries. The IRDA has already notified the regulations relating to the Agents. The provisions relating to educational qualifications, training etc. have not been made applicable to existing agents. The IRDA is yet to notify the regulations relating to insurance intermediaries. The recommendation made by the Committee has been forwarded to the IRDA for taking necessary action.

I would request the august House to consider the Insurance (Amendment) Bill for passing. During the course of the consideration of the Bill, I would explain to the hon. Members any clarifications which are required in the contents of the Bill. With these words I would take leave of the House to move that the Bill to further amend the Insurance Act,

1938 be taken into consideration.

MR. CHAIRMAN : Motion moved:

"That the Bill further to amend the Insurance Act, 1938, be taken into consideration."

SHRI ADHIR CHOWDHARY (BERHAMPORE, WEST BENGAL): Sir, the hon. Minister, just a few minutes earlier, has moved the Insurance (Amendment) Bill, 2001. Sir, the name insurance and its concomitant reforms are fitted to be entangled with controversies whatsoever since its embryonic stage. The reason is that it involves a considerable segment of our society.

Sir, I must extend my nod to this Bill, provided the interests of seven and a half lakhs of agents, who have been eking out their livelihood from this sector for years, are taken care of. Actually, the fact is that the agents are in a state of fear and apprehension. I know that the Bill is of a consequential nature. However, the Government should dispel the fear and apprehension arising out of this amendment Bill. Those agents are really beset with confusion assuming that their areas are being encroached upon by corporate agents because the Bill, by inserting a new Section 42E, is providing a provision in the law to make payment of commission and fees to those insurance intermediaries. Sir, the corporate broker channel is allowed. Brokers, risk management consultants, and intermediaries, will ingress upon this area. These are the reasons which have stirred up a hornet's nest.

Sir, one requires to have a miotic wisdom to discover the terminological variations inherent in this Bill. Sir, for long, we are accustomed to this concept that agents are to be envisaged as employees of the insurance company who are to be paid commissions and fees under some terms and conditions. Therefore, a sense of security has been developed among the agents, but now a new tribe of corporate agents, under various nomenclatures of insurance intermediaries, is now pouring into this sector which has been creating confusion among the common agents. Sir, Clause 10 of the Bill reads :

"In section 42A of the principal Act, after sub-section (8), the following sub-section shall be inserted at the end, namely:-

"(9) No insurer shall, on or after the commencement of the Insurance (Amendment) Act, 2001, appoint or transact any insurance business in India through any principal agent, chief agent or special agent." "

It means that these managing agents are to be abolished. We know that the Bill is said to have adopted the recommendations of the Malhotra Committee. The Malhotra Committee was constituted to address the question of how to revamp the financial sector, specially the insurance sector, just as the Narasimhan Committee was constituted to revamp the banking sector.

The Malhotra Committee's recommendations were to make it more vibrant by increasing productivity, reducing the transaction costs and further to open up wider options to the customers.

Sir, we know that in consonance with the WTO General Agreement on Trade in Services, the Government has started structural reforms in the financial sector, but I think, the time is ripe to have introspection into the achievement after the reform. Already, IRDA has been constituted by an Act of Parliament. We should not forget the observation of the Supreme Court of the USA that insurance is a business linked with the public interest. A regulator is to not only ponder over the interest of the companies, but also it is incumbent upon the regulator to look after the other social objectives because in principle, there is a distinction between the regulator and the Government, but in practice, the distinction gets blurred.

Our performance, what we have achieved after the reform of insurance sector, insofar as coverage is concerned, is very dismal. In Singapore, 45 per cent to 50 per cent of population stands covered. In America, 80 per cent to 85 per cent of population has been covered. In Japan, they have covered 100 per cent of population. However, India is a country which has a vast potential, so far as insurance coverage is concerned, and it is estimated that four hundred million rupees can be extracted by this insurance sector.

Sir, life in premium as a percentage of GDP in India is at its lowest ebb. It is hovering around 1.7 per cent to two per cent. In contrast, in South Korea, it is 12.3 per cent. India ranks 23rd in terms of total business premiums in the world. So far as insurance density is concerned, India ranks 82nd in the world and insofar as penetration of insurance business is concerned, India ranks 51st in the world. Insurance in the non-life sector also has registered a sluggish growth.

Sir, as can be seen from the Objects and Reasons, certificates of registration have been issued to 12 new private

companies and, not all of them, some of them have already commenced insurance business. Again, out of these 12 new private companies not everybody is interested in carrying on insurance business here. But still the Government, in every Session, chooses to bring forward an amending Bill on insurance business. But I would like to congratulate the insurance sector, especially, the Life Insurance Corporation for having taken the bull by its horn. They have equipped themselves well to compete with the private sector in this field. At present, 2048 branches of the Life Insurance Corporation of India are offering desired services including online and offline services.

