

Title: Introduction of the Insurance (Amendment) Bill, 2001.

12.02 hrs.

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): Sir, I beg to move for leave to introduce a Bill further to amend the Insurance Act, 1938.

MR. SPEAKER: Motion moved:

"That leave be granted to introduce a Bill further to amend the Insurance Act, 1938."

SHRI BASU DEB ACHARIA (BANKURA): Sir, I oppose the introduction of this Bill...*(Interruptions)*

MR. SPEAKER: I have received one more notice from Shri Radhakrishnan also. He is there to speak on every subject.

SHRI BASU DEB ACHARIA : Sir, the IRD Act was enacted last year and consequent to the passage of that Bill, the insurance sector has been opened for participation by the private sector.

Now, through the amendment of this Insurance Act, the Government of India, in the name of intermediaries, is planning to engage brokers in the insurance sector. We have before us the experience of the happenings in the stock market and we also have seen the role played by the brokers. The same thing is likely to happen in the insurance sector also if, in the name of intermediaries, the brokers are engaged in the field of insurance.

MR. SPEAKER: Shri Acharia, this is not the consideration stage of the Bill. We are only at the introduction stage. You can raise these points at the consideration stage of the Bill.

SHRI BASU DEB ACHARIA : Sir, a petition regarding this has been filed by Shri Rupchand Pal and the same has been referred to the Petition Committee by you. The Petition Committee has taken it up and when the Petition Committee is seized

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of the matter, this type of a Bill should not be brought in this House. This is against the Constitution and is beyond the legislative competence of the House. Unless the Petition Committee presents its report on the subject, this Bill should not be taken up by this House.

SHRI RUPCHAND PAL (HOOGLY): Sir, I am on a point of order.

I had submitted a petition covering all these points. More than 86,000 people of this country belonging to different walks of life like jurists, economists, Members of Parliament, etc., had expressed their views that this would cause disaster to our industry and to our economy. This issue is under the consideration of Committee on Petitions. At such a time, this Bill cannot be introduced in the House.

MR. SPEAKER: Is it a point of order or is it a point that you wanted to make?

SHRI VARKALA RADHAKRISHNAN (CHIRAYINKIL): Sir, the hon. Finance Minister, when he moved an amendment to the principal Act of 1938, made a solemn declaration in this House that allowing private participation is in the interest of the public sector undertakings; and that the Government will take all necessary steps to strengthen the public sector undertakings which were existing then. He meant that Life Insurance Corporation (LIC), and the General Insurance Corporation (GIC) would be strengthened. That was the intention of the legislation also at that time. The Minister made a solemn declaration that GIC and LIC would be strengthened by allowing privatisation through that amendment. Now, the Minister is doing just the opposite of what he had said previously. He had previously stated that the public undertakings will be strengthened. But, what he did was that GIC was divided into four units which were asked to compete with each other. Now, the entire business is facing competition.

MR. SPEAKER: Shri Radhakrishnan, we are not discussing the provisions of the Bill right now. What is your specific objection for introduction of the Bill?

SHRI VARKALA RADHAKRISHNAN : He made a declaration in this House then and now he is bringing in a provision which would pave the way for people like Harshad Mehta to come into insurance business. Brokerage is now being allowed in insurance. People like Harshad Mehta, who are now operating in the share market, would be coming into insurance business also. This would result in many agitations and the Government having to institute several inquiries in future.

SHRI SHARAD PAWAR (BARAMATI): Mr. Speaker, Sir, there is no question of brokers here. This is a limited

amendment to Section 8 of the Act intended to allow cooperative sector to enter insurance sector. Beyond that nothing is there. I cannot understand why this is being opposed?

SHRI BASU DEB ACHARIA : We are not opposing the entry of cooperative sector into insurance business. What is objectionable to us is engagement of brokers. That provision is being amended. The Government is inviting brokers into insurance.

SHRI YASHWANT SINHA: Sir, hon. Member Shri Basu Deb Acharia and others have opposed the introduction of this amendment Bill on the ground that this is beyond the legislative competence of the House. I was trying to figure out why they were saying that it was beyond the legislative competence of this House. Despite the effort at understanding their point of view, I have not been able to find any justification for their statement that this is out of the legislative competence of this House.

They have also talked about the merits of some of the provisions which are sought to be amended through this amendment. As Sharad Pawarji has said, the most important amendment which is incorporated in this, as a result of the demand generated by the cooperative sector of this country, is to enable the cooperative societies to be able to participate in the insurance business. That is the most important amendment which is combined in this.

SHRI RUPCHAND PAL : What about the engagement of commission agents?

SHRI YASHWANT SINHA: Simultaneously, we are also suggesting amendment of certain other clauses where experience has shown that such amendments will be in the interest of development of insurance business in the country.

SHRI RUPCHAND PAL : Shri Malhotra himself has categorically stated that this will cause a disaster. In America, this has caused a disaster in the insurance sector...(Interruptions)

SHRI YASHWANT SINHA: Whatever has happened in the US need not be repeated here. There is no law that I am aware of that whatever happens in the US will certainly be repeated in this country...(Interruptions)

SHRI SOMNATH CHATTERJEE (BOLPUR): That is happening hereâ€¦! (Interruptions)

SHRI YASHWANT SINHA: Sir, the point which has been raised is about insurance intermediaries. If I am allowed to respond to that issue, at the moment, we have agents. Agents in the insurance business work on behalf of the insurance companies. There are no class of people who work on behalf of the clients who are looking for insurance, and I am not talking of those who are seeking a small insurance benefit. There are a large number of players who are looking for a good insurance product for their insurance needs, and they need advice. The insurance intermediaries will be able to provide this service which the agents will not be able to provide to those who are seeking insurance cover...(Interruptions)

SHRI SOMNATH CHATTERJEE : What type of people?... (Interruptions)

SHRI YASHWANT SINHA: That is why, Sir, it is a practice which is prevalent in all countries of the world and this is a modern practice that we are seeking to introduce in our country through this Amendment.

Sir, we will discuss the merits of this issue when the Bill comes up for discussion. At this point of time, I do not think that there is any merit in the argument that this is beyond the legislative competence of this House.

SHRI SOMNATH CHATTERJEE : We are saying about the legislative propriety of the House....(Interruptions)

MR. SPEAKER: The question is:

"That leave be granted to introduce a Bill further to amend the Insurance Act, 1938. "

The motion was adopted.

MR. SPEAKER: The Minister may now introduce the Bill.

SHRI YASHWANT SINHA: Sir, I introduce the Bill.