Sir, having said that my appreciation is also due to the Government for their having taken a prudent step insofar as the co-operative societies are concerned. They are, now, being given the status of an insurer. Now, the co-operative societies would be able to conduct their business like that is done by the corporates. It is because we have adopted the peer approach in India. All regulators are separate and as far as penetration of insurance business in rural areas is concerned, it is really deplorable. Now, that the co-operative societies have been allowed entry into the insurance sector and with the help of more than five lakh co-operative societies, that would now act as insurance agents, it would help in bringing all those people living in the far-flung areas of our country under the ambit of insurance.

Sir, I would also like to seize this opportunity to highlight a few points. In India, people are spending huge sums of money on health accounts. It is estimated that the expenditure on health is nearly six per cent of our GDP.

But health insurance coverage is very much poor.

As far the telephone regulations are concerned, they have been mandated to serve the non-remunerative areas. Similar is the case in regard to airlines also. It is the same for other regulations also.

So, I would request the hon. Minister to make it mandatory for the private insurers to extend the health insurance service to the common people of India. It is because health is accessible only to the affluent classes. Accordingly, Mediclaim is also entrusted upon those upper strata of our society. Only domiciliary hospitalisation has been brought by the Mediclaim services. Therefore, this sector must be seriously looked into.

Sir, same is the situation in regard to agriculture sector. Agriculture is the mainstay of our country. It is the backbone of the economy of our country. Therefore, this sector is also to be provided with the insurance cover.

Sir, I do not find any substantial argument to oppose the Bill. However, I would like to refer to a few lines of the Standing Committee in this regard. The Standing Committee had stated: "The institution of insurance intermediaries should be introduced with specific safeguards and checks for a period of two years."

So, I would request the hon. Minister to kindly consider this point because it is our moral and social obligation to look after 7.5 lakhs agents and their family members. I believe that the hon. Minister is acquainted with the concept of society which teaches 'each for all and also all for each.'

Sir, the Alagh Committee had already recommended to give the cooperative sector the company status. We should not do anything whereby the concept of cooperative could be diluted. With these few words, I conclude.

श्री किरीट सोमैया (मुम्बई उत्तर पूर्व) : माननीय सभापति जी, आज संसद के स्वर्ण जयन्ती उत्सव का छः बजे शुभारम्भ हो रहा है, इसलिए हाउस छः बजे एडजर्न हो जायेगा।

महोदय, इश्योरेन्स सेक्टर में गतिशीलता लाने के लिए संसद के द्वारा सरकार ने जो कार्य प्रारम्भ किया था, मैं मानता हूँ यह उसमें एक अगला कदम है। The competition is certainly going to help the total economic growth. मैं कुछ आंकड़े देखने का प्रयत्न कर रहा था। दो साल पहले इसी संसद में हम चर्चा कर रहे थे कि लाइफ इश्योरेन्स के क्षेत्र में हमें प्राइवेट कम्पनियों को लाना चाहिए या नहीं लाना चाहिए। तब अनेक सदस्यों ने शंकाएं व्यक्त की थीं। हमने इस क्षेत्र में प्राइवेट कम्पनियों को इन्वाइट किया और लगभग 18 कम्पनियों ने अपनी एप्लीकेशंस दीं और कुछ अलग-अलग प्रोडक्ट्स लांच कीं। मैं अभी आंकड़े देख रहा था कि एल.आई.सी. ग्रोथ जो पिछले 25-30 सालों में केवल 15-16 प्रतिशत थी, वह प्राइवेट इश्योरेन्स कम्पनियों के कारण वा 2000-2001 तथा 2001-2002 में 63 प्रतिशत तक आ गई है। कभी-कभी ऐसा लगता है कि कम्पिटिशन और लिबरेलाइजेशन एंड ओपनिंग ऑफ इकोनोमी का हमें फायदा हो रहा है।

कभी-कभी शंका उत्पन्न होती है लेकिन यहां दिखाई दे रहा है कि इसका फायदा न सिर्फ प्राइवेट कंपनीज़ को हो रहा है, लेकिन सरकारी कंपनियां भी अधिक कार्यक्षम बन रही हैं।

सभापति महोदय : किरीट सोमैया जी का भाण जारी रहेगा।

सदन की कार्यवाही मंगलवार, 14 मई, 2002 के 11 बजे तक के लिए स्थगित होती है।

18.00 hrs.

The Lok Sabha then adjourned till Eleven of the Clock On Tuesday, may 14, 2002/Vaisakha 24, 1924 (Saka)
